Agreement establishing an association between the European Community and its Member States, of the one part, and the Republic of Chile, of the other part

THE KINGDOM OF BELGIUM,

THE KINGDOM OF DENMARK,

THE FEDERAL REPUBLIC OF GERMANY,

THE HELLENIC REPUBLIC,

THE KINGDOM OF SPAIN,

THE FRENCH REPUBLIC,

IRELAND,

THE ITALIAN REPUBLIC,

THE GRAND DUCHY OF LUXEMBOURG,

THE KINGDOM OF THE NETHERLANDS,

THE REPUBLIC OF AUSTRIA,

THE PORTUGUESE REPUBLIC,

THE REPUBLIC OF FINLAND,

THE KINGDOM OF SWEDEN,

THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND,

Contracting Parties to the Treaty establishing the European Community and the Treaty on European Union, hereinafter referred to as the "Member States", and

THE EUROPEAN COMMUNITY, hereinafter referred to as "the Community",

of the one part, and

THE REPUBLIC OF CHILE, hereinafter referred to as "Chile", of the other part,

Considering the traditional links between the Parties and with particular reference to:

- the common cultural heritage and the close historical, political and economic ties which unite them;

- their full commitment to the respect for democratic principles and fundamental human rights as set out in the Universal Declaration of Human Rights;

- their attachment to the principles of the rule of law and of good governance;

- the need to promote economic and social progress for their peoples, taking into account the principle of sustainable development and environmental protection requirements;

- the desirability of enlarging the framework of relations between the European Union and the Latin American regional integration with a view to contributing to a strategic association between the two regions as foreseen in the Declaration adopted at the Summit of Heads of State and Government of Latin America and the Caribbean and the European Union in Rio de Janeiro on 28 June 1999;

- the importance of strengthening the regular political dialogue on bilateral and international issues of mutual interest, as already established in the Joint Declaration which is part of the Framework Cooperation Agreement between the Parties of 21 June 1996, hereinafter referred to as the "Framework Cooperation Agreement";

- the importance that the Parties attach to co-ordinating their positions and undertaking joint initiatives in the appropriate international fora;

- the importance that the Parties attach to the principles and values set out in the Final Declaration of the World Summit for Social Development held in Copenhagen in March 1995;

- the importance attached by the Parties to the principles and rules which govern international trade, in particular those contained in the Agreement establishing the World Trade Organisation (the "WTO") and to the need to apply them in a transparent and nondiscriminatory manner;

- the importance attached by the Parties to the fight against all forms of terrorism and the commitment to establish effective international instruments to ensure its eradication;

- the desirability of a cultural dialogue in order to achieve a better mutual understanding between the Parties, and to foster the existing traditional, cultural and natural links between the citizens of both Parties;

- the importance of the Cooperation Agreement between the European Community and Chile of 20 December 1990 and of the Framework Cooperation Agreement in sustaining and fostering the implementation of these processes and principles, the Parties have decided to conclude this Agreement:

Part I. GENERAL AND INSTITUTIONAL PROVISIONS

Title I. Nature and Scope of the Agreement

Article 1. Principles

1. Respect for democratic principles and fundamental human rights as laid down in the Universal Declaration of Human Rights and for the principle of the rule of law underpins the internal and international policies of the Parties and constitutes an essential element of this Agreement.

2. The promotion of sustainable economic and social development and the equitable distribution of the benefits of the Association are guiding principles for the implementation of this Agreement.

3. The Parties reaffirm their attachment to the principle of good governance.

Article 2. Objective and Scope

1. This Agreement establishes a Political and Economic Association between the Parties, based on reciprocity, common interest and on the deepening of the relationship in all areas of application.

2. The Association is a process that will lead to a growing relationship and cooperation between the Parties structured around the bodies created in this Agreement.

3. This Agreement covers in particular the political, commercial, economic and financial, scientific, technological, social, cultural and cooperation fields. It may be extended to other areas to be agreed upon by the Parties.

4. In accordance with the objectives defined above, this Agreement provides for the following:

(a) the enhancement of political dialogue on bilateral and international matters of mutual interest, which will be conducted through meetings at different levels;

(b) the strengthening of cooperation in the political, commercial, economic and financial, scientific, technological, social, cultural and cooperation fields, as well as other areas of mutual interest;

(c) the participation of each Party in the framework programmes, specific programmes and other activities of the other Party shall be upgraded, in so far as permitted by each Party's internal procedures governing access to the programmes and activities concerned, in accordance with Part III of this Agreement; and

(d) the expansion and diversification of the Parties' bilateral trade relation in conformity with WTO provisions and with the specific objectives and provisions set out in Part IV of this Agreement.

Title II. Institutional Framework

Article 3. Association Council

1. An Association Council is hereby established, which shall supervise the implementation of this Agreement. The Association Council shall meet at ministerial level at regular intervals, not exceeding a period of two years, and extraordinarily whenever circumstances so require, if the Parties so agree.

2. The Association Council shall examine any major issue arising within the framework of this Agreement, as well as any other bilateral, multilateral or international question of common interest.

3. The Association Council shall also examine proposals and recommendations from the Parties for the improvement of this Agreement.

Article 4. Composition and Rules of Procedures

1. The Association Council shall be composed, on the one hand, of the President of the Council of the European Union, assisted by the Secretary General/High Representative, the incoming Presidency, other Members of the Council of the European Union or their representatives and Members of the European Commission, and, on the other hand, of the Minister of Foreign Affairs of Chile.

2. The Association Council shall establish its own rules of procedure.

3. Members of the Association Council may arrange to be represented, in accordance with the conditions laid down in its rules of procedure.

4. The Association Council shall be chaired in turn by a Member of the Council of the European Union and by the Minister of Foreign Affairs of Chile, in accordance with the provisions laid down in its rules of procedure.

Article 5. Decision-making Powers

1. The Association Council shall, for the purpose of attaining the objectives of this Agreement, have the power to take decisions in the cases provided for in this Agreement.

2. The decisions taken shall be binding on the Parties, which shall take all the measures necessary to implement them in accordance with each Party's internal rules.

3. The Association Council may also make appropriate recommendations.

4. The Association Council shall adopt decisions and recommendations by mutual agreement between the Parties.

Article 6. Association Committee

1. The Association Council shall be assisted in the performance of its duties by an Association Committee composed of representatives of the Members of the Council of the European Union and of the European Commission, on the one hand, and representatives of the Government of Chile, on the other, normally at senior officials level.

2. The Association Committee shall be responsible for the general implementation of this Agreement.

3. The Association Council shall establish the rules of procedure of the Association Committee.

4. The Association Committee shall have the power to take decisions in the cases provided for in this Agreement or where such power has been delegated to it by the Association Council. In this event the Association Committee shall take its decisions in accordance with the conditions laid down in Article 5.

5. The Association Committee shall generally meet once a year for an overall review of the implementation of this Agreement, on a date and with an agenda agreed in advance by the Parties, in Brussels one year and in Chile the next. Special meetings may be convened, by mutual agreement, at the request of either of the Parties. The Association Committee shall be chaired alternately by a representative of each of the Parties.

Article 7. Special Committees

1. The Association Council shall be assisted in the performance of its duties by the Special Committees established in this Agreement.

2. The Association Council may decide to set up any Special Committee.

3. The Association Council shall adopt rules of procedure which determine the composition and duties of such committees and how they shall function, insofar as not provided for by this Agreement.

Article 8. Political Dialogue

The political dialogue between the Parties shall be conducted within the framework provided for in Part II of this Agreement.

Article 9. Association Parliamentary Committee

1. An Association Parliamentary Committee is hereby established. It shall be a forum for members of the Chilean National Congress and the European Parliament to meet and exchange views. Is shall meet at intervals which it shall itself determine.

2. The Association Parliamentary Committee shall consist of members of the European Parliament, on the one hand, and of members of the Chilean National Congress, on the other.

3. The Association Parliamentary Committee shall establish its rules of procedure.

4. The Association Parliamentary Committee shall be chaired in turn by a representative of the European Parliament and a representative of the Chilean National Congress, in accordance with the provisions to be laid down in its rules of procedure.

5. The Association Parliamentary Committee may request relevant information regarding the implementation of this Agreement from the Association Council, which shall supply the Committee with the requested information.

6. The Association Parliamentary Committee shall be informed of the decisions and recommendations of the Association Council.

7. The Association Parliamentary Committee may make recommendations to the Association Council.

Article 10. Joint Consultative Committee

1. A Joint Consultative Committee is hereby established with the task of assisting the Association Council to promote dialogue and cooperation between the various economic and social organisations of civil society in the European Union and those in Chile. Such dialogue and cooperation shall encompass all economic and social aspects of the relations between the Community and Chile, as they arise in the context of implementation of this Agreement. The Committee may express its view on questions arising in these areas.

2. It shall be composed of an equal number of members of the European Economic and Social Committee, on the one hand, and of members of the corresponding institution dealing with economic and social matters in the Republic of Chile, on the other.

3. The Committee shall carry out its activities on the basis of consultation by the Association Council or, for the purposes of promoting the dialogue between various economic and social representatives, on its own initiative.

4. The Joint Consultative Committee shall adopt its rules of procedure.

Article 11. Civil Society

The Parties will also promote regular meetings of representatives of the Chilean and the European Union's civil societies, including the academic community, social and economic partners, and non-governmental organisations in order to keep them informed on the implementation of this Agreement and gather their suggestions for its improvement.

Part II. POLITICAL DIALOGUE

Article 12. Objectives

1. The Parties agree to reinforce their regular dialogue on bilateral and international matters of mutual interest. They aim at strengthening and deepening this political dialogue with a view to consolidating the Association established by this Agreement.

2. The main objective of the political dialogue between the Parties is the promotion, dissemination, further development and common defence of democratic values, such as the respect for human rights, the freedom of the individual and the principles of the rule of law as the foundation of a democratic society.

3. To this end, the Parties shall discuss and exchange information on joint initiatives concerning any issue of mutual interest and any other international issue with a view to pursuing common goals, in particular, security, stability, democracy and regional development.

Article 13. Mechanisms

1. The Parties agree that their political dialogue shall take the form of:

(a) regular meetings between Heads of State and Government;

(b) periodic meetings between Foreign Ministers;

(c) meetings between other Ministers to discuss matters of common interest in cases in which the Parties consider that such meetings will result in closer relations;

(d) annual meetings between senior officials of both Parties.

2. The Parties shall decide on the procedures to be used for the above mentioned meetings.

3. The periodic meetings of Foreign Ministers referred to under paragraph 1(b) shall take place either within the Association Council established by Article 3 of this Agreement, or on other agreed occasions of an equivalent level.

4. The Parties will also make maximum use of diplomatic channels.

Article 14. Cooperation In the Field of Foreign and Security Policy

The Parties shall, as far as possible, coordinate their positions and undertake joint initiatives in the appropriate international fora, and cooperate in the field of foreign and security policy.

Article 15. Cooperation Against Terrorism

The Parties agree to cooperate in the fight against terrorism in accordance with international conventions and with their respective laws and regulations. They shall do so in particular:

(a) in the framework of the full implementation of Resolution 1373 of the United Nations Security Council and other relevant United Nations Resolutions, international conventions and instruments;

(b) by exchange of information on terrorist groups and their support networks in accordance with international and domestic law;

(c) by exchange of views on means and methods used to counter terrorism, including in technical fields and training, and by exchange of experiences in respect of terrorism prevention.

Part III. COOPERATION

Article 16. General Objectives

1. The Parties shall establish close cooperation aimed inter alia at:

(a) strengthening the institutional capacity to underpin democracy, the rule of law, and respect for human rights and fundamental freedoms;

(b) promoting social development, which should go hand in hand with economic development and the protection of the environment. The Parties will give particular priority to respect for basic social rights;

(c) stimulating productive synergies, creating new opportunities for trade and investment and promoting competitiveness and innovation;

(d) increasing the level of and deepening cooperation actions while taking into account the association relation between the Parties.

2. The Parties re-affirm the importance of economic, financial and technical cooperation, as means to contribute to implementing the objectives and principles derived from the present Agreement.

Title I. Economic Cooperation

Article 17. Industrial Cooperation

1. Industrial cooperation will support and promote industrial policy measures to develop and consolidate the Parties' efforts and establish a dynamic, integrated and decentralised approach to managing industrial cooperation, so as to create a favourable environment to serve their mutual interests.

2. The central aims will be:

(a) to boost contacts between the Parties' economic operators, with the aim of identifying sectors of mutual interest, especially in the area of industrial cooperation, transfers of technology, trade and investment;

(b) to strengthen and promote dialogue and exchanges of experience between networks of European and Chilean economic operators;

(c) to promote industrial cooperation projects, including projects deriving from the process of privatisation and/or opening-up of the Chilean economy; these could cover the establishment of forms of infrastructure stimulated by European investment through industrial cooperation between businesses; and

(d) to strengthen innovation, diversification, modernisation, development and product quality in businesses.

Article 18. Cooperation on Standards, Technical Regulations and Conformity Assessment Procedures

1. Cooperation on standards, technical regulations and conformity assessment is a key objective in order to avoid and reduce technical barriers to trade and to ensure the satisfactory functioning of trade liberalisation as provided for in Part IV, Title II.

2. Cooperation between the Parties will seek to promote efforts in:

(a) regulatory cooperation;

(b) compatibility of technical regulations on the basis of international and European standards; and

(c) technical assistance to create a network of conformity assessment bodies on a nondiscriminatory basis.

3. In practice, cooperation will:

(a) encourage any measures aimed at bridging the gaps between the Parties in the areas of conformity assessment and standardisation;

(b) provide organisational support between the Parties to foster the establishment of regional networks and bodies, and increase coordination of policies to promote a common approach to the use of international and regional standards and similar technical regulations and conformity assessment procedures; and

(c) encourage any measure aiming at improving convergence and compatibility between the respective system of the Parties in the above areas, including transparency, good regulatory practices and the promotion of quality standards for products and business practices.

Article 19. Cooperation on Small and Medium-sized Enterprises

1. The Parties will promote a favourable environment for the development of small and medium-sized enterprises (SMEs).

2. Cooperation shall consist, amongst other actions, in:

(a) technical assistance;

(b) conferences, seminars, prospecting for industrial and technical opportunities, participation in round tables and general and sectoral fairs;

(c) promoting contacts between economic operators, encouraging joint investment and establishing joint ventures and information networks through existing horizontal programs;

(d) facilitating access to finance, providing information and stimulating innovation.

Article 20. Cooperation on Services

In compliance with the WTO General Agreement on Trade in Services (the "GATS") and within the bounds of their own fields of competence, the Parties will support and intensify cooperation with each other, reflecting the growing importance of services in the development and growth of their economies. Cooperation aimed at promoting the development and diversification of productivity and competitiveness in Chile's service sector will be stepped up. The Parties will determine the sectors on which cooperation will concentrate, and they will also focus on the means available for this purpose. Activities will be directed particularly at SMEs and at facilitating their access to sources of capital and market technology. In that connection, special attention will be devoted to promoting trade between the Parties and third countries.

Article 21. Promoting Investment

1. The aim of cooperation will be to help the Parties to promote, within the bounds of their own competence, an attractive and stable reciprocal investment climate.

2. Cooperation will cover in particular the following:

(a) establishing mechanisms for providing information, identifying and disseminating investment rules and opportunities;

(b) developing a legal framework for the Parties that favours investment, by conclusion, where appropriate, of bilateral agreements between the Member States and Chile to promote and protect investment and avoid dual taxation;

(c) incorporating technical assistance activities for training initiatives between the Parties' government agencies dealing with the matter; and

(d) developing uniform and simplified administrative procedures.

Article 22. Cooperation on Energy

1. The aim of the cooperation between the Parties is to consolidate economic relations in key sectors such as hydroelectricity, oil and gas, renewable energy, energy-saving technology and rural electrification.

2. Among the objectives of cooperation will be:

(a) exchanges of information in all suitable forms, including developing databases shared by institutions of both Parties, and training and conferences;

(b) transfers of technology;

(c) diagnostic studies, comparative analyses and implementation of programmes by institutions from both Parties;

(d) involvement of public and private operators from both regions in technological development and common-infrastructure projects, including networks with other countries in the region;

(e) conclusion, where appropriate, of specific agreements in key fields of mutual interest; and

(f) assistance for Chilean institutions dealing with energy matters and the formulation of energy policy.

Article 23. Transport

1. Cooperation will focus on restructuring and modernising Chile's transport systems, improving the movement of passengers and goods and providing better access to the urban, air, maritime, rail and road transport markets by refining the management of transport from the operational and administrative points of view and by promoting operating standards.

2. Cooperation will cover matters including the following:

(a) exchanges of information on the Parties' policies, especially regarding urban transport and the interconnection and interoperability of multimodal transport networks and other issues of mutual interest;

(b) training programmes in economics, legislation and technical matters for economic operators and senior civil servants; and

(c) cooperation projects for transfers of European technology in the Global Navigation Satellite System and urban public transport centres.

Article 24. Cooperation on Agriculture and Rural Sectors and Sanitary and Phytosanitary Measures

1. Cooperation in this area is designed to support and stimulate agricultural policy measures in order to promote and consolidate the Parties' efforts towards a sustainable agriculture and agricultural and rural development.

2. The cooperation will focus on capacity-building, infrastructure and technology transfer, addressing matters such as:

(a) specific projects aimed at supporting sanitary, phytosanitary, environmental and food quality measures, taking into account the legislation in force for both Parties, in compliance with WTO rules and other competent international organisations;

(b) diversification and restructuring of agricultural sectors;

(c) the mutual exchange of information, including that concerning the development of the Parties' agricultural policies;

(d) technical assistance for the improvement of productivity and the exchange of alternative crop technologies;

(e) scientific and technological experiments;

(f) measures aimed at enhancing the quality of agricultural products and supporting trade promotion activities;

(g) technical assistance for the strengthening of sanitary and phytosanitary control systems, with a view to supporting as far as possible the promotion of equivalence and mutual recognition agreements.

Article 25. Fisheries

1. In view of the importance of fisheries policy in the relations between them, the Parties undertake to develop closer economic and technical collaboration, possibly leading to bilateral and/or multilateral agreements covering fisheries on the high seas.

2. Furthermore, the Parties underline the importance they attach to fulfilment of the mutual commitments specified in the Memorandum Of Understanding that they signed on 25 January 2001.

Article 26. Customs Cooperation

1. The Parties shall promote and facilitate cooperation between their respective customs services in order to ensure that the objectives set out in Article 79 are attained, particularly in order to guarantee the simplification of customs procedures; facilitating legitimate trade while retaining their control capabilities.

2. Without prejudice to the cooperation established by this Agreement, mutual assistance between the administrative authorities in customs matters will be given in conformity with the Protocol of 13 June 2001 on Mutual Assistance in Customs matters to the Framework Cooperation Agreement.

3. The cooperation shall give rise among other things, to:

(a) the provision of technical assistance, including where appropriate, the organisation of seminars and the placement of trainees;

(b) the development and sharing of best practices; and

(c) the improvement and simplification of customs matters relating to market access and rules of origin and the customs procedures related to them.

Article 27. Cooperation on Statistics

1. The main aim is to approximate methods, so that the Parties are able to use each other's statistics on trade in goods and services and more generally on any area covered by this Agreement for which statistics can be collected.

2. Cooperation will focus on:

(a) homologation of statistical methods to generate indicators that are comparable between the Parties;

(b) scientific and technological exchanges with statistical institutions of the Member States of the European Union, and with Eurostat;

(c) statistical research directed at developing common methods for collecting, analysing and interpreting data;

(d) organising seminars and workshops; and

(e) statistical training programmes, including other countries of the region.

Article 28. Cooperation on the Environment

1. The aim of cooperation will be to encourage conservation and improvement of the environment, prevention of contamination and degradation of natural resources and ecosystems, and rational use of the latter in the interests of sustainable development.

2. In this connection, the following are particularly significant:

(a) the relationship between poverty and the environment;

(b) the environmental impact of economic activities;

(c) environmental problems and land-use management;

(d) projects to reinforce Chile's environmental structures and policies;

(e) exchanges of information, technology and experience in areas including environmental standards and models, training and education;

(f) environmental education and training to involve citizens more; and

(g) technical assistance and joint regional research programmes.

Article 29. Consumer Protection

Cooperation in this field should seek to make the consumer-protection programmes in the Parties compatible, and should as far as possible cover:

(a) making consumer legislation more compatible, to avoid trade barriers;

(b) establishing and developing mutual information systems for dangerous goods, and interconnecting those systems (early-warning systems);

(c) exchanges of information and experts, and encouraging cooperation between both Parties' consumer bodies; and

(d) organising projects for training and technical assistance.

Article 30. Data Protection

1. The Parties agree to cooperate on the protection of personal data in order to improve the level of protection and avoid obstacles to trade that requires transfers of personal data.

2. Cooperation on personal data protection may include technical assistance in the form of exchange of information and experts and the establishment of joint programmes and projects.

Article 31. Macroeconomic Dialogue

1. The Parties will promote exchanges of information on their respective macroeconomic policies and trends, and exchanges of experience regarding coordination of macroeconomic policies in the context of regional integration.

2. With this aim in mind, the Parties will seek more in-depth dialogue between their authorities on macroeconomic matters, in order to exchange ideas and opinions on issues such as:

(a) macroeconomic stabilisation;

(b) consolidation of public finances;

(c) tax policy;

(d) monetary policy;

(e) financial policy and regulation;

(f) financial integration and opening of the capital account;

(g) exchange-rate policy;

(h) international financial architecture and reform of the international monetary system; and

(i) coordination of macroeconomic policy.

3. The methods of implementing such cooperation will include:

(a) meetings between macroeconomic authorities;

(b) organising seminars and conferences;

(c) providing training opportunities, where there is a demand; and

(d) producing studies on issues of mutual interest.

Article 32. Intellectual Property Rights

1. The Parties agree to cooperate, according to their own capabilities, in matters relating to the practice, promotion, dissemination, streamlining, management, harmonisation, protection and effective application of intellectual property rights, the prevention of abuses of such rights, the fight against counterfeiting and piracy, and the establishment and strengthening of national organisations for control and protection of such rights.

2. Technical cooperation can focus on one or more of the activities listed below:

(a) legislative advice: comments on draft laws relating to the general provisions and basic principles of the international conventions listed in Article 170, copyright and related rights, trademarks, geographical indications, traditional expressions or complementary quality mentions, industrial designs, patents, layout-designs (topographies) of integrated circuits, protection of

undisclosed information, control of anti-competitive practices in contractual licences, enforcement and other matters relating to the protection of intellectual property rights;

(b) advice on the ways to organise administrative infrastructure, such as patent offices, collecting societies, etc;

(c) training in the field of intellectual property rights administration and management techniques;

(d) specific training of judges and Customs and Police Officers, in order to make the enforcement of laws more effective; and

(e) awareness-building activities for the private sector and civil society.

Article 33. Public Procurement

Cooperation between the Parties in this field will seek to provide technical assistance on issues connected with public procurement, paying special attention to the municipal level.

Article 34. Cooperation on Tourism

1. The Parties will promote mutual cooperation in developing tourism.

2. Such cooperation will focus on:

(a) projects intended to create and consolidate tourist products and services of mutual interest or which hold an attraction for other markets of mutual interest;

(b) consolidation of long-haul tourist flows;

(c) reinforcing tourism promotion channels;

(d) training and education in tourism;

(e) technical assistance and pilot projects for developing special-interest tourism;

(f) exchanges of information on tourism promotion, integral planning of tourist destinations and quality of services; and

(g) using promotion instruments to develop tourism at local level.

Article 35. Cooperation on Mining

The Parties commit themselves to promoting cooperation on mining, mainly through agreements aimed at :

(a) fostering exchanges of information and experience, in the application of clean technologies in the mining productive processes.

(b) promoting joint efforts to develop scientific and technological initiatives in the field of mining.

Title II. Science, Technology and Information Society

Article 36. Cooperation on Science and Technology

1. The aims of cooperation on science and technology, carried out in the mutual interest of both Parties and in compliance with their policies, particularly as regards the rules for use of intellectual property resulting from research, shall be:

(a) policy dialogue and exchanges of scientific and technological information and experience at regional level, particularly in respect of policies and programmes;

(b) promotion of lasting relations between the two Parties' scientific communities; and

(c) intensification of activities to promote linkage, innovation and technology transfer between Chilean and European partners.

2. Special emphasis will be put on human potential building as the real long-lasting basis of scientific and technological excellence and the creation of permanent links between both scientific and technological communities, at both national and regional levels.

3. The following forms of cooperation should be encouraged:

(a) joint applied research projects in areas of common interest, with active participation by business undertakings where appropriate;

(b) exchanges of researchers to promote project preparation, high-level training and research;

(c) joint scientific meetings to foster exchanges of information and interaction and to identify areas for joint research;

(d) the promotion of activities linked to scientific and technological forward studies which contribute to the long term development of both Parties; and

(e) the development of links between the public and private sectors.

4. Furthermore, the evaluation of joint work and the dissemination of results will be promoted.

5. Higher-education institutions, research centres and productive sectors, including SMEs, on both sides shall be involved in this cooperation in an appropriate manner.

6. The Parties shall promote their respective entities' participation in their respective scientific and technological programmes in pursuit of mutually beneficial scientific excellence and in accordance with their respective provisions governing the participation of legal entities from third countries.

Article 37. Information Society, Information Technology and Telecommunications

1. Information technology and communications are key sectors in a modern society and are of vital importance for economic and social development and the smooth transition to the information society.

2. Cooperation in this area shall aim in particular to promote:

(a) dialogue on the various issues of the information society, including promotion and monitoring of the emergence of the information society;

(b) cooperation on regulatory and policy aspects of telecommunications;

(c) exchange of information on standards, conformity assessment and type approval;

(d) dissemination of new information and communication technologies;

(e) joint research projects on information and communication technologies and pilot projects in the field of information society applications;

(f) promotion of exchange and training of specialists, in particular for young professionals; and

(g) exchange and dissemination of experiences from government initiatives which apply information technologies in their relationship with society.

Title III. Culture, Education and Audio-visual

Article 38. Education and Training

1. The Parties will significantly support, within their respective competencies, pre-schooling, basic, intermediate and higher education, vocational training and life-long learning. Within these fields, special attention will be paid to access to education for vulnerable social groups such as the disabled, ethnic minorities and the extremely poor.

2. Special attention will be paid to decentralised programmes, which forge permanent links between specialised bodies of both Parties and encourage the pooling and exchange of experience and technical resources as well as the mobility of students.

Article 39. Cooperation In the Audio-visual Field

The Parties agree to promote the cooperation in this area, mainly through training programmes in the audio-visual sector and means of communication, including co-production, training, development and distribution activities.

Article 40. Exchange of Information and Cultural Cooperation

1. In view of the Parties very close cultural ties, cooperation in this sphere, including information and media contacts, should be enhanced.

2. The objective of Part III of this Agreement will be to promote the exchange of information and cultural cooperation between the Parties, and account will be taken of bilateral schemes with the Member States.

3. Special attention must be paid to promoting joint activities in various fields, including the press, cinema and television, and to encouraging youth exchange schemes.

4. This cooperation could cover inter alia the following areas:

(a) mutual information programmes;

(b) translation of literary works;

(c) conservation and restoration of national heritage;

(d) training;

(e) cultural events;

(f) promotion of local culture;

(g) cultural management and production; and

(h) other areas.

Title IV. State Reform and Public Administration

Article 41. Public Administration

1. Cooperation in this area shall aim at the modernisation and decentralisation of public administration and encompass overall organisational efficiency and the legislative and institutional framework, drawing lessons from both Parties' best practices.

2. Such cooperation may involve programmes of the following types:

(a) modernisation of the State and of public administration;

(b) decentralisation and the strengthening of regional and local government;

(c) strengthening of civil society and its incorporation into the process of defining public policies;

(d) job creation and vocational training programmes;

(e) social service management and administration projects;

(f) development, rural housing or land management projects;

(g) health and primary education programmes;

(h) support for civil society and grass-roots initiatives;

(i) any other programmes and projects which help combat poverty by creating business and employment opportunities; and

(j) promotion of culture and its several manifestations and strengthening of cultural identities.

3. The means of cooperation in this area will be:

(a) technical assistance to Chilean policy-making and executive bodies, including meetings between staff of the European institutions and their Chilean counterparts;

(b) regular exchanges of information taking whatever form is appropriate, including the use of computer networks; personal data protection will be ensured in all areas where data are to be exchanged;

(c) transfers of know-how;

(d) preliminary studies and joint project implementation, involving comparable financial input; and

(e) training and organisational support.

Article 42. Inter-institutional Cooperation

1. The purpose of inter-institutional cooperation between the Parties is to promote closer cooperation between the institutions concerned.

2. To that end, Part III of this Agreement will seek to encourage regular meetings between these institutions; cooperation will be as broad as possible, and will include:

(a) any measures promoting regular exchanges of information, including the joint development of computerised communication networks;

(b) advice and training; and

(c) transfers of know-how.

3. The Parties may, by common agreement, include other, additional fields of action.

Title V. Social Cooperation

Article 43. Social Dialogue

The Parties recognise that:

(a) the participation of the social partners will be promoted as regards living conditions and integration into society,

(b) particular account will be taken of the need to avoid discrimination in the treatment of nationals of one Party residing legally in the territory of the other Party.

Article 44. Social Cooperation

1. The Parties recognise the importance of social development, which must go hand in hand with economic development. They will give priority to the creation of employment and respect for fundamental social rights, notably by promoting the relevant conventions of the International Labour Organisation covering such topics as the freedom of association, the right to collective bargaining and non-discrimination, the abolition of forced and child labour, and equal treatment between men and women.

2. Cooperation may cover any area of interest to the Parties.

3. Measures may be coordinated with those of the Member States and the relevant international organisations.

4. The Parties will give priority to measures aimed at:

(a) promoting human development, the reduction of poverty and the fight against social exclusion, by generating innovative and reproducible projects involving vulnerable and marginalised social sectors. Special attention will be paid to low-income families and disabled persons;

(b) promoting the role of women in the economic and social development process and promoting specific programmes for youth;

(c) developing and modernising labour relations, working conditions, social welfare and employment security;

(d) improving the formulation and management of social policies, including social housing, and improving access by beneficiaries;

(e) developing an efficient and equitable health system, based on solidarity principles;

(f) promoting vocational training and development of human resources;

(g) promoting projects and programmes which generate opportunities for the creation of employment within micro-, small and medium-sized enterprises;

(h) promoting programmes of land management with special attention to areas with higher social and environmental vulnerability;

(i) promoting initiatives contributing to social dialogue and the creation of consensus; and

(j) promoting respect for human rights, democracy and citizens' participation.

Article 45. Cooperation Related to Gender

1. Cooperation will contribute to strengthening policies and programmes that improve, guarantee and extend the equitable participation of men and women in all sectors of political, economic, social and cultural life. Cooperation will contribute to easing women's access to all necessary resources for the full exercise of their fundamental rights.

2. In particular, cooperation should promote the creation of an adequate framework to:

(a) ensure that gender and gender-related issues can be taken into account at every level and in all areas of cooperation including macroeconomic policy, strategy and development operations; and

(b) promote the adoption of positive measures in favour of women.

Title VI. Other Cooperation Areas

Article 46. Cooperation on Illegal Immigration

1. The Community and Chile agree to cooperate in order to prevent and control illegal immigration. To this end:

(a) Chile agrees to readmit any of its nationals illegally present on the territory of a Member State, upon request by the latter and without further formalities;

(b) and each Member State agrees to readmit any of its nationals, as defined for Community purposes, illegally present on the territory of Chile, upon request by the latter and without further formalities.

2. The Member States and Chile will also provide their nationals with appropriate identity documents for such purposes.

3. The Parties agree to conclude, upon request, an agreement between Chile and the Community regulating the specific readmission obligations of Chile and the Member States, including an obligation to readmit nationals of other countries and stateless persons.

4. Pending the conclusion of the agreement with the Community referred to in paragraph 3, Chile agrees to conclude, upon request of a Member State, bilateral agreements with individual Member States regulating the specific readmission obligations between Chile and the Member State concerned, including an obligation to readmit nationals of other countries and stateless persons.

5. The Association Council shall examine what other joint efforts can be made to prevent and control illegal immigration.

Article 47. Cooperation on Drugs and Combating Organised Crime

1. Within their respective competencies, the Parties undertake to coordinate and increase their efforts to prevent and reduce the illicit production of, trade in and consumption of drugs and the laundering of profits from drug-trafficking, and to combat related organised crime through the intermediary of international organisations and bodies.

2. The Parties will cooperate in this area to implement in particular:

(a) projects for the treatment, rehabilitation and family, social and labour reinsertion of drug addicts;

(b) joint training programmes relating to prevention of consumption and trafficking of narcotic drugs and psychotropic substances and related crimes;

(c) joint study and research programmes, using methodologies and indicators applied by the European Monitoring Centre for Drugs and Drug Addiction, the Inter-American Observatory of Drugs of the Organisation of American States and other international and national organisations;

(d) measures and cooperation actions aimed at reducing the supply of drugs and psychotropic substances, as part of the international conventions and treaties on the matter which have been signed and ratified by the Parties to this Agreement;

(e) information exchange on policies, programmes, actions and legislation linked to production, trafficking and consumption of narcotic drugs and psychotropic substances;

(f) exchange of relevant information and adoption of appropriate standards to combat money laundering comparable to those adopted by the European Union and the international bodies active in this field, such as the Financial Action Task Force on Money Laundering; and

(g) measures to prevent diversion of precursors and chemical substances essential to the illicit production of narcotic drugs and psychotropic substances, equivalent to those adopted by the European Community and competent international organisations and in accordance with the "Agreement between the Republic of Chile and the European Community on the prevention of the diversion of precursors and chemical substances frequently used in the illicit manufacture of narcotic drugs or psychotropic substances" of 24 November 1998.

Title VII. General Provisions

Article 48. Participation of Civil Society In Cooperation

The Parties recognise the complementary role and potential contribution of civil society (social interlocutors and Non Governmental Organisations) in the cooperation process. To that end, subject to the legal and administrative provisions of each Party, civil society actors may:

(a) be informed about and participate in consultations on cooperation policies and strategies, including strategic priorities, particularly in the areas concerning or directly affecting them;

(b) receive financial resources, insofar as the internal rules of each Party allow it; and

(c) participate in the implementation of cooperation projects and programmes in the areas that concern them.

Article 49. Regional Cooperation and Regional Integration

1. Both Parties should use all existing cooperation instruments to promote activities aimed at developing an active and reciprocal cooperation between the Parties and the Mercado Común del Sur (Mercosur) as a whole.

2. This cooperation will be an important element in the Community's support for the promotion of regional integration among the Southern Cone countries of Latin America.

3. Priority will be given to operations aimed at:

(a) promoting trade and investment in the region;

(b) developing regional cooperation on the environment;

(c) encouraging development of the communications infrastructure required for the economic development of the region; and

(d) developing regional cooperation on fisheries matters.

4. The Parties will also cooperate more closely on regional development and land-use planning.

5. To this end, they may:

(a) undertake joint action with regional and local authorities in the area of economic development; and

(b) set up mechanisms for the exchange of information and know-how.

Article 50. Triangular and Bi-regional Cooperation

1. The Parties recognise the value of international cooperation for the promotion of equitable and sustainable development processes and agree to give impetus to triangular cooperation programmes and programmes with third countries in areas of common interest.

2. This cooperation may also be applied to bi-regional cooperation in accordance with the priorities of Member States and other countries of Latin America and the Caribbean.

Article 51. Future Developments Clause

Within the Parties' respective competencies, no opportunity for cooperation should be ruled out in advance and the Parties could use the Association Committee to explore together the practical possibilities for cooperation in their mutual interest.

Article 52. Cooperation Within the Association Relationship

1. Cooperation between the Parties should contribute to achieving the general objectives of Part III of this Agreement by identifying and developing innovative cooperation programmes capable of providing added value to their new relationship as associated partners.

2. The participation of each Party as an associated partner in framework programmes, specific programmes and other activities of the other Party shall be promoted, in so far as it is permitted by each Party's internal rules governing access to the programmes and activities concerned.

3. The Association Council may make recommendations to that effect.

Article 53. Resources

1. With the aim of contributing to fulfilling the cooperation objectives established in this Agreement, the Parties commit themselves to providing, within the limits of their capacities and through their own channels, the appropriate resources, including financial resources.

2. The Parties shall take all appropriate measures to promote and facilitate the European Investment Bank's activities in Chile, in accordance with its own procedures and financing criteria and with their laws and regulations, and without prejudice to the powers of their competent authorities.

Article 54. Specific Tasks of the Association Committee In Cooperation Matters

1. When the Association Committee performs any of the tasks conferred upon it in Part III of this Agreement, it shall be composed of representatives of the Community and Chile with responsibility for cooperation matters, normally at senior official level.

2. Notwithstanding the provisions of Article 6, the Association Committee shall have, in particular, the following functions:

(a) assist the Association Council in the performance of its functions regarding cooperation related matters;

(b) supervise the implementation of the cooperation framework agreed between the Parties;

(c) make recommendations on the strategic cooperation between the Parties, which shall serve to set long-term objectives, the strategic priorities and specific fields for action, on the multiannual indicative programmes, which shall contain a description of sectoral priorities, specific objectives, expected results and indicative amounts, and annual action programmes; and

(d) report regularly to the Association Council on the application and fulfilment of the objectives and matters of Part III of this Agreement.

Part IV. TRADE AND TRADE-RELATED MATTERS

Title I. General Provisions

Article 55. Objectives

(a) the progressive and reciprocal liberalisation of trade in goods, in conformity with Article XXIV of General Agreement on Tariffs and Trade 1994 ("the GATT 1994");

(b) the facilitation of trade in goods through, inter alia, the agreed provisions regarding customs and related matters, standards, technical regulations and conformity assessment procedures, sanitary and phytosanitary measures and trade in wines and spirit drinks and aromatised drinks;

(c) the reciprocal liberalisation of trade in services, in conformity with Article V of General Agreement on Trade in Services ("the GATS");

(d) the improvement of the investment environment and, in particular, the conditions of establishment between the Parties, on the basis of the principle of non-discrimination;

(e) the liberalisation of current payments and capital movements, in conformity with the commitments undertaken in the framework of the international financial institutions and with due consideration for each Party's currency stability;

(f) the effective and reciprocal opening of the government procurement markets of the Parties;

(g) the adequate and effective protection of intellectual property rights, in accordance with the highest international standards;

(h) the establishment of an effective cooperation mechanism in the field of competition; and

(i) the establishment of an effective dispute settlement mechanism.

Article 56. Customs Unions and Free Trade Areas

1. Nothing in this Agreement shall preclude the maintenance or establishment of customs unions, free trade areas or other arrangements between either of the Parties and third countries, insofar as they do not alter the rights and obligations provided for in this Agreement.

2. At the request of a Party, consultations between them shall take place within the Association Committee concerning agreements establishing or adjusting customs unions or free trade areas and, where required, on other major issues related to the Parties' respective trade policies with third countries. In particular, in the event of accession, such consultation shall take place so as to ensure that account can be taken of the mutual interests of the Parties.

Title II. FREE MOVEMENT OF GOODS

Article 57. Objective

The Parties shall progressively and reciprocally liberalise trade in goods over a transitional period starting from the entry into force of this Agreement, in accordance with the provisions of this Agreement and in conformity with Article XXIV of the GATT 1994.

Chapter I. Elimination of Customs Duties

Section 1. Common Provisions

Article 58. Scope

1. The provisions of this Chapter concerning the elimination of customs duties on imports shall apply to products originating in one Party and exported to the other Party. For the purposes of this Chapter, "originating" means qualifying under the rules of origin set out in Annex III.

2. The provisions of this Chapter concerning the elimination of customs duties on exports shall apply to all goods exported from one Party to the other Party.

Article 59. Customs Duty

A customs duty includes any duty or charge of any kind imposed in connection with the importation or exportation of a good, including any form of surtax or surcharge in connection with such importation or exportation, but does not include any:

(a) internal taxes or other internal charges imposed consistently with Article 77;

(b) antidumping or countervailing duties applied consistently with Article 78;

(c) fees or other charges imposed consistently with Article 63.

Article 60. Elimination of Customs Duties

1. Customs duties on imports between the Parties shall be eliminated in accordance with the provisions of Articles 64 to 72.

2. Customs duties on exports between the Parties shall be eliminated as from the date of entry into force of this Agreement.

3. For each product, the basic customs duty to which the successive reductions are to be applied pursuant to Articles 64 to 72 shall be that specified in each Party's Tariff Elimination Schedule set out in Annexes I and II, respectively.

4. If a Party reduces its applied most favoured nation customs duty rate after the entry into force of this Agreement and prior to the ending of the transitional period, the Tariff Elimination Schedule of that Party shall apply to the reduced rates.

5. Each Party declares its readiness to reduce its customs duties more rapidly than is provided for in Articles 64 to 72, or otherwise improve the conditions of access under such Articles, if its general economic situation and the situation of the economic sector concerned so permit. A decision by the Association Council to accelerate the elimination of a customs duty or otherwise improve conditions of access shall supersede the terms established in Articles 64 to 72 for the product concerned.

Article 61. Standstill

1. No new customs duties shall be introduced nor shall those already applied be increased in trade between the Parties as from the date of entry into force of this Agreement.

2. Nothwithstanding paragraph 1, Chile may maintain its price band system as established in Article 12 of Law 18,525 or succeeding system for the products covered by that law, provided it is applied consistently with Chile's rights and obligations under the WTO Agreement and in a manner that does not afford more favourable treatment to imports of any third country, including countries with which Chile has concluded or will conclude in the future an agreement notified under Article XXIV of the GATT 1994.

Article 62. Classification of Goods

The classification of goods in trade between the Parties shall be that set out in each Party's respective tariff nomenclature in conformity with the Harmonised Commodity Description and Coding System ("HS").

Article 63. Fees and other Charges

Fees and other charges referred to in Article 59 shall be limited in amount to the approximate cost of services rendered and shall not represent an indirect protection for domestic products or a taxation of imports or exports for fiscal purposes. They shall be based on specific rates that correspond to the real value of the service rendered.

Section 2. Elimination of Customs Duties

Subsection 2.1. Industrial Products

Article 64. Scope

This sub-section applies to products of HS chapters 25-97 not covered by agricultural and processed agricultural products as defined in Article 70.

Article 65. Customs Duties on Industrial Imports Originating In Chile

Customs duties on imports into the Community of industrial products originating in Chile listed in Annex I (Tariff Elimination Schedule of the Community) under category "Year 0" and "Year 3" shall be eliminated in accordance with the following timetable, so that these customs duties are completely eliminated by the entry into force of the Agreement and on 1 January 2006, respectively :

Percentages of annual tariff reduction

Category	Entry into force	1.1.04	1.1.05	1.1.06
Year 0	100%			
Year 3	25%	50%	75%	100%

Article 66. Customs Duties on Industrial Imports Originating In Theacommunity

Customs duties on imports into Chile of products originating in the Community listed in Annex II (Tariff Elimination Schedule of Chile) under category "Year 0", "Year 5" and "Year 7" shall be eliminated in accordance with the following timetable, so that these customs duties are completely eliminated by the entry into force of this Agreement, 1 January 2008 and 1 January 2010, respectively:

Percentages of annual tariff reduction

Category	Entry into force	1.1.04	1.1.05	1.1.06	1.1.07	1.1.08	1.1.09	1.1.10
Year 0	100%							
Year 5	16,7%	33,3%	50%	66,7%	83,3%	100%		
Year 7	12,5%	25%	37,5%	50%	62,5%	75%	87,5%	100%

Subsection 2.2. Fish and Fisheries Products

Article 67. Scope

This sub-section applies to fish and fisheries products as covered by HS chapter 3, HS headings 1604 and 1605, HS subheadings 051191 and 230120, and HS subheading ex1902201. (1)

(1) Ex 1902 20 is ‘stuffed pasta containing more than 20% by weight of fish, crustaceans, molluscs or other aquatic invertebrates'

Article 68. Customs Duties on Fish and Fisheries Imports Originating In Chile

1. Customs duties on imports into the Community of fish and fisheries products originating in Chile listed in Annex I under category "Year 0", "Year 4", "Year 7" and "Year 10" shall be eliminated in accordance with the following timetable, so that these customs duties are completely eliminated by the entry into force of this Agreement, 1 January 2007, 1 January 2010 and 1 January 2013, respectively:

Percentages of annual tariff reduction

Category	Entry into force	1.1.04	1.1.05	1.1.06	1.1.07	1.1.08	1.1.09	1.1.10	1.1.11	1.1.12	1.1.23
Year 0	100%										
Year 4	20%	40%	60%	80%	100%						

Year 7	12,5%	25%	37,5%	50%	62,5%	75%	87,5%	100%			
Year 10	9%	18%	27%	36%	45%	54%	63%	72%	81%	90%	100%

2. Tariff quotas on imports into the Community of certain fish and fisheries products originating in Chile listed in Annex I under category "TQ" shall be applied as from entry into force of this Agreement, in accordance with the conditions mentioned in that Annex. These quotas shall be managed on a first-come first-served basis.

Article 69. Customs Duties on Fish and Fisheries Imports Originating In the Community

1. Customs duties on imports into Chile of fish and fisheries products originating in the Community listed in Annex II under category "Year 0" shall be eliminated at the entry into force of this Agreement.

2. Tariff quotas on imports into Chile of certain fish and fisheries products originating in the Community listed in Annex II under category "TQ" shall be applied as from entry into force of this Agreement, in accordance with the conditions mentioned in that Annex. These quotas shall be managed on a first-come first-served basis.

Subsection 2.3. Agricultural and Processed Agricultural Products

Article 70. Scope

This sub-section applies to agricultural and processed agricultural products as covered by Annex I of the WTO Agreement on Agriculture.

Article 71. Customs Duties on Agricultural and Processed Agricultural Imports Originating In Chile

1. Customs duties on imports into the Community of agricultural and processed agricultural products originating in Chile listed in Annex I under category "Year 0", "Year 4", "Year 7" and "Year 10" shall be eliminated in accordance with the following timetable, so that these customs duties are completely eliminated by the entry into force of this Agreement, 1 January 2007, 1 January 2010 and 1 January 2013, respectively:

Percentages of annual tariff reduction

Category	Entry into force	1.1.04	1.1.05	1.1.06	1.1.07	1.1.08	1.1.09	1.1.10	1.1.11	1.1.12	1.1.13
Year 0	100%										
Year 4	20%	40%	60%	80%	100%						
Year 7	12,5%	25%	37,5%	50%	62,5%	87,5%	100%				
Year 10	9%	18%	27%	36%	45%	54%	63%	72%	81%	90%	100%

2. For the agricultural products originating in Chile covered by chapters 7 and 8 and headings 20.09 and 22.04.30 of the Combined Nomenclature and listed in Annex I under category "EP", for which the Common Customs Tariff provides for the application of ad valorem customs duties and a specific customs duty, the tariff elimination shall only apply to the adAvalorem customs duty.

3. For agricultural and processed agricultural products originating in Chile listed in Annex I under category "SP", for which the Common Customs Tariff provides for the application of adAvalorem customs duties and a specific customs duty, the tariff elimination shall only apply to the adAvalorem customs duty.

4. The Community shall allow imports of processed agricultural products originating in Chile listed in Annex I under category "R" to enter the Community with a customs duty of 50% of the basic customs duty as from the entry into force of this Agreement.

5. Tariff quotas on imports into the Community of certain agricultural and processed agricultural products originating in Chile listed in Annex I under category "TQ" shall be applied as from the entry into force of this Agreement, in accordance with the conditions mentioned in that Annex. These quotas shall be managed on a first-come first-served basis, or, as applicable in the Community, on

the basis of a system of import and export licences.

6. Tariff concessions shall not apply to imports into the Community of products originating in Chile listed in Annex I under category "PN" as these products are covered by denominations protected in the Community.

Article 72. Customs Duties on Agricultural and Processed Agricultural Imports Originating In the Community

1. Customs duties on imports into Chile of agricultural and processed agricultural products originating in the Community listed in Annex II under category "Year 0", "Year 5" and "Year 10" shall be eliminated in accordance with the following timetable, so that these customs duties are completely eliminated by the entry into force of this Agreement, 1 January 2008 and 1 January 2013, respectively:

Percentages of annual tariff reduction

Category	Entry into force	1.1.04	1.1.05	1.1.06	1.1.07	1.1.08	1.1.09	1.1.10	1.1.11	1.1.12	1.1.13
Year 0	100%										
Year 5	16,7%	33,3%	50%	66,6%	83,3%	100%					
Year 10	9%	18%	27%	36%	45%	54%	63%	72%	81%	90%	100%

2. Tariff quotas on imports into Chile of certain agricultural products originating in the Community listed in Annex II under category "TQ" shall be applied as from the entry into force of this Agreement, in accordance with the conditions mentioned in that Annex. These quotas shall be managed on a first-come first served basis.

Article 73. Emergency Clause for Agricultural and Processed Agricultural Products

1. Notwithstanding Article 92 of this Agreement and Article 5 of the WTO Agreement on Agriculture, if, given the particular sensitivity of the agricultural markets, a product originating in a Party is being imported into the other Party in such increased quantities and under such conditions as to cause or threaten to cause serious injury or disturbance in the markets of like or directly competitive products of the other Party, that Party may take appropriate measures under the conditions and in accordance with the procedures laid down in this Article.

2. If the conditions in paragraph 1 are met, the importing Party may:

(a) suspend the further reduction of any customs duties on the products concerned provided for under this Title; or

(b) increase the customs duty on the product to a level which does not exceed the lesser of:

(i) the most-favoured-nation customs duty; or

(ii) the basic customs duty referred to in Article 60(3).

3. Before applying the measure as defined under paragraph 2, the Party concerned shall refer the matter to the Association Committee for a thorough examination of the situation, with a view to seeking a mutually acceptable solution. If the other Party so requests, the Parties shall hold consultations within the Association Committee. If no solution is found within 30 days of the request for such consultation, safeguard measures may be applied.

4. Where exceptional circumstances require immediate action, the importing Party may take the measures provided for in paragraph 2 on a transitional basis without complying with the requirements of paragraph 3 for a maximum period of 120 days. Such measures shall not exceed what is strictly necessary to limit or redress the injury or disturbance. The importing Party shall inform the other Party inmediately.

5. The measures taken under this Article shall not exceed what is necessary to remedy the difficulties which have arisen. The Party imposing the measure shall preserve the overall level of preferences granted for the agricultural sector. To achieve this objective, the Parties may agree on compensation for the adverse effects of the measure on their trade, including the period during which a transitional measure applied in accordance with paragraph 4 is in place. To this effect, the Parties shall hold consultations to reach a mutually agreed solution. If no agreement is reached within 30 days, the affected exporting Party may, after notification to the Association Council, suspend the application of substantially equivalent concessions under this Title.

6. For the purposes of this Article:

(a) "serious injury" shall be understood to mean a significant overall impairment in the position of the producers as a whole of the like or directly competitive products operating in a Party.

(b) "threat of serious injury" shall be understood to mean serious injury that is clearly inminent based on facts and not merely on allegations, conjecture or remote possibility.

Article 74. Evolution Clause

During the third year after the entry into force of this Agreement the Parties shall assess the situation, taking account of the pattern of trade in agricultural products and processed agricultural products between the Parties, the particular sensitivities of such products and the development of agricultural policy on both sides. The Parties shall examine, in the Association Committee, product by product and on an orderly and appropriate reciprocal basis, the opportunities for granting each other further concessions with a view to improving liberalisation of trade in agricultural and processed agricultural products.

Chapter II. Non Tariff Measures

Section 1. Common Provisions

Article 75. Scope

The provisions of this Chapter shall apply to trade in goods between the Parties.

Article 76. Prohibition of Quantitative Restrictions

All import or export prohibitions or restrictions in trade between the Parties, other than customs duties and taxes, whether made effective through quotas, import or export licenses or other measures, shall be eliminated upon the entry into force of this Agreement. No new such measures shall be introduced.

Article 77. National Treatment on Internal Taxation and Regulation (2)

1. Imported products of the territory of the other Party shall not be subject, either directly or indirectly, to internal taxes or other internal charges of any kind in excess of those applied, directly or indirectly, to like domestic products. Moreover, the Parties shall not otherwise apply internal taxes or other internal charges so as to afford protection to domestic production. (3)

2. Imported products of the territory of the other Party shall be accorded treatment no less favourable than that accorded to like domestic products in respect of all laws, regulations and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution or use. The provisions of this paragraph shall not prevent the application of differential internal transportation charges which are based exclusively on the economic operation of the means of transport and not on the nationality of the product.

3. Neither Party shall establish or maintain any internal quantitative regulation relating to the mixture, processing or use of products in specified amounts or proportions which requires, directly or indirectly, that any specified amount or proportion of any product which is the subject of the regulation must be supplied from domestic sources. Moreover, neither Party shall otherwise apply internal quantitative regulations so as to afford protection to domestic production. (4)

4. The provisions of this Article shall not prevent the payment of subsidies exclusively to domestic producers, including payments to domestic producers derived from the proceeds of internal taxes or charges applied consistently with the provisions of this Article and subsidies effected through governmental purchases of domestic products.

5. The provisions of this Article shall not apply to laws, regulations, procedures or practices governing public procurement, which shall be subject exclusively to the provisions of Title IV of this Part of the Agreement.

(2) Any internal tax or other internal charge, or any law, regulation or requirement of the kind referred to in paragraph 2 which applies to an imported product and to the like domestic product and is collected or enforced in the case of the imported product at the time or point of importation, is nevertheless to be regarded as an internal tax or other internal charge, or a law, regulation or requirement of the kind referred to in paragraph 2, and is accordingly subject to the provisions of this Article.

(3) A tax conforming to the requirements of the first sentence shall be considered inconsistent with the provisions of the second sentence only in cases where competition is involved between, on the one hand, a taxed product and, on the other hand, a directly competitive or substitutable product which is not similarly taxed.

(4) Regulations consistent with the provisions of the first sentence shall not be considered to be contrary to the provisions of the second sentence in any case in which all of the products subject to the regulations are produced domestically in substantial quantities. A regulation cannot be justified as being consistent with the provisions of the second sentence on the ground that the proportion or amount allocated to each of the products which are the subject of the regulation constitutes an equitable relationship between imported and domestic products.

Section 2. Antidumping and Countervailing Measures

Article 78. Antidumping and Countervailing Measures

If a Party determines that dumping and/or countervailable subsidisation is taking place in its trade with the other Party, it may take appropriate measures in accordance with the WTO Agreement on Implementation of Article VI of the GATT 1994 and the WTO Agreement on Subsidies and Countervailing Measures.

Section 3. Customs and Related Matters

Article 79. Customs and Related Trade Matters

1. In order to ensure compliance with the provisions of this Title as they relate to customs and trade-related matters, and to facilitate trade without prejudice to the need for effective control, the Parties undertake to:

(a) cooperate and exchange information concerning customs legislation and procedures;

(b) apply customs rules and procedures agreed by the Parties at a bilateral or multilateral level;

(c) simplify requirements and formalities in respect of the release and clearance of goods, including, to the extent possible, collaboration on the development of procedures enabling the submission of import or export data to a single agency; and to coordinate between customs and other control agencies so as to enable official controls upon import or export to be carried out, as far as possible, by a single agency;

(d) cooperate on all issues concerning rules of origin and the customs procedures related to them; and

(e) cooperate on all customs valuation matters, in accordance with the Agreement on Implementation of Article VII of the GATT 1994, particularly with the aim of reaching common views regarding the application of valuation criteria, the use of indicative or reference indices, operational aspects and working methods.

2. In order to improve working methods and to ensure transparency and efficiency of customs operations, the Parties shall:

(a) ensure that the highest standards of integrity be maintained, through application of measures reflecting the principles of the relevant international conventions and instruments in this field, as provided for in each Party's legislation;

(b) take further steps wherever possible, towards the reduction, simplification and standardisation of data in the documentation required by customs, including the use of a single customs entry document or data message and a single customs exit document or data message, based on international standards and relying as far as possible on commercially available information;

(c) collaborate wherever possible on legislative and operational initiatives relating to import, export and customs procedures, and, to the extent possible, towards improving the service to the business community;

(d) cooperate where appropriate on technical assistance, including the organisation of seminars and placements;

(e) cooperate on the computerisation of customs procedures and collaborate, where possible, towards the establishment of common standards;

(f) apply the international rules and standards in the field of customs, including wherever possible, the substantive elements of the revised Kyoto Convention on the Simplification and Harmonisation of Customs Procedures;

(g) as far as possible, establish common positions in international organisations in the field of customs such as the WTO, the World Customs Organisation (WCO), the United Nations Organization (UN) and the United Nations Conference on Trade and Development (UNCTAD);

(h) provide effective and prompt procedures enabling the right of appeal, against customs and other agency administrative actions, rulings and decisions affecting import or export of goods, in conformity with Article X of the GATT 1994; and

(i) collaborate wherever possible towards facilitating transhipment operations and transit movements through their respective territories.

3. The Parties agree that their respective trade and customs provisions and procedures shall be based upon:

(a) legislation that avoids unnecessary burdens on economic operators, that will not hinder the fight against fraud and provides further facilitation for operators that meet high levels of compliance;

(b) the protection of legitimate trade through the effective enforcement of legislative requirements;

(c) the application of modern customs techniques, including risk assessment, simplified procedures for entry and release of goods, post release controls, and company audit methods, whilst respecting the confidential nature of commercial data in accordance with the provisions applicable in each Party. Each Party will take the necessary measures to ensure the effectiveness of the risk assessment methods;

(d) procedures that are transparent, efficient and where appropriate simplified, in order to reduce costs and increase predictability for economic operators;

(e) the development of information technology-based systems, for both export and import operations, between economic operators and customs administrations, and between customs and other agencies. Such systems may also provide for the payment of duties, taxes and other fees by electronic transfer;

(f) rules and procedures that provide for advance binding rulings on tariff classification and rules of origin. A ruling may be modified or revoked at any time but only after notification to the affected operator and without retroactive effect unless the ruling has been made on the basis of incorrect or incomplete information being provided;

(g) provisions that in principle facilitate the importation of goods through the use of simplified or pre-arrival customs procedures and processes; and

(h) import provisions that do not include any requirements for pre-shipment inspections as defined by the WTO Agreement on Pre-shipment Inspection;

(i) rules that ensure that any penalties imposed for minor breaches of customs regulations or procedural requirements are proportionate and, in their application, do not give rise to undue delays in customs clearance, in accordance with Article VIII of the GATT 1994.

4. The Parties agree:

(a) on the need for timely consultation with economic operators on substantial matters concerning legislative proposals and general procedures related to customs. To that end, appropriate consultation mechanisms between administrations and the operators shall be established by each Party;

(b) to publish, as far as possible through electronic means, and publicise new legislation and general procedures related to customs, as well as any modifications, no later than the entry into force of such legislation and procedures. They shall also make publicly available general information of interest to economic operators, such as the hours of operation for customs offices, including those at ports and border crossing points, and the points of contact for information enquiries;

(c) to foster cooperation between operators and customs administrations via the use of objective and publicly accessible Memoranda of Understanding, based on those promulgated by the WCO; and

(d) to ensure that their respective customs and related requirements and procedures continue to meet the needs of the trading community and follow best practices.

5. Notwithstanding paragraphs 1 to 4, the administrations of both Parties shall provide mutual administrative assistance in customs matters in accordance with the provisions of the Protocol of 13 June 2001 on Mutual Administrative Assistance in Customs Matters to the Framework Cooperation Agreement.

Article 80. Customs Valuation

The WTO Agreement on Implementation of Article VII of the GATT 1994, without the reserves and options provided for in Article 20 and paragraphs 2, 3 and 4 of Annex III of that Agreement, shall govern customs valuation rules applied to trade between the Parties.

Article 81. Special Committee on Customs Cooperation and Rules of Origin

1. The Parties hereby establish a Special Committee on Customs Cooperation and Rules of Origin, composed of representatives of the Parties. The Committee shall meet on a date and with an agenda agreed in advance by the Parties. The office of chairperson of the Committee shall be held alternately by each of the Parties. The Committee shall report to the Association Committee.

2. The functions of the Committee shall include:

(a) monitoring the implementation and administration of Articles 79 and 80 and of Annex III and any other customs matters related

to market access;

(b) providing a forum to consult and discuss on all issues concerning customs, including in particular, rules of origin and related customs procedures, general customs procedures, customs valuation, tariff regimes, customs nomenclature, customs cooperation and mutual administrative assistance in customs matters;

(c) enhancing cooperation on the development, application and enforcement of rules of origin and related customs procedures, general customs procedures and mutual administrative assistance in customs matters;

(d) any other issues agreed by the Parties. 3. In order to fulfil the tasks referred to in this Article, the Parties may agree to hold ad hoc meetings.

Article 82. Enforcement of Preferential Treatment

1. The Parties agree that administrative cooperation is essential for the implementation and control of the preferences granted under this Title and reaffirm their commitment to combat irregularities and fraud related to origin, including customs classification and customs value.

2. In this regard, a Party may temporarily suspend the preferential treatment granted under this Title for a product or products in respect of which that Party determines, in accordance with this Article, that there has been systematic failure to provide administrative cooperation or fraud by the other Party.

3. For the purpose of this Article, systematic failure to provide administrative cooperation shall mean:

(a) the absence of administrative cooperation, such as a failure to provide names and addresses of customs or government authorities responsible for issuing and checking certificates of origin, or specimens of stamps used to authenticate the certificates, or a failure to update that information where appropriate;

(b) a systematic lack or inadequacy of action in verifying the originating status of products and the fulfilment of the other requirements of Annex III and identifying or preventing contravention of the rules of origin;

(c) a systematic refusal or undue delay to carry out subsequent verification of the proof of origin at the request of the other Party, and to communicate its results in time;

(d) the absence or systematic lack of administrative cooperation in verifying conduct where there is a presumption of origin-related fraud. For this purpose, a Party may presume the existence of fraud, inter alia, where imports of a product or products under this Agreement massively exceed the usual levels of production and export capacity of the other Party.

4. The Party which has made a finding of systematic failure to provide administrative cooperation or presumption of fraud shall, before applying the temporary suspension provided under this Article, supply the Association Committee with all relevant information required for a thorough examination of the situation with a view to seeking a solution acceptable to the Parties. At the same time, it shall publish in its Official Journal a notice to the importers indicating the product or products for which a finding of systematic failure to provide administrative cooperation or presumption of fraud has been made. The legal consequences of this publication shall be governed by the domestic law of each Party.

5. Within 10 days after the day of notification of the information referred to in paragraph 4, the Parties shall hold consultations within the Association Committee. If the Parties do not reach an agreement on a solution to avoid application of the temporary suspension of the preferential treatment within 30 days from the initiation of such consultations, the Party concerned may suspend temporarily the preferential treatment of the product or products concerned. The temporary suspension shall not exceed what is necessary to protect the financial interests of the Party concerned.

6. Temporary suspensions under this Article shall be notified immediately after their adoption to the Association Committee. They shall not exceed a period of six months which may be renewed. They shall be subject to periodic consultations within the Association Committee, particularly with a view to their abolition as soon as circumstances permit. Standards, technical regulations and conformity assessment procedures

Article 83. Objective

The objective of this section is to facilitate and increase trade in goods by eliminating and preventing unnecessary barriers to trade while taking into account the legitimate objectives of the Parties and the principle of non-discrimination, within the meaning of the WTO Agreement on Technical Barriers to Trade ("the TBT Agreement").

Article 84. Scope and Coverage

The provisions of this section apply to trade in goods in the area of standards, technical regulations and conformity assessment procedures, as defined in the TBT Agreement. It does not apply to measures covered by section 5 of this Chapter. Technical

specifications prepared by governmental bodies for public procurement purposes are not subject to the provisions of this section but are addressed in Title IV of this Part of the Agreement.

Article 85. Definitions

For the purpose of this section, the definitions of Annex I of the TBT Agreement shall apply. In this respect, the Decision of the Committee on Principles for the Development of International Standards, Guides and Recommendations with relation to Articles 2, 5 and Annex 3 of the Agreement, of the WTO Committee on Technical Barriers to Trade, shall also apply.

Article 86. Basic Rights and Obligations

The Parties confirm their rights and obligations under the TBT Agreement and their commitment to its comprehensive implementation. In this respect and in line with the objective of this section, cooperation activities and measures pursued under this section shall be conducted with a view to enhancing and reinforcing the implementation of those rights and obligations.

Article 87. Specific Actions to Be Pursued Under this Agreement

With a view to fulfilling the objective of this section:

1. The Parties shall intensify their bilateral cooperation in the field of standards, technical regulations and conformity assessment with a view to facilitating access to their respective markets, by increasing the mutual knowledge, understanding and compatibility of their respective systems.

2. In their bilateral cooperation the Parties shall aim at identifying which mechanisms or combination of mechanisms are the most appropriate for particular issues or sectors. Such mechanisms include aspects of regulatory co-operation, inter alia convergence and/or equivalence of technical regulations and standards, alignment to international standards, reliance on the supplier's declaration of conformity and use of accreditation to qualify conformity assessment bodies, and mutual recognition agreements.

3. Based on progress made in their bilateral cooperation, the Parties shall agree on what specific arrangements should be concluded with a view to implementing the mechanisms identified.

4. To this end, the Parties shall work towards:

(a) developing common views on good regulatory practices, including, but not limited to:

(i) transparency in the preparation, adoption and application of technical regulations, standards and conformity assessment procedures;

(ii) necessity and proportionality of regulatory measures and related conformity assessment procedures, including the use of suppliers declaration of conformity;

(iii) use of international standards as a basis for technical regulations, except when such international standards would be an ineffective or inappropriate means for the fulfilment of the legitimate objectives pursued;

(iv) enforcement of technical regulations and market surveillance activities;

(v) the necessary technical infrastructure, in terms of metrology, standardisation, testing, certification and accreditation, to support technical regulations; and

(vi) mechanisms and methods for reviewing technical regulations and conformity assessment procedures;

(b) reinforcing regulatory co-operation through, for example, exchange of information, experiences and data, and through scientific and technical cooperation with a view to improving the quality and level of their technical regulations and making efficient use of regulatory resources;

(c) compatibility and/or equivalence of their respective technical regulations, standards and conformity assessment procedures;

(d) promoting and encouraging bilateral cooperation between their respective organisation, public and/or private, responsible for metrology, standardisation, testing, certification and accreditation;

(e) promoting and encouraging full participation in international standard setting bodies, and reinforcing the role of international standards as a basis for technical regulations; and

(f) increasing their bilateral cooperation in the relevant international organisations and fora dealing with the issues covered by this section.

Article 88. Committee on Standards, Technical Regulations and Conformity Assessment

1. The Parties hereby establish a Special Committee on Technical Regulations, Standards and Conformity Assessment in order to achieve the objectives set out in this section. The Committee, made up of representatives of the Parties, shall be co-chaired by a representative of each Party. The Committee shall meet at least once a year, unless otherwise agreed by the Parties. The Committee shall report to the Association Committee.

2. The Committee may address any matter related to the effective functioning of this section. In particular, it shall have the following responsibilities and functions:

(a) monitoring and reviewing the implementation and administration of this section. In this connection, the Committee shall draw up a work program aimed at achieving the objectives of the section and in particular those set out in Article 87;

(b) providing a forum for discussion and exchanging information on any matter related to this section and in particular as it relates to the Parties' systems for technical regulations, standards and conformity assessment procedures, as well as developments in related international organisations;

(c) providing a forum for consultation and prompt resolution of issues that act or can act as unnecessary barriers to trade, within the scope and meaning of this section, between the Parties;

(d) encouraging, promoting and otherwise facilitating cooperation between the Parties' organisations, public and/or private, for metrology, standardisation, testing, certification, inspection and accreditation; and

(e) exploring any means aimed at improving access to the Parties' respective markets and enhancing the functioning of this section. Sanitary and Phytosanitary Measures

Article 89. Sanitary and Phytosanitary Measures

1. The objective of this section is to facilitate trade between the Parties in the field of sanitary and phytosanitary legislation, whilst safeguarding public, animal and plant health by further implementing the principles of the WTO on the Application of Sanitary and Phytosanitary Measures ("the WTO SPS Agreement"). An additional objective of this section is to consider animal welfare standards.

2. The objectives of this section are pursued through the "Agreement on Sanitary and Phytosanitary Measures Applicable to Trade in Animals and Animal Products, Plants, Plant Products and other Goods and Animal Welfare", which is attached as Annex IV.

3. By way of derogation from Article 193, the Association Committee, when dealing with sanitary or phytosanitary measures, shall be composed of representatives of the Community and Chile with responsibility for sanitary and phytosanitary matters.A This Committee shall then be called the "Joint Management Committee for Sanitary and Phytosanitary Matters". The functions of the Committee are set out in Article 16 of Annex IV.

4. For the purpose of Article 184, consultations held under Article 16 of Annex IV shall be deemed to constitute the consultations referred to in Article 183, unless the Parties decide otherwise. Wines and Spirits

Article 90. Wines and Spirits

The Agreement on Trade in Wine and the Agreement on Trade in Spirit Drinks and Aromatised Drinks are attached as Annex V and VI, respectively.

Chapter III. Exceptions

Article 91. General Exception Clause

Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between the Parties where the same conditions prevail, or a disguised restriction on trade between the Parties, nothing in this Title shall be construed to prevent the adoption or enforcement by either Party of measures which:

(a) are necessary to protect public morals;

(b) are necessary to protect human, animal or plant life or health;

(c) are necessary to secure compliance with laws or regulations which are not inconsistent with this Agreement, including those relating to customs enforcement, the protection of intellectual property rights, and the prevention of deceptive practices;

(d) relate to the importation or exportation of gold or silver;

(e) relate to the protection of national treasures of artistic, historic or archaeological value;

(f) relate to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption; or

(g) relate to the products of prison labour.

Article 92. Safeguard Clause

1. Unless otherwise provided by this Article, the provisions of Article XIX of the GATT 1994 and of the WTO Agreement on Safeguards are applicable between the Parties. The provisions of paragraphs 2, 3, 4, 5, 7, 8 and 9 of this Article apply only when a Party has a substantial interest as exporter of the product concerned, as defined in paragraph 10.

2. Each Party shall provide, immediately and in any case no later than seven days from the event, ad hoc written notification to the Association Committee of all pertinent information on the initiation of a safeguard investigation and on the final findings of the investigation.

3. The information provided under paragraph 2 shall include in particular an explanation of the domestic procedure on the basis of which the investigation will be carried out and an indication of the time schedules for hearings and other appropriate opportunities for interested parties to present their views on the matter. Furthermore, each Party shall provide advance written notification to the Association Committee of all pertinent information on the decision to apply provisional safeguard measures. Such notice must be received at least seven days before the application of such measures.

4. Upon notification of the final findings of the investigation and before applying safeguard measures pursuant to the provisions of Article XIX of the GATT 1994 and of the WTO Agreement on Safeguards, the Party intending to apply such measures shall refer the matter to the Association Committee for a thorough examination of the situation with a view to seeking a mutually acceptable solution. In order to find such a solution and if the Party concerned so requests, the Parties shall hold prior consultations within the Association Committee.

5. Notwithstanding paragraph 4, nothing shall prevent a Party from applying measures pursuant to the provisions of Article XIX of the GATT 1994 and of the WTO Agreement on Safeguards.

6. In the selection of safeguard measures referred to in this Article, the Parties shall give priority to those which cause least disturbance to the achievement of the objectives of this Agreement. Such measures shall not exceed what is necessary to remedy the serious injury, and shall preserve the level/margin of preference granted under this Title.

7. The Parties confirm their rights and obligations under paragraphs 1 and 2 of Article 8 of the WTO Safeguard Agreement.

8. The right of suspension referred to in Article 8(2) of the WTO Safeguard Agreement shall not be exercised between the Parties for the first 18 months that a safeguard measure is in effect, provided that the safeguard measure has been taken as a result of an absolute increase in imports and that such a measure conforms to the provisions of the WTO Safeguard Agreement.

9. Safeguard measures shall upon application be notified immediately to the Association Committee and shall be the subject of consultations once a year within the Committee, particularly with a view to their liberalisation or abolition.

10. For the purposes of this Article, it is considered that a Party has a substantial interest when it is among the five largest suppliers of the imported product during the most recent three-year period of time, measured in terms of either absolute volume or value.

11. In the event of either Party subjecting to a surveillance procedure imports of products liable to give rise to the conditions for the application of a safeguard measure pursuant to this Article, it shall inform the other Party.

Article 93. Shortage Clause

1. Where compliance with the provisions of this Title leads to:

(a) a critical shortage, or threat thereof, of foodstuffs or other products essential to the exporting Party; or

(b) a shortage of essential quantities of domestic materials for a domestic processing industry during periods when the domestic price of such materials is held below the world price as part of a governmental stabilisation plan; and where the situations referred to above give rise or are likely to give rise to major difficulties for the exporting Party, that Party may take appropriate measures under the conditions and in accordance with the procedures laid down in this Article.

2. In the selection of measures, priority must be given to those which least disturb the functioning of the arrangements in this Agreement. Such measures shall not be applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination where the same conditions prevail, or a disguised restriction on trade, and shall be eliminated when the conditions no longer justify their maintenance. In addition, the measures which may be adopted pursuant to paragraph 1(b) shall not operate to increase the exports of or the protection afforded to the domestic processing industry concerned, and shall not depart from the provisions of this Agreement relating to non-discrimination.

3. Before taking the measures provided for in paragraph 1, or as soon as possible in cases to which paragraph 4 applies, the Party intending to take the measures shall supply the Association Committee with all relevant information, with a view to seeking a solution acceptable to the Parties. The Parties within the Association Committee may agree on any means needed to put an end to

the difficulties. If no agreement is reached within 30 days of the matter being referred to the Association Committee, the exporting Party may apply measures under this Article on the exportation of the product concerned.

4. Where exceptional and critical circumstances requiring immediate action make prior information or examination impossible, the Party intending to take the measures may apply forthwith the precautionary measures necessary to deal with the situation and shall inform the other Party immediately thereof.

5. Any measures applied pursuant to this Article shall be immediately notified to the Association Committee and shall be the subject of periodic consultations within that body, particularly with a view to establishing a timetable for their elimination as soon as circumstances permit.

Title III. TRADE IN SERVICES AND ESTABLISHMENT

Article 94. Objectives

1. The Parties shall reciprocally liberalise trade in services, in accordance with the provisions of this Title and in conformity with Article V of the GATS.

2. The aim of Chapter 3 is the improvement of the investment environment, and in particular the conditions of establishment between the Parties, on the basis of the principle of nondiscrimination.

Chapter I. Services

Section 1. Common Provisions

Article 95. Scope

1. For the purposes of this Chapter, trade in services is defined as the supply of a service through the following modes:

(a) from the territory of a Party into the territory of the other Party (mode 1);

(b) in the territory of a Party to the service consumer of the other Party (mode 2);

(c) by a service supplier of a Party, through commercial presence in the territory of the other Party (mode 3);

(d) by a service supplier of a Party, through presence of natural persons in the territory of the other Party (mode 4).

2. This Chapter applies to trade in all service sectors with the exception of:

(a) financial services, which is subject to Chapter 2;

(b) audio-visual services;

(c) national maritime cabotage; and

(d) air transport services, including domestic and international air transportation services, whether scheduled or non-scheduled, and services directly related to the exercise of traffic rights, other than:

(i) aircraft repair and maintenance services during which an aircraft is withdrawn from service;

(ii) the selling and marketing of air transport services; and

(iii) computer reservation system (CRS) services.

3. Nothing in this Chapter shall be construed to impose any obligation with respect to government procurement, which is subject to Title IV of this Part of the Agreement.

4. The provisions of this Chapter shall not apply to subsidies granted by the Parties. The Parties shall review the issue of disciplines on subsidies related to trade in services in the context of the review of this Chapter, as provided in Article 100, with a view to incorporating any disciplines agreed under Article XV of the GATS. 5. Section 1 applies to international maritime transport and telecommunication services subject to the provisions laid down in sections 2 and 3.

Article 96. Definitions

For the purposes of this Chapter:

(a) "measure" means any measure by a Party, whether in the form of a law, regulation, rule, procedure, decision, administrative action, or any other form;

(b) "measure adopted or maintained by a Party" means measures taken by:

(i) central, regional or local governments and authorities; and

(ii) non-governmental bodies in the exercise of powers delegated by central, regional or local governments or authorities;

(c) "service supplier" means any legal or natural person that seeks to supply or supplies a service;

(d) "commercial presence" means any type of business or professional establishment, including through:

(i) the constitution, acquisition or maintenance of a legal person, or

(ii) the creation or maintenance of a branch or a representative office, within the territory of a Party for the purpose of supplying a service;

(e) "legal person" means any legal entity duly constituted or otherwise organised under applicable law, whether for profit or otherwise, and whether privately-owned or governmentally-owned, including any corporation, trust, partnership, joint venture, sole proprietorship or association;

(f) "legal person of a Party" means a legal person constituted or otherwise organised under the law of the Community or its Member States or of Chile. Should such a legal person have only its registered office or central administration in the territory of the Community or of Chile, it shall not be considered as a Community or a Chilean legal person respectively, unless it is engaged in substantive business operations in the territory of the Community or of Chile, respectively.

(g) A "natural person" means a national of one of the Member States or of Chile according to their respective legislation.

Article 97. Market Access

1. With respect to market access through the modes of supply identified in Article 95, each Party shall accord services and service suppliers of the other Party treatment no less favourable than that provided for under the terms, limitations and conditions agreed and specified in its Schedule referred to in Article 99.

2. In sectors where market-access commitments are undertaken, the measures which a Party shall not maintain or adopt either on the basis of a regional subdivision or on the basis of its entire territory, unless otherwise specified in its Schedule, are defined as:

(a) limitations on the number of services suppliers whether in the form of numerical quotas, monopolies, exclusive service suppliers or the requirements of an economic needs test;

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

(c) limitations on the total number of service operations or on the total quantity of service output expressed in terms of designated numerical units in the form of quotas or the requirement of an economic needs test; (5)

(d) limitations on 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 a requirement of an economic needs test;

(e) measures which restrict or require specific types of legal entities or joint ventures through which a service supplier of the other Party may supply a service; and

(f) limitations on the participation of foreign capital in terms of maximum percentage limit on foreign shareholding or the total value of individual or aggregate foreign investment.

(5) paragraph 2(c) does not cover measures of a Party which limit inputs for the supply of services.

Article 98. National Treatment

1. In the sectors inscribed in its Schedule, and subject to the conditions and qualifications set out therein, each Party shall grant to services and service suppliers of the other Party, in respect of all measures affecting the supply of services, treatment no less favourable than that it accords to its own like services and services suppliers. (6)

2. A Party may meet the requirement of paragraph 1 by according to services and service suppliers of the other Party, either formally identical treatment or formally different treatment to that it accords to its own like services and service suppliers.

3. Formally identical or formally different treatment shall be considered to be less favourable if it modifies the conditions of competition in favour of services or service suppliers of a Party compared to like services or service suppliers of the other Party.

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

Article 99. Schedule of Specific Commitments

1. The specific commitments undertaken by each Party under Articles 97 and 98 are set out in the schedule included in Annex VII. With respect to sectors where such commitments are undertaken, each Schedule specifies:

(a) terms, limitations and conditions on market access;

(b) conditions and qualifications on national treatment;

(c) undertakings relating to additional commitments referred to in paragraph 3;

(d) where appropriate the time-frame for implementation of such commitments and the date of entry into force of such commitments.

2. Measures inconsistent with both Articles 97 and 98 are inscribed in the column relating to Article 97. In this case the inscription is considered to provide a condition or qualification to Article 98 as well.

3. Where a Party undertakes specific commitments on measures affecting trade in services not subject to scheduling under Articles 97 and 98, such commitments are inscribed in its Schedule as additional commitments.

Article 100. Review

1. The Parties shall review this Chapter three years after the entry into force of this Agreement, with a view to further deepening liberalisation and reducing or eliminating remaining restrictions on a mutually advantageous basis and ensuring an overall balance of rights and obligations.

2. The Association Committee shall examine the operation of this Chapter every three years after the review undertaken under paragraph 1 and shall submit appropriate proposals to the Association Council.

Article 101. Movement of Natural Persons

Two years after the entry into force of this Agreement, the Parties shall review the rules and conditions applicable to movement of natural persons (mode 4) with a view to achieving further liberalisation. This review may also address the revision of the definition of natural person provided in Article 96(g).

Article 102. Domestic Regulation

1. In sectors where a Party has undertaken commitments in its Schedule, and with a view to ensuring that any measure relating to the requirements and procedures of licensing and certification of service suppliers of the other Party does not constitute an unnecessary barrier to trade, that Party shall endeavour to ensure that any such measure:

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

(b) is not more trade-restrictive than necessary to ensure the achievement of a legitimate policy objective;

(c) does not constitute a disguised restriction on the supply of a service.

2. The disciplines of paragraph 1 may be reviewed within the framework of the procedure of Article 100 in order to take into account the disciplines agreed under Article VI of the GATS with a view to their incorporation into this Agreement.

3. Where a Party recognises, unilaterally or by agreement, education, experience, licenses or certifications obtained in the territory of a third country, that Party shall afford the other Party an adequate opportunity to demonstrate that education, experience, licenses or certifications obtained in the other Party's territory should also be recognised or to conclude an agreement or arrangement of comparable effect.

4. The Parties shall consult periodically with a view to determining the feasibility of removing any remaining citizenship or permanent residency requirement for the licensing or certification of each other's service suppliers.

Article 103. Mutual Recognition

1. Each Party shall ensure that its competent authorities, within a reasonable period of time after the submission by a services supplier of the other Party of an application for a licence or certification:

(a) where the application is complete, make a determination on the application and inform the applicant of that determination; or

(b) where the application is not complete, inform the applicant without undue delay of the status of the application and the additional information that is required under the Party's domestic law.

2. The Parties shall encourage the relevant bodies in their respective territories to provide recommendations on mutual recognition, for the purpose of enabling service suppliers to fulfil, in whole or in part, the criteria applied by each Party for the authorisation, licensing, accreditation, operation and certification of service suppliers and in particular professional services.

3. The Association Committee, within a reasonable period of time and considering the level of correspondence of the respective regulations, shall decide whether a recommendation referred to in paragraph 2 is consistent with this Chapter. If that is the case, such a recommendation shall be implemented through an agreement on mutual recognition of requirements, qualifications, licences and other regulations to be negotiated by the competent authorities.

4. Any such agreement shall be in conformity with the relevant provisions of the WTO Agreement and, in particular, Article VII of the GATS.

5. Where the Parties agree, each Party shall encourage its relevant bodies to develop procedures for the temporary licensing of professional service suppliers of the other Party.

6. The Association Committee shall periodically, and at least once every three years, review the implementation of this Article.

Article 104. Electronic Commerce (7)

The Parties, recognising that the use of electronic means increases trade opportunities in many sectors, agree to promote the development of electronic commerce between them, in particular by co-operating on the market access and regulatory issues raised by electronic commerce.

(7) The inclusion of this provision in this Chapter is made without prejudice of the Chilean position on the question of whether or not electronic commerce should be considered as a supply of services.

Article 105. Transparency

Each Party shall respond promptly to all requests by the other Party for specific information on any of its measures of general application or international agreements which pertain to or affect this Chapter. The contact point referred to in Article 190 shall provide specific information on all such matters to service suppliers of the other Party upon request. Contact points need not be depositories of laws and regulations.

Section 2. International Maritime Transport

Article 106. Scope

1. Notwithstanding Article 95(5), the provisions of this section shall apply with respect to shipping companies established outside the Community or Chile and controlled by nationals of a Member State or of Chile, respectively, if their vessels are registered in accordance with their respective legislation, in that Member State or in Chile and carry the flag of a Member State or Chile.

2. This Article applies to international maritime transport, including door-to-door and intermodal transport operations involving a sea-leg.

Article 107. Definitions

For the purposes of this section:

(a) "intermodal transport operations" is defined as the right to arrange door-to-door transport services of international cargo and to this effect directly contract with providers of other modes of transport;

(b) "international maritime service suppliers" covers the suppliers of services relating to international cargo for maritime services, cargo handling, storage and warehousing services, customs clearance services, container station and depot services, agency services and freight forwarding services.

Article 108. Market Access and National Treatment

1. In view of the existing levels of liberalisation between the Parties in international maritime transport:

(a) the Parties shall continue to effectively apply the principle of unrestricted access to the international maritime market and traffic on a commercial and non-discriminatory basis;

(b) each Party shall continue to grant to ships flying the flag of or operated by service suppliers of the other Party treatment no less favourable than that accorded to its own ships with regard to, inter alia, access to ports, use of infrastructure and auxiliary maritime services of the ports, and related fees and charges, customs facilities and the assignment of berths and facilities for loading and unloading.

2. In applying the principles of paragraph 1, the Parties shall:

(a) not introduce cargo-sharing clauses in future bilateral agreements with third countries, other than in those exceptional circumstances where liner shipping companies from the Party concerned would not otherwise have an effective opportunity to ply for trade to and from the third country concerned;

(b) prohibit cargo-sharing arrangements in future bilateral agreements concerning dry and liquid bulk trade;

(c) abolish, upon the entry into force of this Agreement, all unilateral measures and administrative, technical and other barriers which could have restrictive or discriminatory effects on the free supply of services in international maritime transport.

3. Each Party shall permit international maritime service suppliers of the other Party to have a commercial presence in its territory under conditions of establishment and operation no less favourable than those accorded to its own service suppliers or those of any third country, whichever are the better, in accordance with the conditions inscribed in its Schedule.

Section 3. Telecommunications Services

Article 109. Definitions

For the purposes of this section:

(a) "telecommunications services" means the transport of electro-magnetic signals - sound, data image and any combinations thereof, excluding broadcasting. (8) Therefore, commitments in this sector do not cover the economic activity consisting of content provision which require telecommunications services for its transport. The provision of that content, transported via a telecommunications service, is subject to the specific commitments undertaken by the Parties in other relevant sectors.

(b) a "regulatory authority" means the body or bodies with any of the regulatory tasks assigned in relation to the issues mentioned in this section.

(c) "essential telecommunications facilities" mean facilities of a public telecommunications transport network and service that:

(i) are exclusively or predominantly provided by a single supplier or a limited number of suppliers; and

(ii) cannot feasibly be economically or technically substituted in order to provide a service.

(8) Broadcasting is defined as the uninterrupted chain of transmission required for the distribution of TV and radio programme signals to the general public, but does not cover contribution links between operators.

Article 110. Regulatory Authority

1. Regulatory authorities for telecommunications services shall be separate from, and not accountable to, any supplier of basic telecommunications services.

2. The decisions of and the procedures used by regulatory authorities shall be impartial with respect to all market participants.

3. A supplier affected by the decision of a regulatory authority shall have a right to appeal against that decision.

Article 111. Supply of Services

1. Where a licence is required, the terms and conditions for such a license shall be made publicly available and the period of time normally required to reach a decision concerning an application for a licence shall be made publicly available.

2. Where a licence is required, the reasons for the denial of a licence shall be made known to the applicant upon request.

Article 112. Major Suppliers

1. A major supplier is a supplier which has the ability to materially affect the terms of participation having regard to price and

supply in the relevant market for basic telecommunications services as a result of:

(a) control over essential facilities; or

(b) the use of its position in the market.

2. Appropriate measures shall be maintained for the purpose of preventing suppliers who, alone or together, are a major supplier from engaging in or continuing anti-competitive practices.

3. The anti-competitive practices referred to above shall include in particular:

(a) engaging in anti-competitive cross-subsidisation;

(b) using information obtained from competitors with anti-competitive results; and

(c) not making available to other services suppliers on a timely basis technical information about essential facilities and commercially relevant information which are necessary for them to supply services.

Article 113. Interconnection

1. This section applies to linking with suppliers providing public telecommunications transport networks or services in order to allow the users of one supplier to communicate with users of another supplier and to access services provided by another supplier.

2. Interconnection with a major supplier shall be ensured at any technically feasible point in the network. Such interconnection shall be provided:

(a) under non-discriminatory terms, conditions (including technical standards and specifications) and rates and of a quality no less favourable than that provided for its own like services or for like services of non-affiliated service suppliers or for its subsidiaries or other affiliates;

(b) in a timely fashion, on terms, conditions (including technical standards and specifications) and cost-oriented rates that are transparent, reasonable, having regard to economic feasibility, and sufficiently unbundled so that the supplier need not pay for network components or facilities that it does not require for the service to be provided; and

(c) upon request, at points in addition to the network termination points offered to the majority of users, subject to charges that reflect the cost of construction of necessary additional facilities.

4. The procedures applicable for interconnection to a major supplier shall be made publicly available.

5. Major suppliers shall make interconnection agreements available to service suppliers of the Parties to ensure non-discrimination, and/or shall publish reference interconnection offers in advance, unless they are already available to the public.

Article 114. Scarce Resources

Any procedures for the allocation and use of scarce resources, including frequencies, numbers and rights of way, shall be carried out in an objective, timely, transparent and nondiscriminatory manner.

Article 115. Universal Service

1. Each Party has the right to define the kind of universal service obligation it wishes to maintain.

2. The provisions governing universal service shall be transparent, objective and nondiscriminatory. They shall also be neutral with respect to competition and be no more burdensome than necessary.

Chapter II. Financial Services

Article 116. Scope

1. This Chapter applies to measures adopted or maintained by the Parties affecting trade in financial services.

2. For the purposes of this Chapter, trade in financial services is defined as the supply of a financial service through the following modes:

(a) from the territory of a Party into the territory of the other Party (mode 1);

(b) in the territory of a Party to the financial service consumer of the other Party (mode 2);

(c) by a financial service supplier of a Party, through commercial presence in the territory of the other Party (mode 3);

(d) by a financial service supplier of a Party, through presence of natural persons in the territory of the other Party (mode 4).

3. Nothing in this Chapter shall be construed to impose any obligation with respect to government procurement, which is subject to Title IV of this Part of the Agreement.

4. The provisions of this Chapter shall not apply to subsidies granted by the Parties. The Parties shall review the issue of disciplines on subsidies related to trade in financial services, with a view to incorporating in this Agreement any disciplines agreed under Article XV of GATS.

5. This Chapter does not apply to:

(i) activities conducted by a central bank or monetary authority or by any other public entity in pursuit of monetary or exchange rate policies;

(ii) activities forming part of a statutory system of social security or public retirement plans; and

(iii) other activities conducted by a public entity for the account or with the guarantee or using the financial resources of the Government.

6. For the purposes of paragraph 5, if a Party allows any of the activities referred to in paragraph 5(ii) or (iii) to be conducted by its financial service suppliers in competition with a public entity or a financial service supplier, this Chapter applies to such activities.

Article 117. Definitions

For the purposes of this Chapter:

1. "measure" means any measure by a Party, whether in the form of a law, regulation, rule, procedure, decision, administrative action, or any other form;

2. "measures adopted or maintained by a Party" means measures taken by:

(i) central, regional or local governments and authorities; and

(ii) non-governmental bodies in the exercise of powers delegated by central, regional or local governments or authorities;

3. "financial service supplier" means any natural or legal person that seeks to supply or supplies financial services but the term "financial service supplier" does not include a public entity;

4. "public entity" means:

(i) a government, a central bank or a monetary authority of a Party, or an entity owned or controlled by a Party, that is principally engaged in carrying out governmental functions or activities for governmental purposes, not including an entity principally engaged in supplying financial services on commercial terms; or

(ii) a private entity, performing functions normally performed by a central bank or monetary authority, when exercising those functions;

5. "commercial presence" means any type of business or professional establishment, including through:

(i) the constitution, acquisition or maintenance of a legal person, or

(ii) the creation or maintenance of a branch or a representative office, within the territory of a Party for the purpose of supplying a financial service;

6. "legal person" means any legal entity duly constituted or otherwise organized under applicable law, whether for profit or otherwise, and whether privately-owned or governmentally-owned, including any corporation, trust, partnership, joint venture, sole proprietorship or association;

7. "legal person of a Party" means a legal person constituted or otherwise organised under the law of the Community or its Member States or of Chile. Should such a legal person have only its registered office or central administration in the territory of the Community or Chile, it shall not be considered as a Community or a Chilean legal person respectively, unless it is engaged in substantive business operations in the territory of the Community or Chile, respectively.

8. "natural person" means a national of one of the Member States or of Chile according to their respective legislation.

9. "financial service" means any service of a financial nature offered by a financial service supplier of a Party. Financial services comprise the following activities:

Insurance and insurance-related services

(i) direct insurance (including co-insurance):

(A) life

(B) non-life

(ii) reinsurance and retrocession;

(iii) insurance intermediation, such as brokerage and agency;

(iv) services auxiliary to insurance, such as consultancy, actuarial, risk assessment and claim settlement services.

Banking and other financial services (excluding insurance)

(v) acceptance of deposits and other repayable funds from the public;

(vi) lending of all types, including consumer credit, mortgage credit, factoring and financing of commercial transactions;

(vii) financial leasing;

(viii) all payment and money transmission services, including credit, charge and debit cards, travellers cheques and bankers drafts;

(ix) guarantees and commitments;

(x) trading for own account or for account of customers, whether on an exchange, in an over-the-counter market or otherwise, the following:

(A) money market instruments, including cheques, bills, certificates of deposits;

(B) foreign exchange;

(C) derivative products including, but not limited to, futures and options;

(D) exchange rate and interest rate instruments, including products such as swaps, forward rate agreements;

(E) transferable securities;

(F) other negotiable instruments and financial assets, including bullion.

(xi) participation in issues of all kinds of securities, including underwriting and placement as agent (whether publicly or privately) and provision of services related to such issues;

(xii) money broking;

(xiii) asset management, such as cash or portfolio management, all forms of collective investment management, pension fund management, custodial, depository and trust services;

(xiv) settlement and clearing services for financial assets, including securities, derivative products, and other negotiable instruments;

(xv) provision and transfer of financial information, and financial data processing and related software by suppliers of other financial services;

(xvi) advisory, intermediation and other auxiliary financial services on all the activities listed in subparagraphs (v) through (xv), including credit reference and analysis, investment and portfolio research and advice, advice on acquisitions and on corporate restructuring and strategy.

10. "new financial service" means a service of a financial nature, including services related to existing and new products or the manner in which a product is delivered, that is not supplied by any financial service supplier in the territory of a Party but which is supplied in the territory of the other Party.

Article 118. Market Access

1. With respect to market access through the modes of supply identified in Article 116, each Party shall accord financial services and financial service suppliers of the other Party treatment no less favourable than that provided for under the terms, limitations and conditions agreed and specified in its Schedule referred to in Article 120.

2. In sectors where market-access commitments are undertaken, the measures which a Party shall not maintain or adopt either on the basis of a regional subdivision or on the basis of its entire territory, unless otherwise specified in its Schedule, are defined as:

(a) limitations on the number of financial services suppliers whether in the form of numerical quotas, monopolies, exclusive service

suppliers or the requirements of an economic needs test;

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

(c) limitations on the total number of financial service operations or on the total quantity of service output expressed in terms of designated numerical units in the form of quotas or the requirement of an economic needs test; (9)

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

(e) measures which restrict or require specific types of legal entities or joint ventures through which a financial service supplier of the other Party may supply a financial service; and

(f) limitations on the participation of foreign capital in terms of maximum percentage limit on foreign shareholding or the total value of individual or aggregate foreign investment.

(9) Paragraph 2(c) does not cover measures of a Party which limit inputs for the supply of financial services.

Article 119. National Treatment

1. In the sectors inscribed in its Schedule, and subject to the conditions and qualifications set out therein, each Party shall accord to financial services and financial service suppliers of the other Party, in respect of all measures affecting the supply of financial services, treatment no less favourable than that it accords to its own like financial services and financial service suppliers. (10)

2. A Party may meet the requirement of paragraph 1 by according to financial services and financial service suppliers of the other Party, either formally identical treatment or formally different treatment to that it accords to its own like financial services and financial service suppliers.

3. Formally identical or formally different treatment shall be considered to be less favourable if it modifies the conditions of competition in favour of financial services or financial service suppliers of a Party compared to like financial services or financial service suppliers of the other Party.

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

Article 120. Schedule of Specific Commitments

1. The specific commitment undertaken by each Party under Articles 118 and 119 are set out in the Schedule included in Annex VIII. With respect to sectors where such commitments are undertaken, each Schedule specifies:

(a) terms, limitations and conditions on market access;

(b) conditions and qualifications on national treatment;

(c) undertakings relating to additional commitments referred to in paragraph 3;

(d) where appropriate the time-frame for implementation of such commitments and the date of entry into force of such commitments.

2. Measures inconsistent with both Articles 118 and 119 are inscribed in the column relating to Article 118. In this case, the inscription is considered to provide a condition or qualification to Article 119 as well.

3. Where a Party undertakes specific commitments on measures affecting trade in financial services not subject to scheduling under Articles 118 and 119, such commitments are inscribed in its Schedule as additional commitments.

Article 121. New Financial Services

1. A Party shall permit financial service suppliers of the other Party established in its territory to offer in its territory any new financial service within the scope of the subsectors and financial services committed in its Schedule and subject to the terms, limitations, conditions and qualifications established in that Schedule and provided that the introduction of this new financial service does not require a new law or the modification of an existing law.

2. A Party may determine the legal form through which the service may be provided and may require authorisation for the provision of the financial service. Where such authorisation is required, a decision shall be taken within a reasonable period of time and the authorisation may only be refused for prudential reasons.

Article 122. Data Processing In the Financial Services Sector

1. Each Party shall permit a financial service supplier of the other Party to transfer information in electronic or other form, into and out of its territory, for data processing where such processing is required in the ordinary course of business of such financial service supplier.

2. Where the information referred to in paragraph 1 consists of or contains personal data, the transfer of such information from the territory of one Party to the territory of the other Party shall take place in accordance with the domestic law regulating the protection of individuals with respect to the transferring and processing of personal data of the Party out of whose territory the information is transferred.

Article 123. Effective and Transparent Regulation In the Financial Services Sector

1. Each Party shall, to the extent practicable, provide in advance to all interested persons any measure of general application that the Party proposes to adopt in order to allow an opportunity for such persons to comment on the measure. Such measure shall be provided:

(a) by means of an official publication; or

(b) in other written or electronic form.

2. Each Party's appropriate financial authority shall make available to interested persons its requirements for completing applications relating to the supply of financial services.

3. On the request of an applicant, the appropriate financial authority shall inform the applicant of the status of its application. If such authority requires additional information from the applicant, it shall notify the applicant without undue delay.

4. Each Party shall make its best endeavours to implement and apply in its territory internationally agreed standards for regulation and supervision in the financial services sector and for the fight against money laundering. For this purpose, the Parties shall cooperate and exchange information and experience within the Special Committee on Financial Services referred to in Article 127.

Article 124. Confidential Information

Nothing in this Chapter:

(a) shall require any of the Parties to provide confidential information, the disclosure of which would impede law enforcement, or otherwise be contrary to the public interest, or which would prejudice legitimate commercial interests of particular enterprises, public or private.

(b) shall be construed to require a Party to disclose information relating to the financial affairs and accounts of individual customers of financial service suppliers, or any confidential or proprietary information in the possession of public entities.

Article 125. Prudential Carve Out

1. Nothing in this Chapter shall be construed to prevent a Party from adopting or maintaining reasonable measures for prudential reasons, such as:

(a) the protection of investors, depositors, financial market participants, policy-holders, or persons to whom a fiduciary duty is owed by a financial services supplier;

(b) the maintenance of the safety, soundness, integrity or financial responsibility of financial services suppliers; and (c) ensuring the integrity and stability of a Party's financial system.

2. Where such measures do not conform with the provisions of this Chapter, they shall not be used as a means of avoiding the Party's commitments or obligations under the Chapter.

Article 126. Recognition

1. A Party may recognise prudential measures of the other Party in determining how the Party's measures relating to financial services shall be applied. Such recognition, which may be achieved through harmonisation or otherwise, may be based upon an agreement or arrangement or may be accorded autonomously.

2. A Party that is a party to an agreement or arrangement with a third party such as those referred to in paragraph 1, whether future or existing, shall afford adequate opportunity for the other Party to negotiate its accession to such agreements or arrangements, or to negotiate comparable ones with it, under circumstances in which there would be equivalent regulation, oversight, implementation of such regulation, and, if appropriate, procedures concerning the sharing of information between the Parties to the agreement or arrangement. Where a Party accords recognition autonomously, it shall afford adequate opportunity for the other Party to demonstrate that such circumstances exist.

Article 127. Special Committee on Financial Services

1. The Parties hereby establish a Special Committee on Financial Services. The Special Committee shall be composed of representatives of the Parties. The principal representative of each Party shall be an official of the Party's authority responsible for financial services set out in Annex IX.

2. The functions of the Special Committee shall include:

(a) supervising the implementation of this Chapter;

(b) considering issues regarding financial services that are referred to it by a Party.

3. The Special Committee shall meet upon request of one of the Parties on a date and with an agenda agreed in advance by the Parties. The office of chair person shall be held alternately. The Special Committee shall report to the Association Committee the results of its meetings.

4. Three years after the entry into force of this Agreement the Special Committee on Financial Services will consider actions with the aim of facilitating and expanding trade in financial services and further contributing to the objectives of this Agreement, and shall report to the Association Committee.

Article 128. Consultations

1. A Party may request consultations with the other Party regarding any matter arising under this Chapter. The other Party shall give sympathetic consideration to the request. The Parties shall report the results of their consultations to the Special Committee on Financial Services.

2. Consultations under this Article shall include officials of the authorities specified in Annex IX.

3. Nothing in this Article shall be construed to require financial authorities participating in consultations to disclose information or take any action that would interfere with individual regulatory, supervisory, administrative or enforcement matters.

4. Where a financial authority of a Party requires information for supervisory purposes concerning a financial service supplier in the other Party's territory, such financial authority may approach the competent financial authority in the other Party's territory to seek the information. The provision of such information may be subject to the terms, conditions and limitations contained in the other Party's relevant law or to the requirement of a prior agreement or arrangement between the respective financial authorities.

Article 129. Specific Provisions on Dispute Settlement

1. Except as otherwise provided in this Article, any disputes under this Chapter shall be settled in accordance with the provisions of Title VIII.

2. For the purpose of Article 184, consultations held under Article 128 shall be deemed to constitute the consultations referred to in Article 183, unless the Parties otherwise agree. Upon initiation of consultations, the Parties shall provide information to enable the examination of how a measure of a Party or any other matter may affect the operation and application of this Chapter, and give confidential treatment to the information exchanged during consultations. If the matter has not been resolved within 45 days after holding the consultations under Article 128 or 90 days after the delivery of the request for consultations under Article 128(1), whichever is earlier, the complaining Party may request in writing the establishment of an arbitration panel. The Parties shall report the results of their consultations directly to the Association Committee.

3. For the purpose of Article 185:

(a) the chairperson of the arbitration panel shall be a financial expert;

(b) the Association Committee shall, no later than six months after the entry into force of this Agreement, establish a list of at least five individuals who are not nationals of either Party, and who are willing and able to serve as arbitrators and be identified as chairperson of arbitration panels in financial services. The Association Committee shall ensure that the list always contains five individuals at any point in time. Those individuals shall have expertise or experience in financial services law or practice, which may include the regulation of financial institutions, be independent, serve in their individual capacities and not be affiliated with, nor take instructions from, any Party or organisation and shall comply with the Code of Conduct set out in Annex XVI. Such list may be

amended every three years;

(c) within three days of the request for establishment of the arbitration panel, the chair person of the arbitration panel shall be selected by lot by the chairperson of the Association Committee from the list referred to in paragraph (b). The other two arbitrators of the panel shall be selected by lot by the chairperson of the Association Committee from the list referred to in Article 185(2), one among the individuals proposed to the Association Committee by the complaining Party, and the other among the individuals proposed to the Association Committee by the Party complained against.

Chapter III. Establishment

Article 130. Scope

This Chapter shall apply to establishment in all sectors with the exception of all services sectors, including the financial services sector.

Article 131. Definitions

For the purposes of this Chapter,

(a) "legal person" means any legal entity duly constituted or otherwise organised under applicable law, whether for profit or otherwise, and whether privately-owned or governmentally-owned, including any corporation, trust, partnership, joint venture, sole proprietorship or association;

(b) "legal person of a Party" means a legal person constituted or otherwise organised under the law of the Community or its Member States or of Chile. Should such a legal person have only its registered office or central administration in the territory of the Community or of Chile, it shall not be considered as a Community or a Chilean legal person respectively, unless it is engaged in substantive business operations in the territory of the Community or of Chile respectively.

(c) "natural person" means a national of one of the Member States or of Chile according to their respective legislation.

(d) "establishment" means:

(i) the constitution, acquisition or maintenance of a legal person, or

(ii) the creation or maintenance of a branch or a representative office,

within the territory of a Party for the purpose of performing an economic activity.

As regards natural persons, this shall not extend to seeking or taking employment in the labour market or confer a right of access to the labour market of a Party.

Article 132. National Treatment

In the sectors inscribed in Annex X, and subject to any conditions and qualifications set out therein, with respect to establishment, each Party shall grant to legal and natural persons of the other Party treatment no less favourable than that it accords to its own legal and natural persons performing a like economic activity.

Article 133. Right to Regulate

Subject to the provisions of Article 132, each Party may regulate the establishment of legal and natural persons.

Article 134. Final Provisions

1. With respect to this Chapter, the Parties confirm their rights and obligations existing under any bilateral or multilateral agreements to which they are parties.

2. With the objective of progressive liberalisation of investment conditions, the Parties affirm their commitment to review the investment legal framework, the investment environment and the flow of investment between them consistent with their commitments in international investment agreements, no later than three years after the entry into force of this Agreement.

Chapter IV. Exceptions

Article 135. Exceptions

1. Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or

unjustifiable discrimination between the Parties where like conditions prevail, or a disguised restriction on trade in services, financial services or establishment, nothing in this Title shall be construed to prevent the adoption or enforcement by either Party of measures:

(a) necessary to protect public morals or to maintain public order and public security;

(b) necessary to protect human, animal or plant life or health;

(c) relating to the conservation of exhaustible natural resources if such measures are applied in conjunction with restrictions on the domestic supply or consumption of services or on domestic investments;

(d) necessary for the protection of national treasures of artistic, historic or archaeological value;

(e) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Title including those relating to:

(i) the prevention of deceptive and fraudulent practices or to deal with the effects of a default on services contracts;

(ii) the protection of the privacy of individuals in relation to the processing and dissemination of personal data and the protection of confidentiality of individual records and accounts; or

(iii) safety.

2. The provisions of this Title shall not apply to the Parties' respective social security systems or to activities in the territory of each Party which are connected, even occasionally, with the exercise of official authority.

3. Nothing in this Title shall prevent a Party from applying its laws, regulations and requirements regarding entry and stay, work, labour conditions, and establishment of natural persons (11) provided that, in so doing, it does not apply to them in such a manner as to nullify or impair the benefits accruing to the other Party under the terms of a specific provision of this Title.

(11) In particular, a Party may require that natural persons must possess the necessary academic qualifications and/or professional experience specified in the territory where the service or financial service is supplied or the establishment is setup, for the sector of activity concerned.

Title IV. Government Procurement

Article 136. Objective

In accordance with the provisions of this Title, the Parties shall ensure the effective and reciprocal opening of their government procurement markets.

Article 137. Scope and Coverage

1. This Title applies to any law, regulation, procedure or practice regarding any procurement, by the entities of the Parties, of goods and services including works, subject to the conditions specified by each Party in Annexes XI, XII and XIII.

2. This Title shall not be applicable to:

(a) contracts awarded pursuant to:

(i) an international agreement and intended for the joint implementation or exploitation of a project by the contracting Parties;

(ii) an international agreement relating to the stationing of troops; and

(iii) the particular procedure of an international organisation.

(b) non-contractual agreements or any form of government assistance and procurement made in the framework of assistance or cooperation programmes.

(c) contracts for :

(i) the acquisition or rental of land, existing buildings, or other immovable property or concerning rights thereon;

(ii) the acquisition, development, production or co-production of programme material by broadcasters and contracts for broadcasting time.

(iii) arbitration and conciliation services;

(iv) employment contracts; and

(v) research and development services other than those where the benefits accrue exclusively to the entity for its use in the conduct of its own affairs, on condition that the service is wholly remunerated by the entity.

(d) financial services.

3. Public works concessions, as defined in Article 138(i), shall also be subject to this Title, as specified in Annexes XI, XII and XIII. 4. Neither Party may prepare, design or otherwise structure any procurement contract in order to avoid the obligations under this Title.

Article 138. Definitions

For the purpose of this Title, the following definitions shall apply:

(a) "government procurement" means any type of procurement of goods, services or a combination thereof, including works carried out by public entities of the Parties for governmental purposes and not with a view to commercial resale or with a view to use in the production of goods or the supply of services for commercial sale, unless otherwise specified. It includes procurement by such methods as purchase or lease, or rental or hire purchase, with or without an option to buy;

(b) "entities" means the public entities of the Parties, such as central, sub-central or local government entities, municipalities, public undertakings and all other entities that procure in accordance with the provisions of this Title, as set out in Annexes XI, XII and XIII;

(c) "public undertakings" means any undertaking over which the public authorities may exercise directly or indirectly a dominant influence by virtue of their ownership of it, their financial participation therein, or the rules which govern it. A dominant influence on the part of the public authorities shall be presumed when these authorities, directly or indirectly, in relation to an undertaking:

(i) hold the majority of the undertaking's subscribed capital;

(ii) control the majority of the votes attaching to shares issued by the undertaking; or

(iii) can appoint more than half of the members of the undertaking's administrative, managerial or supervisory body.

(d) "supplier of the Parties"Ameans any natural or legal person or public body or group of such persons of a Party and/or bodies of a Party which can provide goods, services or the execution of works. The term shall cover equally a supplier of goods, a service provider or a contractor;

(e) "legal person" means any legal entity duly constituted or otherwise organised under applicable law, whether for profit or otherwise, and whether privately-owned or governmentally-owned, including any corporation, trust, partnership, joint venture, sole proprietorship or association;

(f) "legal person of a Party" means a legal person constituted or otherwise organised under the law of the Community or its Member States or of Chile; Should such a legal person have only its registered office or central administration in the territory of the Community or Chile, it shall not be considered as a Community or a Chilean legal person respectively, unless it is engaged in substantive business operations in the territory of the Community or Chile respectively.

(g) a "natural person" means a national of one of the Member States or of Chile according to their respective legislation;

(h) "tenderer" means a supplier who has submitted a tender;

(i) "public works concessions" means a contract of the same type as public works procurement contracts, except for the fact that the remuneration for the works to be carried out consists either solely in the right to exploit the construction or in this right together with a payment;

(j) "offsets"Ameans those conditions imposed or considered by an entity prior to, or in the course of its procurement process, that encourage local development or improve its Party's balance of payments accounts by means of requirements of local content, licensing of technology, investment, counter-trade or similar requirements;

(k) "in writing or written" means any expression of information in words, numbers or other symbols, including electronic means, that can be read, reproduced and stored;

(l) "technical specifications" means a specification which lays down the characteristics of the products or services to be procured, such as quality, performance, safety and dimensions, symbols, terminology, packaging, marking and labelling, or the processes and methods for their production and requirements relating to conformity assessment procedures prescribed by procuring entities;

(m) "privatisation" means a process by means of which government control over an entity is effectively eliminated and is transferred to the private sector;

(n) "liberalisation" means a process as a result of which an entity enjoys no exclusive or special rights and is exclusively engaged in the provision of goods or services on markets that are subject to effective competition.

Article 139. National Treatment and Non-discrimination

1. Each Party shall ensure that the procurement of its entities covered by this Title takes place in a transparent, reasonable and non-discriminatory manner, treating any supplier of either Party equally and ensuring the principle of open and effective competition.

2. With respect to any laws, regulations, procedures and practices regarding government procurement covered by this Title, each Party shall grant the goods, services and suppliers of the other Party a treatment no less favourable than that accorded by it to domestic goods, services and suppliers.

3. With respect to any laws, regulations, procedures and practices regarding government procurement covered by this Title, each Party shall ensure:

(a) that its entities do not treat a locally-established supplier less favourably than another locally-established supplier on the basis of the degree of foreign affiliation to, or ownership by, a person of the other Party; and

(b) that its entities do not discriminate against a locally-established supplier on the basis that the goods or services offered by that supplier for a particular procurement are goods or services of the other Party.

4. This Article shall not apply to measures concerning customs duties or other charges of any kind imposed on or in connection with importation, the method of levying such duties and charges, other import regulations, including restrictions and formalities, nor to measures affecting trade in services other than measures specifically governing procurement covered by this Title.

Article 140. Prohibition of Offsets and National Preferences

Each Party shall ensure that its entities do not, in the qualification and selection of suppliers, goods or services, in the evaluation of bids or in the award of contracts, consider, seek or impose offsets, nor conditions regarding national preferences such as margins allowing price preference.

Article 141. Valuation Rules

1. Entities shall not split up a procurement, nor use any other method of contract valuation with the intention of evading the application of this Title when determining whether a contract is covered by the disciplines of thereof, subject to the conditions set out in Annexes XI and XII, Appendices 1 to 3.

2. In calculating the value of a contract, an entity shall take into account all forms of remuneration, such as premiums, fees, commissions and interests, as well as the maximum permitted total amount, including option clauses, provided for by the contract.

3. When, due to the nature of the contract, it is not possible to calculate in advance its precise value, entities shall estimate this value on the basis of objective criteria.

Article 142. Transparency

1. Each Party shall promptly publish any law, regulation, judicial decision and administrative ruling of general application and procedure, including standard contract clauses, regarding procurement covered by this Title in the appropriate publications referred to in Annex XIII, Appendix 2, including officially designated electronic media.

2. Each Party shall promptly publish in the same manner all modifications to such measures.

Article 143. Tendering Procedures

1. Entities shall award their public contracts by open or selective tendering procedures according to their national procedures, in compliance with this Title and in a nondiscriminatory manner.

2. For the purposes of this Title:

(a) open tendering procedures are those procedures whereby any interested supplier may submit a tender.

(b) selective tendering procedures are those procedures whereby, consistent with Article 144 and other relevant provisions of this Title, only suppliers satisfying qualification requirements established by the entities are invited to submit a tender.

3. However, in the specific cases and only under the conditions laid down in Article 145, entities may use a procedure other than the open or selective tendering procedures referred to in paragraph 1 of that Article, in which case the entities may choose not to publish a notice of intended procurement, and may consult the suppliers of their choice and negotiate the terms of contract with one or more of these.

4. Entities shall treat tenders in confidence. In particular, they shall not provide information intended to assist particular participants to bring their tenders up to the level of other participants.

Article 144. Selective Tendering

1. In selective tendering, entities may limit the number of qualified suppliers they will invite to tender, consistent with the efficient operation of the procurement process, provided that they select the maximum number of domestic suppliers and suppliers of the other Party, and that they make the selection in a fair and non-discriminatory manner and on the basis of the criteria indicated in the notice of intended procurement or in tender documents.

2. Entities maintaining permanent lists of qualified suppliers may select suppliers to be invited to tender from among those listed, under the conditions foreseen in Article 146(7). Any selection shall allow for equitable opportunities for suppliers on the lists.

Article 145. Other Procedures

1. Provided that the tendering procedure is not used to avoid maximum possible competition or to protect domestic suppliers, entities shall be allowed to award contracts by means other than an open or selective tendering procedure in the following circumstances and subject to the following conditions, where applicable:

(a) when no suitable tenders or request to participate have been submitted in response to a prior procurement, on condition that the requirements of the initial procurement are not substantially modified;

(b) when, for technical or artistic reasons, or for reasons connected with protection of exclusive rights, the contract may be performed only by a particular supplier and no reasonable alternative or substitute exists;

(c) for reasons of extreme urgency brought about by events unforeseeable by the entity, the products or services could not be obtained in time by means of open or selective tendering procedures;

(d) for additional deliveries of goods or services by the original supplier where a change of supplier would compel the entity to procure equipment or services not meeting requirements of interchangeability with already existing equipment, software or services;

(e) when an entity procures prototypes or a first product or service which are developed at its request in the course of, and for, a particular contract for research, experiment, study or original development;

(f) when additional services which were not included in the initial contract but which were within the objectives of the original tender documentation have, through unforeseeable circumstances, become necessary to complete the services described therein. However, the total value of contracts awarded for the additional construction services may not exceed 50 per cent of the amount of the main contract;

(g) for new services consisting of the repetition of similar services and for which the entity has indicated, in the notice concerning the initial service, that tendering procedures other than open or selective might be used in awarding contracts for such new services;

(h) in the case of contracts awarded to the winner of a design contest, provided that the contest has been organised in a manner which is consistent with the principles of this Title; in case of several successful candidates, all successful candidates shall be invited to participate in the negotiations; and

(i) for quoted goods purchased on a commodity market and for purchases of goods made under exceptionally advantageous conditions which only arise in the very short term in the case of unusual disposals and not for routine purchases from regular suppliers.

2. The Parties shall ensure that, whenever it is necessary for entities to resort to a procedure other than the open or selective tendering procedures based on the circumstances set forth in paragraph 1, the entities shall maintain a record or prepare a written report providing specific justification for the contract awarded under that paragraph.

Article 146. Qualification of Suppliers

1. Any conditions for participation in procurement shall be limited to those that are essential to ensure that the potential supplier has the capability to fulfil the requirements of the procurement and the ability to execute the contract in question.

2. In the process of qualifying suppliers, entities shall not discriminate between domestic suppliers and suppliers of the other Party.

3. A Party shall not impose the condition that, in order for a supplier to participate in a procurement, the supplier has previously been awarded one or more contracts by an entity of that Party or that the supplier has prior work experience in the territory of that Party.

4. Entities shall recognise as qualified suppliers all suppliers who meet the conditions for participation in a particular intended procurement. Entities shall base their qualification decisions solely on the conditions for participation that have been specified in advance in notices or tender documentation.

5. Nothing in this Title shall preclude the exclusion of any supplier on grounds such as bankruptcy or false declarations or conviction for serious crime such as participation in criminal organisations.

6. Entities shall promptly communicate to suppliers that have applied for qualification their decision on whether or not they qualify.

Permanent lists of qualified suppliers

7. Entities may establish permanent lists of qualified suppliers provided that the following rules are respected :

(a) entities establishing permanent lists shall ensure that suppliers may apply for qualification at any time.

(b) any supplier having requested to become a qualified supplier shall be notified by the entities concerned of the decision in this regard.

(c) suppliers requesting to participate in a given intended procurement who are not on the permanent list of qualified suppliers shall be given the possibility to participate in the procurement by presenting the equivalent certifications and other means of proof requested from suppliers who are on the list.

(d) when an entity operating in the utilities sector uses a notice on the existence of a permanent list as a notice of intended procurement, as provided in Article 147(7), suppliers requesting to participate who are not on the permanent list of qualified suppliers shall also be considered for the procurement, provided there is sufficient time to complete the qualification procedure; in this event, the procuring entity shall promptly start procedures for qualification and the process of, and the time required for, qualifying suppliers shall not be used in order to keep suppliers of other Parties off the suppliers' list.

Article 147. Publication of Notices

General provisions

1. Each Party shall ensure that its entities provide for effective dissemination of the tendering opportunities generated by the relevant government procurement processes, providing suppliers of the other Party with all the information required to take part in such procurement.

2. For each contract covered by this Title, except as set out in Articles 143(3) and 145, entities shall publish in advance a notice inviting interested suppliers to submit tenders, or where appropriate, requests for participation for that contract.

3. The information in each notice of intended procurement shall include at least the following.

(a) name, address, telefax number, electronic address of the entity and, if different, the address where all documents relating to the procurement may be obtained;

(b) the tendering procedure chosen and the form of the contract;

(c) a description of the intended procurement, as well as essential contract requirements to be fulfilled;

(d) any conditions that suppliers must fulfil to participate in the procurement;

(e) time-limits for submission of tenders and, where appropriate, other time limits;

(f) main criteria to be used for award of the contract; and

(g) if possible, terms of payment and any other terms.

Notice of planned procurement

4. Each Party shall encourage its entities to publish as early as possible in each fiscal year, a notice of planned procurement containing information regarding entities' future procurement plans. Such notice should include the subject matter of the procurement and the planned date of the publication of the notice of intended procurement.

5. Entities operating in the utilities sector may use a notice of planned procurement as a notice of intended procurement, under the condition that such notice contains as much of the information referred to in paragraph 3 as is available, and that it explicitly invites interested suppliers to express their interest in the procurement to the entity.

6. Entities having used a notice of planned procurement as a notice of intended procurement shall subsequently communicate to all suppliers who have expressed an initial interest further information that shall include, at least, the information referred to in paragraph 3 and ask them to confirm their interest on that basis.

Notice regarding permanent lists of qualified suppliers

7. Entities which intend to maintain permanent lists shall, consistently with paragraph 2, publish a notice which shall identify the entity, and indicate the purpose of the permanent list and the availability of the rules concerning its operation, including criteria for qualification and disqualification, as well as its duration.

8. Where the permanent list is of a duration greater than three years, the notice shall be published annually.

9. Entities operating in the utilities sector may use a notice on the existence of permanent lists of qualified suppliers as a notice of intended procurement. In that case, they shall provide, in a timely manner, information which allows all those who have expressed an interest to assess their interest in participating in the procurement. This information shall include the information contained in the notice referred to in paragraph 3, to the extent that such information is available. Information provided to one interested supplier shall be provided in a non-discriminatory manner to the other interested suppliers. Common provisions

10. Each notice referred to in this Article shall be accessible during the entire time period established for tendering for the relevant procurement.

11. Entities shall publish the notices in a timely manner through means which offer the widest possible and non-discriminatory access to the interested suppliers of the Parties. These means shall be accessible free of charge through a single point of access specified in Annex XIII, Appendix 2.

Article 148. Tender Documentation

1. Tender documentation provided to suppliers shall contain all information necessary to permit them to submit responsive tenders.

2. Where contracting entities do not offer free direct access to the entire tender documents and any supporting documents by electronic means, entities shall make promptly available the tender documentation at the request of any supplier of the Parties.

3. Entities shall promptly reply to any reasonable request for relevant information relating to the intended procurement, on condition that such information does not give that supplier an advantage over its competitors.

Article 149. Technical Specifications

1. Technical specifications shall be set out in the notices, tender documents or additional documents.

2. Each Party shall ensure that its entities do not prepare, adopt or apply any technical specifications with a view to, or with the effect of, creating unnecessary barriers to trade between the Parties.

3. Technical specifications prescribed by entities shall

(a) be in terms of performance and functional requirements rather than design or descriptive characteristics; and

(b) be based on international standards, where these exist or, in their absence, on national technical regulations (12), recognised national standards (13), or building codes.

4. The provisions of paragraph 3 do not apply when the entity can objectively demonstrate that the use of technical specifications referred to in that paragraph would be ineffective or inappropriate for the fulfilment of the legitimate objectives pursued.

5. In all cases, entities shall consider bids which do not comply with the technical specifications but meet the essential requirements thereof and are fit for the purpose intended. The reference to technical specifications in the tender documents must include words such as "or equivalent".

6. There shall be no requirement for or reference to a particular trademark or trade name, patent, design or type, specific origin, producer or supplier, unless there is no other sufficiently precise or intelligible way of describing the procurement requirements and provided that words, such as "or equivalent", are included in the tender documentation.

7. The tenderer shall have the burden of proving that his bid meets the essential requirements.

(12) For the purpose of this Title, a technical regulation is a document which lays down characteristics of a product or a service 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 labeling requirements as they apply to a product, service, process or production method.

(13) For the purpose of this Title, a standard is a document approved by a recognised body, that provides, for common and repeated use, rules, guidelines or characteristics for products or services 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 product, service, process or

production method.

Article 150. Time-limits

1. All time-limits established by the entities for the receipt of tenders and requests to participate shall be adequate to allow suppliers of the other Party, as well as domestic suppliers, to prepare and to submit tenders, and where appropriate, requests for participation or applications for qualifying. In determining any such time-limit, entities shall, consistent with their own reasonable needs, take into account such factors as the complexity of the intended procurement and the normal time for transmitting tenders from foreign as well as domestic points.

2. Each Party shall ensure that its entities shall take due account of publication delays when setting the final date for receipt of tenders or of request for participation or for qualifying for the supplier's list.

3. The minimum time-limits for the receipt of tenders are specified in Annex XIII, Appendix 3.

Article 151. Negotiations

1. A Party may provide for its entities to conduct negotiations:

(a) in the context of procurements in which they have indicated such intent in the notice of intended procurement; or

(b) when it appears from evaluation that no one tender is obviously the most advantageous in terms of the specific evaluation criteria set forth in the notices or tender documentation.

2. Negotiations shall primarily be used to identify the strengths and weaknesses in tenders.

3. Entities shall not, in the course of negotiations, discriminate between tenderers. In particular, they shall ensure that:

(a) any elimination of participants is carried out in accordance with the criteria set forth in the notices and tender documentation;

(b) all modifications to the criteria and to the technical requirements are transmitted in writing to all remaining participants in the negotiations;

(c) on the basis of the revised requirements and/or when negotiations are concluded, all remaining participants are afforded an opportunity to submit new or amended tenders in accordance with a common deadline.

Article 152. Submission, Receipt and Opening of Tenders

1. Tenders and requests to participate in procedures shall be submitted in writing.

2. Entities shall receive and open bids from tenderers under procedures and conditions guaranteeing the respect of the principles of transparency and non-discrimination.

Article 153. Awarding of Contracts

1. To be considered for award, a tender must, at the time of opening, conform to the essential requirements of the notices or tender documentation and be submitted by a supplier which complies with the conditions for participation.

2. Entities shall make the award to the tenderer whose tender is either the lowest tender or the tender which, in terms of the specific objective evaluation criteria previously set forth in the notices or tender documentation, is determined to be the most advantageous.

Article 154. Information on Contract Award

1. Each Party shall ensure that its entities provide for effective dissemination of the results of government procurement processes.

2. Entities shall promptly inform tenderers of decisions regarding the award of the contract and of the characteristics and relative advantages of the selected tender. Upon request, entities shall inform any eliminated tenderer of the reasons for the rejection of its tender.

3. Entities may decide to withhold certain information on the contract award where release of such information would prevent law enforcement or otherwise be contrary to the public interest, would prejudice the legitimate commercial interests of suppliers, or might prejudice fair competition between them.

Article 155. Bid Challenges

1. Entities shall accord impartial and timely consideration to any complaints from suppliers regarding an alleged breach of this Title in the context of a procurement procedure.

2. Each Party shall provide non-discriminatory, timely, transparent and effective procedures enabling suppliers to challenge alleged breaches of this Title arising in the context of procurements in which they have, or have had, an interest.

3. Challenges shall be heard by an impartial and independent reviewing authority. A reviewing authority which is not a court shall either be subject to judicial review or shall have procedural guarantees similar to those of a court.

4. Challenge procedures shall provide for:

(a) rapid interim measures to correct breaches of this Title and to preserve commercial opportunities. Such action may result in suspension of the procurement process. However, procedures may provide that overriding adverse consequences for the interests concerned, including the public interest, may be taken into account in deciding whether such measures should be applied; and

(b) if appropriate, correction of the breach of this Title or, in the absence of such correction, compensation for the loss or damages suffered, which may be limited to costs for tender preparation and protest.

Article 156. Information Technology

1. The Parties shall, to the extent possible, endeavour to use electronic means of communication to permit efficient dissemination of information on government procurement, particularly as regards tender opportunities offered by entities, while respecting the principles of transparency and non-discrimination.

2. With a view to improving access to government procurement markets, each Party shall endeavour to implement an electronic information system, which is compulsory for their respective entities.

3. The Parties shall encourage the use of electronic means for the transmission of offers.

Article 157. Cooperation and Assistance

The Parties shall endeavour to provide each other with technical cooperation and assistance through the development of training programs with a view to achieving a better understanding of their respective government procurement systems and statistics and better access to their respective markets.

Article 158. Statistical Reports

Where a Party does not ensure an acceptable level of compliance with Article 147(11), it shall, upon request of the other Party,Acollect and provide to the other Party on an annual basis statistics on its procurements covered by this Title. Such reports shall contain the information established in Annex XIII, Appendix 4.

Article 159. Modifications to Coverage

1. A Party may modify its coverage under this Title, provided that it:

(a) notifies the other Party of the modification; and

(b) provides the other Party, within 30 days following the date of such notification, appropriate compensatory adjustments to its coverage in order to maintain a level of coverage comparable to that existing prior to the modification.

2. Notwithstanding paragraph 1(b), no compensatory adjustments shall be provided to the other Party where the modification by a Party of its coverage under this Title concerns:

(a) rectifications of a purely formal nature and minor amendments to Annexes XI and XII;

(b) one or more covered entities on which government control or influence has been effectively eliminated as a result of privatisation or liberalisation.

3. Where appropriate, the Association Committee shall by decision modify the relevant Annex to reflect the modification notified by the Party concerned.

Article 160. Further Negotiations

If either Party should offer in the future a third party additional advantages with regard to access to their respective procurement markets beyond what has been agreed under this Title, it shall agree to enter into negotiations with the other Party with a view to extending these advantages to it on a reciprocal basis by means of a decision of the Association Committee.

Article 161. Exceptions

Provided that such measures are not applied in a manner that would constitute a means of arbitrary or unjustifiable discrimination between the Parties or a disguised restriction on trade between them, nothing in this Title shall be construed to prevent any Party from adopting or maintaining measures:

(a) necessary to protect public morals, order or safety;

(b) necessary to protect human life, health or security;

(c) necessary to protect animal or plant life or health;

(d) necessary to protect intellectual property; or

(e) relating to goods or services of handicapped persons, of philanthropic institutions or of prison labour.

Article 162. Review and Implementation

The Association Committee shall review the implementation of this Title every two years, unless otherwise agreed by the Parties; it shall consider any issue arising from it, and take appropriate action in the exercise of its functions. It shall, in particular, fulfil the following tasks:

(a) coordinate exchanges between the Parties regarding the development and implementation of information technology systems in the field of public procurement;

(b) make appropriate recommendations regarding the cooperation between the Parties; and

(c) adopt decisions where provided for under this Title.

Title V. Current Payments and Capital Movements

Article 163. Objective and Scope

1. The Parties shall aim at the liberalisation of current payments and capital movements between them, in conformity with the commitments undertaken in the framework of the international financial institutions and with due consideration to each Party's currency stability.

2. This Title applies to all current payments and capital movements between the Parties.

Article 164. Current Account

The Parties shall allow, in freely convertible currency and in accordance with the Articles of Agreement of the International Monetary Fund, any payments and transfers of the Current Account between the Parties.

Article 165. Capital Account

With regard to movement of capital of the Balance of Payments, from the entry into force of this Agreement, the Parties shall allow the free movements of capital relating to direct investments made in accordance with the laws of the host country and investments established in accordance with the provisions of Title III of this Part of the Agreement, and the liquidation or repatriation of these capitals and of any profit stemming therefrom.

Article 166. Exceptions and Safeguard Measures

1. Where, in exceptional circumstances, payments and capital movements between the Parties cause or threaten to cause serious difficulties for the operation of monetary policy or exchange rate policy in either Party, the Party concerned may take safeguard measures with regard to capital movements that are strictly necessary for a period not exceeding one year. The application of safeguard measures may be extended through their formal reintroduction.

2. The Party adopting the safeguard measures shall inform the other Party forthwith and present, as soon as possible, a time schedule for their removal.

Article 167. Final Provisions

1. With respect to this Title, the Parties confirm the rights and obligations existing under any bilateral or multilateral agreements to which they are parties.

2. The Parties shall consult each other with a view to facilitating the movement of capital between them in order to promote the objectives of this Agreement.

Title VI. Intellectual Property Rights

Article 168. Objective

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

Article 169. Scope

For the purposes of this Agreement, intellectual property rights embodies copyright – including copyright in computer programs and in databases - and related rights, the rights related to patents, industrial designs, geographical indications including appellation of origins, trademarks, layout-designs (topographies) of integrated circuits, as well as protection of undisclosed information and protection against unfair competition as referred to in Article 10 bis of the Paris Convention for the Protection of Industrial Property (Stockholm Act 1967).

Article 170. Protection of Intellectual Property Rights

In pursuance of the objectives set out in Article 168, the Parties shall:

(a) continue to ensure an adequate and effective implementation of the obligations arising from the following conventions:

(i) Agreement on Trade-related Aspects of Intellectual Property, Annex 1C to the Agreement establishing the World Trade Organisation ("the TRIPs");

(ii) Paris Convention for the Protection of Industrial Property (Stockholm Act, 1967);

(iii) Berne Convention for the Protection of Literary and Artistic Works (Paris Act, 1971);

(iv) Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations (Rome, 1961); and

(v) International Convention for the Protection of New Varieties of Plants 1978 ("1978 UPOV Convention"), or the International Convention for the Protection of New Varieties of Plants 1991 ("1991 UPOV Convention");

(b) by 1 January 2007 acceed to and ensure an adequate and effective implementation of the obligations arising from the following multilateral conventions:

(i) Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of Registration of Marks (Geneva Act, 1977, amended in 1979);

(ii) World Intellectual Property Organization Copyright Treaty (Geneva, 1996);

(iii) World Intellectual Property Organization Performances and Phonograms Treaty (Geneva, 1996);

(iv) Patent Co-operation Treaty (Washington, 1970, amended in 1979 and modified in 1984); and

(v) The 1971 Strasbourg Agreement Concerning the International Patent Classification (Strasbourg 1971, amended in 1979)

(c) by 1 January 2009 acceed to and ensure an adequate and effective implementation of the obligations arising from the following multilateral conventions:

(i) Convention for the Protection of Producers of Phonograms against the Unauthorised Reproduction of their Phonograms (Geneva 1971);

(ii) Locarno Agreement establishing an International Classification for Industrial Designs (Locarno Union 1968, amended in 1979);

(iii) Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (1977, amended in 1980); and

(iv) Trademark Law Treaty (Geneva, 1994);

(d) make every effort to ratify and ensure an adequate and effective implementation of the obligations arising from the following multilateral conventions at the earliest possible opportunity:

(i) Protocol to the Madrid Agreement concerning the International Registration of Marks (1989);

(ii) Madrid Agreement concerning the International Registration of Marks (Stockholm Act 1967, amended in 1979); and

(iii) The Vienna Agreement establishing an International Classification of Figurative Elements of Marks (Vienna 1973, amended in 1985).

Article 171. Review

While the Parties express their attachment to observing the obligations deriving from the above multilateral conventions, the Association Council may decide to include in Article 170 other multilateral conventions in this field.

Title VII. Competition

Article 172. Objectives

1. The Parties undertake to apply their respective competition laws in a manner consistent with this Part of the Agreement so as to avoid the benefits of the liberalisation process in goods and services being diminished or cancelled out by anti-competitive business conduct. To this end, the Parties agree to cooperate and coordinate among their competition authorities under the provisions of this Title.

2. With a view to preventing distortions or restrictions of competition which may affect trade in goods or services between them, the Parties will give particular attention to anticompetitive agreements, concerted practices and abusive behaviour resulting from single or joint dominant positions.

3. The Parties agree to cooperate and coordinate among themselves for the implementation of competition laws. This cooperation includes notification, consultation, exchange of non-confidential information and technical assistance. The Parties acknowledge the importance of embracing principles on competition that would be accepted by both Parties in multilateral fora, including the WTO.

Article 173. Definitions

For the purpose of this Title:

1. "competition laws" includes:

(a) for the Community, Articles 81, 82 and 86 of the Treaty establishing the European Community, Regulation (EEC) No 4064/89 and their implementing regulations or amendments;

(b) for Chile, Decreto Ley N° 211 of l973 and Ley N° 19.610 of 1999 and their implementing regulations or amendments; and

(c) any changes that the above mentioned legislation may undergo after the entry into force of this Agreement.

2. "competition authority" means:

(a) for the Community, the "Commission of the European Communities"; and

(b) for Chile, the "Fiscalia Nacional Económica" and the "Comisión Resolutiva".

3. "enforcement activity" means any application of competition laws by way of investigation or proceeding conducted by the competition authority of a Party, which may result in the imposition of penalties or remedies.

Article 174. Notifications

1. Each competition authority shall notify the competition authority of the other Party of an enforcement activity if it:

(a) is liable to substantially affect the other Party's important interests;

(b) relates to restrictions on competition which are liable to have a direct and substantial effect in the territory of the other Party; or

(c) concerns anti-competitive acts taking place principally in the territory of the other Party.

2. Provided that this is not contrary to the Parties' competition laws and does not affect any investigation being carried out, notification shall take place at an early stage of the procedure. The opinions received may be taken into consideration by the other competition authority when taking decisions.

3. The notifications provided for in paragraph 1 should be detailed enough to permit an evaluation in the light of the interests of the other Party.

4. The Parties undertake to use their best efforts to ensure that notifications are made in the circumstances set out above, taking into account the administrative resources available to them.

Article 175. Co-ordination of Enforcement Activities

The competition authority of one Party may notify the other Party's competition authority of its willingness to coordinate enforcement activities with respect to a specific case. This coordination shall not prevent the Parties from taking autonomous decisions.

Article 176. Consultations When the Important Interests of One Party Are Adversely Affected In the Territory of the other Party

1. Each Party shall, in accordance with its laws, take into consideration, as necessary, the important interests of the other Party in the course of its enforcement activities. If the competition authority of a Party considers that an investigation or proceeding being conducted by the competition authority of the other Party may adversely affect such Party's important interests it may transmit its views on the matter to, or request consultation with, the other competition authority. Without prejudice to the continuation of any action under its competition laws and to its full freedom of ultimate decision, the competition authority so addressed should give full and sympathetic consideration to the views expressed by the requesting competition authority.

2. The competition authority of a Party which considers that the interests of that Party are being substantially and adversely affected by anti-competitive practices of whatever origin that are or have been engaged in by one or more enterprises situated in the other Party may request consultations with the competition authority of that Party. Such consultations are without prejudice to the full freedom of ultimate decision of the competition authority concerned. A competition authority so consulted may take whatever corrective measures under its competition laws it deems appropriate, consistent with its own domestic law, and without prejudice to its full enforcement discretion.

Article 177. Exchange of Information and Confidentiality

1. With a view to facilitating the effective application of their respective competition laws, the competition authorities may exchange non-confidential information.

2. For the purpose of improving transparency, and without prejudice to the rules and standards of confidentiality applicable in each Party, the Parties hereby undertake to exchange information regarding sanctions and remedies applied in the cases that, according to the competition authority concerned, are significantly affecting important interests of the other Party and to provide the grounds on which those actions were taken, when requested by the competition authority of the other Party.

3. Each Party shall provide to the other Party information on state aid on an annual basis, including the overall amount of aid and, if possible, the segregation by sector. Each Party may request information on individual cases affecting trade between the Parties. The requested Party will use its best efforts to provide non-confidential information.

4. All exchange of information shall be subject to the standards of confidentiality applicable in each Party. Confidential information whose dissemination is expressly prohibited or which, if disseminated, could adversely affect the interest of the Parties, shall not be provided without the express consent of the source of the information.

5. Each competition authority shall maintain the confidentiality of any information provided to it in confidence by the other competition authority, and oppose any application for disclosure of such information by a third party that is not authorised by the competition authority that supplied the information.

6. In particular, where the laws of a Party so provides, confidential information may be provided to their respective courts of justice, subject to maintaining its confidentiality by the respective courts.

Article 178. Technical Assistance

The Parties may provide each other technical assistance in order to take advantage of their respective experience and to strengthen the implementation of their competition laws and policies.

Article 179. Public Enterprises and Enterprises Entrusted with Special or Exclusive Rights, Including Designated Monopolies

1. Nothing in this Title prevents a Party from designating or maintaining public or private monopolies according to their respective laws.

2. With regard to public enterprises and enterprises to which special or exclusive rights have been granted, the Association Committee shall ensure that, following the date of entry into force of this Agreement, there is neither enacted nor maintained any measure distorting trade in goods or services between the Parties to an extent contrary to the Parties' interests and that such enterprises shall be subject to the rules of competition insofar as the application of such rules does not obstruct the performance,

in law or in fact, of the particular tasks assigned to them.

Article 180. Dispute Settlement

Neither Party may have recourse to dispute settlement under this Agreement for any matter arising under this Title.

Title VIII. DISPUTE SETTLEMENT

Chapter I. Objective and Scope

Article 181. Objective

The objective of this Title is to avoid and settle disputes between the Parties concerning the good faith application of this Part of the Agreement and to arrive to a mutually satisfactory resolution of any matter that might affect its operation.

Article 182. Scope

The provisions of this Title shall apply with respect to any matter arising from the interpretation and application of this Part of the Agreement, except otherwise expressly provided.

Chapter II. Dispute Avoidance

Article 183. Consultations

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

2. Each Party may request consultations within the Association Committee with respect to an existing or proposed measure or any matter relating to the application or interpretation of this Part of the Agreement or any other matter that it considers might affect its operation. For the purposes of this Title, a "measure" shall also include a practice. The Party shall state in the request the measure or other matter complained of, indicate the provisions of this Agreement that it considers applicable and deliver the request to the other Party.

3. The Association Committee shall convene within 30 days of delivery of the request. Upon initiation of consultations, the Parties shall provide information to enable the examination of how the measure or any other matter might affect the operation and application of this Part of the Agreement, and give confidential treatment to the information exchanged during consultations. The Association Committee shall endeavour to resolve the dispute promptly by means of a decision. That decision shall specify the implementing measures to be taken by the Party concerned, and the timeframe for doing so.

Section CHAPTER III. Dispute Settlement Procedure

Article 184. Initiation of the Procedure

1. Parties shall at all times endeavour to reach a mutually satisfactory agreement on the dispute.

2. Where a Party considers that an existing measure of the other Party is in breach of an obligation under the provisions referred to in Article 182 and such matter has not been resolved within 15 days after the Association Committee has convened pursuant to Article 183(3) or 45 days after the delivery of the request for consultations within the Association Committee, whichever is earlier, it may request in writing the establishment of an arbitration panel.

3. The complaining Party shall state in the request the existing measure it considers to be in breach of this Part of the Agreement and indicate the provisions of this Agreement that it considers relevant, and shall deliver the request to the other Party and to the Association Committee.

Article 185. Appointment of Arbitrators

1. Arbitration panels shall consist of three arbitrators.

2. The Association Committee shall, no later than six months after the entry into force of this Agreement, establish a list of at least 15 individuals who are willing and able to serve as arbitrators, a third of whom must not be national of either Party and are identified as chairperson of arbitration panels. The Association Committee shall ensure that the list always contains 15 individuals at any point in time. Those individuals shall have specialised knowledge or experience in law, international trade or other matters

relating to this Part of the Agreement or in the resolution of disputes deriving from international trade agreements, be independent, serve in their individual capacities and not be affiliated with, nor take instructions from, any Party or organisation and shall comply with the Code of Conduct set out in Annex XVI. Such list may be amended every three years.

3. Within three days of the request for the establishment of the arbitration panel, the three arbitrators shall be selected by lot by the chairperson of the Association Committee from the list referred to in paragraph 2, one among the individuals proposed to the Association Committee by the complaining Party, one among the individuals proposed to the Association Committee by the Party complained against and the chairperson among the individuals identified for that purpose under paragraph 2.

4. The date of establishment of the arbitration panel shall be the date on which the three arbitrators are selected by lot.

5. Where a Party considers that an arbitrator does not comply with the requirements of the Code of Conduct, the Parties shall consult and, if so agreed, they shall replace that arbitrator and select a new one pursuant to paragraph 6.

6. If an arbitrator is unable to participate in the proceeding, withdraws or is replaced, a replacement shall be selected within three days in accordance with the selection procedure followed to select that arbitrator. In such a case, any timeframe applicable to the arbitration panel proceeding shall be suspended for a period beginning on the date the arbitrator is unable to participate in the proceeding, withdraws or is replaced and ending on the date the replacement is selected.

Article 186. Information and Technical Advice

At the request of a Party or on its own initiative, the panel may obtain the information and technical advice of persons and bodies that it deems appropriate. Any information so obtained shall be submitted to the Parties for comments.

Article 187. Arbitration Panel Ruling

1. The arbitration panel shall transmit its ruling containing its findings and conclusions to the Parties and the Association Committee, as a general rule not later than three months from the date of establishment of the arbitration panel. In no case should it do so later than five months from this date. The arbitration panel shall base its ruling on the submissions and communications of the Parties and on any information it has received pursuant to Article 186. The ruling is final and shall be publicly available.

2. The ruling shall set out the findings of fact, the applicability of the relevant provisions of this Agreement and the basic rationale behind any findings and conclusions that it makes.

3. Arbitration panels shall interpret the provisions of this Agreement in accordance with customary rules of interpretation of public international law, due account being taken of the fact that the Parties must perform this Agreement in good faith and avoid circumvention of their obligations.

4. A Party asserting that a measure of the other Party is inconsistent with the provisions of this Part of the Agreement shall have the burden of establishing such inconsistency. A Party asserting that a measure is subject to an exception under this Part of the Agreement shall have the burden of establishing that the exception applies.

5. In cases of urgency, including those involving perishable goods, the arbitration panel shall make every effort to issue its ruling to the Parties within 75 days from the date of establishment of the arbitration panel. In no case should it do so later than four months from that date. The arbitration panel may give a preliminary ruling on whether a case is urgent.

6. All decisions of the arbitration panel, including the adoption of the ruling and of any preliminary ruling, shall be taken by majority vote.

7. The complaining Party may, with the agreement of the Party complained against, withdraw its complaint at any time before the ruling is transmitted to the Parties and the Association Committee. Such withdrawal is without prejudice to its right to introduce a new complaint regarding the same matter at a later point in time.

8. The arbitration panel may, with the agreement of the Party complained against, suspend its work at any time at the request of the complaining Party for a period not to exceed 12 months. In the event of such a suspension, the time-frame set out in paragraphs 1 and 5 shall be extended by the amount of time that the work was suspended. If the work of the panel has been suspended for more than 12 months, the authority for establishment of the panel shall lapse, without prejudice to the right of the complaining Party to request at a later stage the establishment of an arbitration panel on the same subject matter.

Article 188. Compliance

1. Each Party shall be bound to take the measures necessary to comply with the ruling of the arbitration panel.

2. The Parties shall endeavour to agree on the specific measures that are required for complying with the ruling.

3. Within 30 days after the ruling has been transmitted to the Parties and the Association Committee, the Party complained against

shall notify the other Party:

(a) of the specific measures required for complying with the ruling;

(b) of the reasonable timeframe for doing so; and

(c) of a concrete proposal for a temporary compensation until the full implementation of the specific measures required for compliance with the ruling.

4. In the event of disagreement between the Parties on the content of such notification, the complaining Party shall request the original arbitration panel to rule on whether the proposed measures referred to under paragraph 3(a) would be consistent with this Part of the Agreement, on the duration of the timeframe and on whether the compensation proposal is manifestly disproportionate. The ruling shall be given within 45 days after that request.

5. The Party concerned shall notify to the other Party and to the Association Committee the implementing measures adopted in order to put an end to the violation of its obligations under this Part of the Agreement, before the expiry of the reasonable timeframe agreed by the Parties or determined in accordance with paragraph 4. Upon that notification, that other Party may request the original arbitration panel to rule on the conformity of those measures with this Part of the Agreement if they are not similar to the measures which the arbitration panel, acting under paragraph 4, has ruled that they would be consistent with this Part of the Agreement. The ruling of the arbitration panel shall be given within 45 days from that request.

6. If the Party concerned fails to notify the implementing measures before the expiry of the reasonable timeframe or if the arbitration panel rules that the implementing measures notified by the Party concerned are inconsistent with its obligations under this Part of the Agreement, the complaining Party shall, if no agreement on compensation has been found, be entitled to suspend the application of benefits granted under this Part of the Agreement equivalent to the level of nullification and impairment caused by the measure found to violate this Part of the Agreement.

7. In considering what benefits to suspend, a complaining Party should first seek to suspend benefits in the same Title or Titles of this Part of the Agreement as that affected by the measure that the arbitration panel has found to violate this Part of the Agreement. A complaining Party that considers that it is not practicable or effective to suspend benefits in the same Title or Titles may suspend benefits in other Titles, provided it submits written justification. In the selection of the benefits to suspend, priority must be given to those which least disturb the functioning of this Agreement.

8. The complaining Party shall notify the other Party and the Association Committee of the benefits which it intends to suspend. Within five days from that notification, the other Party may request the original arbitration panel to rule on whether the benefits which the complaining Party intends to suspend are equivalent to the level of nullification and impairment caused by the measure found to violate this Part of the Agreement, and whether the proposed suspension is in accordance with paragraph 7. The ruling of the arbitration panel shall be given within 45 days from that request. Benefits shall not be suspended until the arbitration panel has issued its ruling.

9. The suspension of benefits shall be temporary and shall only be applied by the complaining Party until the measure found to violate this Part of the Agreement has been withdrawn or amended so as to bring it into conformity with this Part of the Agreement, or the Parties have reached agreement on a resolution of the dispute.

10. At the request of any of the Parties, the original arbitration panel shall rule on the conformity with this Part of the Agreement of any implementing measures adopted after the suspension of benefits and, in the light of such ruling, whether the suspension of benefits should be terminated or modified. The ruling of the arbitration panel shall be given within 45 days from the date of that request.

11. The rulings provided for in this Article shall be final and binding. They shall be transmitted to the Association Committee and be publicly available.

Chapter IV. General Provisions

Article 189. General Provisions

1. Any time period mentioned in this Title may be modified by mutual agreement of the Parties.

2. Unless the Parties otherwise agree, the procedure before the arbitration panel shall be governed by the Model Rules of Procedure set out in Annex XV. The Association Committee may, whenever it considers necessary, amend the Model Rules of Procedure and the Code of Conduct set out in Annex XVI, by means of a decision.

3. The hearings of the arbitration panels shall be closed to the public, unless the Parties decide otherwise.

4. (a) When a Party seeks redress of a violation of an obligation under the WTO Agreement, it shall have recourse to the relevant rules and procedures of the WTO Agreement, which apply notwithstanding the provisions of this Agreement.

(b) When a Party seeks redress of a violation of an obligation under this Part of the Agreement, it shall have recourse to the rules and procedures of this Title.

(c) Unless the Parties otherwise agree, when a Party seeks redress of a violation of an obligation under this Part of the Agreement which is equivalent in substance to an obligation under the WTO, it shall have recourse to the relevant rules and procedures of the WTO Agreement, which apply notwithstanding the provisions of this Agreement.

(d) Once dispute settlement procedures have been initiated, the forum selected, if it has not declined its jurisdiction, shall be used to the exclusion of the other. Any question on the jurisdiction of the arbitration panels established under this Title shall be raised within 10 days of the establishment of the panel, and shall be settled by a preliminary ruling of the panel within 30 days of the establishment of the panel.

Title IX. Transparency

Article 190. Contact Points and Exchange of Information

1. In order to facilitate communication between the Parties on any trade matter covered by this Part of the Agreement, each Party shall designate a contact point. On the request of either Party, the contact point of the other Party shall indicate the office or official responsible for the matter and provide the required support to facilitate communication with the requesting Party.

2. On request of the other Party, and to the extent possible under its domestic laws and principles, each Party shall provide information and reply to any question from the other Party relating to an actual or proposed measure that might substantially affect the operation of this Part of the Agreement.

3. The information referred to under this Article shall be considered to have been provided when the information has been made available by appropriate notification to the WTO or when the information has been made available on the official, publicly and fee-free accessible website of the Party concerned.

Article 191. Cooperation on Increased Transparency

The Parties agree to cooperate in bilateral and multilateral fora on ways to increase transparency in trade matters.

Article 192. Publication

Each Party shall ensure that its laws, regulations, procedures and administrative rulings of general application relating to any trade matter covered by this Part of the Agreement are promptly published or made publicly available.

Title X. Specific Tasks In Trade Matters of the Bodies Established Under this Agreement

Article 193. Specific Tasks

1. When the Association Committee performs any of the tasks conferred upon it in this Part of the Agreement, it shall be composed of representatives of the Community and Chile with a responsibility for trade-related matters, normally at senior official level.

2. Notwithstanding the provisions of Article 6, the Association Committee shall have, in particular, the following functions:

(a) supervise the implementation and proper application of the provisions of this Part of the Agreement, as well as of any other instrument agreed by the Parties concerning trade-related matters, within the framework of this Agreement;

(b) oversee the further elaboration of the provisions of this Part of the Agreement and evaluate the results obtained in its application;

(c) resolve disputes that may arise regarding the interpretation or application of this Part of the Agreement, in accordance with the provisions of Article 183;

(d) assist the Association Council in the performance of its functions regarding trade related matters;

(e) supervise the work of all the special committees established under this Part of the Agreement;

(f) carry out any other function assigned to it under this Part of the Agreement or entrusted to it by the Association Council, concerning trade-related matters; and

(g) report annually to the Association Council.

3. In the performance of its duties under paragraph 2, the Association Committee may:

(a) set up any special committees or bodies to deal with matters falling within its competence, and determine their composition

and duties, and their rules of procedure;

(b) meet at any time agreed by the Parties;

(c) consider any issues regarding trade-related matters, and take appropriate action in the exercise of its functions;

(d) take decisions or make recommendations on trade-related matters, in accordance with Article 6.

4. Pursuant to Articles 5 and 6(4), the Parties shall implement decisions resulting from the application of Articles 60(5) and 74 and Article 38 of Annex III in accordance with Annex XVII.

Title XI. Exceptions In the Area of Trade

Article 194. National Security Clause

1. Nothing in this Agreement shall be construed:

(a) to require a Party to furnish any information the disclosure of which it considers contrary to its essential security interests;

(b) to prevent a Party from taking any action which it considers necessary for the protection of its essential security interests

(i) relating to fissionable and fusionable materials or the materials from which they are derived;

(ii) relating to the traffic in arms, ammunition and implements of war and to such traffic in other goods and materials or relating to the supply of services, as carried on directly or indirectly for the purpose of supplying or provisioning a military establishment;

(iii) relating to government procurement indispensable for national security or for national defence purposes; or

(iv) taken in time of war or other emergency in international relations; or

(c) to prevent a Party from taking any action in pursuance of its obligations under the United Nations Charter for the maintenance of international peace and security.

2. The Association Committee shall be informed to the fullest extent possible of measures taken under paragraphs 1(b) and (c) and of their termination.

Article 195. Balance of Payments Difficulties

1. Where a Party is in serious balance of payments and external financial difficulties, or under threat thereof, it may adopt or maintain restrictive measures with regard to trade in goods and in services and with regard to payments and capital movements, including those related to direct investment.

2. The Parties shall endeavour to avoid the application of the restrictive measures referred to in paragraph 1.

3. Any restrictive measure adopted or maintained under this Article shall be nondiscriminatory and of limited duration and shall not go beyond what is necessary to remedy the balance of payments and external financial situation. They shall be in accordance with the conditions established in the WTO Agreements and consistent with the Articles of Agreement of the International Monetary Fund, as applicable.

4. The Party maintaining or having adopted restrictive measures, or any changes thereto, shall promptly notify them to the other Party and present, as soon as possible, a time schedule for their removal.

5. The Party applying restrictive measures shall consult promptly within the Association Committee. Such consultations shall assess the balance of payments situation of the Party concerned and the restrictions adopted or maintained under this Article, taking into account, inter alia, such factors as:

(a) the nature and extent of the balance of payments and the external financial difficulties;

(b) the external economic and trading environment of the consulting Party;

(c) alternative corrective measures which may be available. The consultations shall address the compliance of any restrictive measures with paragraphs 3 and 4. All findings of statistical and other facts presented by the International Monetary Fund relating to foreign exchange, monetary reserves and balance of payments shall be accepted and conclusions shall be based on the assessment by the Fund of the balance of payments and the external financial situation of the consulting Party.

Article 196. Taxation

1. Nothing in this Part of the Agreement or in any arrangement adopted under this Agreement shall be construed to prevent the

Parties from distinguishing, in the application of the relevant provisions of their fiscal legislation, between taxpayers who are not in the same situation, in particular with regard to their place of residence or with regard to the place where their capital is invested.

2. Nothing in this Part of the Agreement or in any arrangement adopted under this Agreement shall be construed to prevent the adoption or enforcement of any measure aimed at preventing the avoidance or evasion of taxes pursuant to the tax provisions of agreements to avoid double taxation or other tax arrangements or domestic fiscal legislation.

3. Nothing in this Part of the Agreement shall affect the rights and obligations of either 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.

Part V. FINAL PROVISIONS

Article 197. Definition of the Parties

For the purposes of this Agreement, "the Parties" shall mean the Community or its Member States or the Community and its Member States, within their respective areas of competence as derived from the Treaty establishing the European Community, on the one hand, and the Republic of Chile, on the other.

Article 198. Entry Into Force

1. This Agreement shall enter into force the first day of the month following that in which the Parties have notified each other of the completion of the procedures necessary for this purpose.

2. Notifications shall be sent to the Secretary General of the Council of the European Union, who shall be the depository of this Agreement.

3. Notwithstanding paragraph 1, Chile and the European Community agree to apply Articles 3 to 11, Article 18, Articles 24 to 27, Articles 48 to 54, Article 55 (a), (b), (f), (h), (i), Article 56 to 93, Articles 136 to 162, and Articles 172 to 206, from the first day of the month following the date on which Chile and the European Community have notified each other of the completion of the procedures necessary for this purpose.

4. Where a provision of this Agreement is applied by the Parties pending its entry into force, any reference in such provision to the date of entry into force of this Agreement shall be understood to be made to the date from which the Parties agree to apply that provision in accordance with paragraph 3.

5. From the date of its entry into force in accordance with paragraph 1, this Agreement shall replace the Framework Cooperation Agreement. By way of exception, the Protocol on Mutual Assistance in Customs matters to the Framework Cooperation Agreement of 13 June 2001, shall remain in force and become an integral part of this Agreement.

Article 199. Duration

1. This Agreement shall be valid indefinitely.

2. Either Party may give written notice to the other of its intention to denounce this Agreement.

3. Denunciation shall take effect six months after notification to the other Party.

Article 200. Fulfilment of the Obligations

1. The Parties shall adopt any general or specific measures required for them to fulfil their obligations under this Agreement and shall ensure that they comply with the objectives laid down in this Agreement.

2. If one of the Parties considers that the other Party has failed to fulfil an obligation under this Agreement it may take appropriate measures. Before doing so, it must supply the Association Council within 30 days with all the relevant information required for a thorough examination of the situation with a view to seeking a solution acceptable to the Parties. In this selection of measures, priority must be given to those which least disturb the functioning of this Agreement. These measures shall be notified immediately to the Association Committee and shall be the subject of consultations in the Committee if the other Party so requests.

3. By way of derogation from paragraph 2, any Party may immediately take appropriate measures in accordance with international law in case of:

(a) denunciation of the Agreement not sanctioned by the general rules of international law;

(b) violation by the other Party of the essential elements of the Agreement referred to in Article 1, paragraph 1. The other Party may

ask that an urgent meeting be called to bring the Parties together within 15 days for a thorough examination of the situation with a view to seeking a solution acceptable to the Parties.

4. By way of derogation from paragraph 2, if one of the Parties considers that the other Party has failed to fulfil an obligation under Part IV of this Agreement, it shall exclusively have recourse to, and abide by, the dispute settlement procedures established under Title VIII of Part IV of this Agreement.

Article 201. Future Developments

1. The Parties may mutually agree to extend this Agreement with the aim of broadening and supplementing its scope in accordance with their respective legislation, by concluding agreements on specific sectors or activities in the light of the experience gained during its implementation.

2. As regards the implementation of this Agreement, either Party may make suggestions oriented towards expanding cooperation in all areas, taking into account the experience acquired during the implementation thereof.

Article 202. Data Protection

The Parties agree to accord a high level of protection to the processing of personal and other data, compatible with the highest international standards.

Article 203. National Security Clause

The provisions of Article 194 of Part IV shall apply to the entire Agreement.

Article 204. Territorial Application

This Agreement shall apply to the territories in which the Treaty establishing the European Community is applies under the conditions laid down in that Treaty, on the one hand, and to the territory of the Republic of Chile, on the other.

Article 205. Authentic Texts

This Agreement is drawn in duplicate in the Danish, Dutch, English, Finnish, French, German, Greek, Italian, Portuguese, Spanish and Swedish languages, each of these texts being equally authentic.

Article 206. Annexes, Appendices, Protocols and Notes

The Annexes, Appendices, Protocols and Notes to this Agreement are an integral part hereof.

IN WITNESS WHEREOF, the undersigned Plenipotentiaries have signed this Agreement.

Done at Brussels on the eighteenth day of November in the year two thousand and two.

FOR THE KINGDOM OF BELGIUM

This signature also commits the French Community, the Flemish Community, the German-speaking Community, the Walloon Region, the Flemish Region and the Brussels-Capital Region.

FOR THE KINGDOM OF DENMARK,

FOR THE FEDERAL REPUBLIC OF GERMANY,

FOR THE HELLENIC REPUBLIC,

FOR THE KINGDOM OF SPAIN,

FOR THE FRENCH REPUBLIC,

FOR IRELAND,

FOR THE ITALIAN REPUBLIC,

FOR THE GRAND DUCHY OF LUXEMBOURG,

FOR THE KINGDOM OF THE NETHERLANDS,

FOR THE REPUBLIC OF AUSTRIA,

FOR THE PORTUGUESE REPUBLIC,

FOR THE REPUBLIC OF FINLAND,

FOR THE KINGDOM OF SWEDEN,

FOR THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND,

FOR THE EUROPEAN COMMUNITY,

FOR THE REPUBLIC OF CHILE

Annex X. (Referred to Article 132 of the Association Agreement). SCHEDULES OF SPECIFIC COMMITMENTS ON ESTABLISHMENT

Part A. COMMUNITY'S SCHEDULE

Introductory Note

1. The specific commitments in this schedule apply only to the territories in which the Treaties establishing the Community are applied and under the conditions laid down in these Treaties. These commitments apply only to the relations between the Community and its Member States on the one hand, and non-Community countries on the other. They do not affect the rights and obligations of Member States arising from Community law.

2. The following abbreviations are used to indicate the Member States:

A Austria

B Belgium

I Italy

D Germany

IRL Ireland

DK Denmark

L Luxembourg

E Spain

NL The Netherlands

F France

FIN Finland

P Portugal

GR Greece

S Sweden

UK United Kingdom

Subsidiary of a legal person means a legal person which is effectively controlled by another legal person.

Branch of a legal person means a place of business not having legal personality which has the appearance of permanency, such as the extension of a parent body, has a management and is materially equipped to negotiate business with third parties so that the latter, although knowing that there will if necessary be a legal link with the parent body, the head office of which is abroad, do not have to deal directly with such parent body but may transact business at the place of business constituting the extension.

1. HORIZONTAL COMMITMENTS

All sectors included in this schedule

a) Treatment accorded to subsidiaries (of Chilean companies) formed in accordance with the law of a Member State and having their registered office, central administration or principal place of business within the Community is not extended to branches or

agencies established in a Member State by a Chilean company. However, this does not prevent a Member State from extending this treatment to branches or agencies established in another Member State by a Chilean company or firm, as regards their operation in the first Member State's territory, unless such extension is explicitly prohibited by Community law.

b) Treatment less favourable may be accorded to subsidiaries (of Chilean companies) formed in accordance with the law of a Member State which have only their registered office or central administration in the territory of the Community, unless it can be shown that they possess an effective and continuous link with the economy of one of the Member States.

Formation of Legal Entity

A: Without prejudice to existing treaties, foreign natural persons may exercise a business on equal terms as Austrian nationals. However, evidence has to be presented to the competent authority that Austrian natural persons are in no way discriminated against in the exercise of the relevant business in the foreigner's home country. If this evidence cannot be presented the foreign natural person has to apply formally for equal status with nationals. If the holder of a business permit is not a permanent resident of Austria, the appointment of a professional representative (.gewerberechtlicher Geschäftsführer.) permanently residing in Austria is necessary. In order to acquire a business permit, foreign juridical persons or partnerships must set up an establishment and appoint a professional representative permanently residing in Austria. Without prejudice to existing treaties a foreign professional representative has to apply for equal status with nationals.

FIN: At least half of the founders of a limited company need to be natural persons residing within EEA (European Economic Area) or juridical persons having their domicile in one of the EEA countries, unless the Ministry of Trade and Industry grants an exception.

S: A limited liability company (joint stock company) may be established by one or several founders. A founding party shall either reside within the EEA (European Economic Area) or be an EEA legal entity. A partnership can only be a founding party if each partner resides within the EEA (1). The managing director and at least 50 per cent of the members of the board shall reside within the EEA (European Economic Area). Corresponding conditions prevail for establishment of other types of legal entities.

(1) Exceptions from these requirements may be granted, if it can be proved that residency is not necessary.

Law on Foreign Companies' Branches

S: A foreign company (which has not established a legal entity in Sweden) shall conduct its commercial operations through a branch, established in Sweden with independent management and separate accounts. Building projects with a duration of less than a year are exempted from the requirements of establishing a branch or appointing a resident representative.

S: The managing director of a branch shall reside within the EEA (European Economic Area) (1).

(1) Exceptions from these requirements may be granted, if it can be proved that residency is not necessary.

S: Foreign or Swedish citizens not residing in Sweden, who wishes to conduct commercial operations in Sweden, shall appoint and register with the local authority a resident representative responsible for such activities.

Legal Entities:

A: Only Austrian nationals or legal entities and enterprises having their seat in Austria may be shareholders of the Oesterreichische Nationalbank (Austrian National Bank). Members of the management must be Austrian nationals.

FIN: At least half of the members of the board and the managing director shall reside within the EEA (European Economic Area) unless the Ministry of Trade and Industry grants an exception to the company.

FIN: Acquisition of shares by foreign owners giving more than one third of the voting rights of a major Finnish company or a major business undertaking (with more than 1 000 employees or with a turnover exceeding 167 million euros or with a balance sheet total exceeding over 167 million euros) is subject to confirmation by the Finnish authorities; the confirmation may be denied only if an important national interest would be jeopordized. A foreigner living outside the European Economic Area and carrying on a trade as a private entrepreneur or as a partner in a Finnish limited or general partnership needs a trade permit. If a foreign organization or foundation is established under the laws of and has its registered office in an EEA-country no permit is required for carrying on a business or trade by establishing a branch in Finland.

Real estate purchases:

A: The acquisition, purchase as well as rent or lease of real estate by foreign natural persons and juridical persons requires an authorisation by the competent regional authorities (Länder) which will consider whether important economic, social or cultural interests are affected or not.

DK: Limitations on real estate purchase by non-resident physical and legal entities. Limitations on agricultural estate purchased by

foreign physical and legal entities.

E: Reservation to the purchase of real estate by governments, official institutions and public enterprises originating in non-Community member countries.

GR: According to Law No. 1892/90, as amended by Law 1969/91, acquisition of real estate in the border regions either directly or through equity participation in a company which is not listed in the Greek Stock Exchange and which owns real estate in those regions or any change in the persons of the stockholders of such company are subject to a permit issued by the competent authorities (Ministry of Defense in the case of non-EU natural or legal persons).

IRL: Prior written consent of the Land Commission is necessary for the acquisition of any interest in Irish land by domestic or foreign companies or foreign nationals. Where such land is for industrial use (other than agricultural industry), this requirement is waived subject to a certificate to this effect from the Minister for Enterprise and Employment. This law does not apply to land within the boundaries of cities and towns.

I: Unbound for purchase of real estate.

FIN (Åland Islands): Restrictions on the right for natural persons who do not enjoy regional citizenship in Åland, and for legal persons, to acquire and hold real property on the Åland Islands without permission by the competent authorities of the islands.

FIN (Åland Islands): Restrictions on the right of establishment and the right to provide services by natural persons who do not enjoy regional citizenship in Åland, or by any legal person, without permission by the competent authorities of the Åland Islands.

Investments:

E: Investment in Spain by foreign government and foreign public entities (which tends to imply, besides economic, also non-economic interests to entity's part), directly or through companies or other entities controlled directly or indirectly by foreign governments, need prior authorisation by the government.

F: Foreign purchases exceeding 33,33 per cent of the shares of capital or voting rights in existing French enterprise, or 20 per cent in publicly quoted French companies, are subject to the following regulations:

- after a period of one month following prior notification, authorisation is tacitly granted for other investments unless the Minister of Economic Affairs has, in exceptional circumstances, exercised its right to postpone the investment.

F: Foreign participation in newly privatized companies may be limited to a variable amount, determined by the government of France on a case by case basis, of the equity offered to the public.

F: For establishing in certain commercial, industrial or artisanal activities, a specific authorisation is needed if the managing director is not holder of a permanent residence permit

I: Exclusive rights may be granted or maintained to newly-privatized companies. Voting rights in newly privatized companies may be restricted in some cases. For a period of five years, the acquisition of large equity stakes of companies operating in the fields of defence, and energy may be subject to the approval of the Ministry of Treasury.

P: Foreign participation in newly privatized companies may be limited to a variable amount, determined by the Government of Portugal on a case by case basis, of the equity offered to the public.

Residency requirements

A: Managing directors of branches and juridical persons have to be resident in Austria; natural persons responsible within a juridical person or a branch for the observance of the Austrian Trade Act must be resident in Austria.

A: All foreigners are subject to the provisions of the Foreigners's Act and the Residence Act concerning entry, stay and work. In addition, foreign workers, including key personnel and investors, except for EEA-nationals, are subject to the provisions of the Foreign Labour Act including the labour market test and the quota system. If an investor commits an investment which has a positive effect on the entire Austrian economy or a whole sector of the Austrian economy, the labour market test can be dropped for him and for individual cases of essential key personnel. Investors who furnish proof that they hold at least 25 per cent in a partnership (.Personengesellschaft.) or a public limited company (.Gesellschaft mit beschränkter Haftung.) and that they exert a decisive influence on that company are exempted from the Foreign Labour Act.

2. SECTOR-SPECIFIC COMMITMENTS (based on UN ISIC rev.3 classification)

Sector or subsector	Limitations on national treatment to establishment
A. Agriculture, hunting, forestry	

1. Agriculture, hunting excluding services 2. Forestry, logging excluding services	A: Reservation. F: Reservation on the establishment of agricultural enterprises by nationals of countries that are not members of the Community and the acquisition of vineyards. IRL: Reservation on the acquisition by non-Community nationals of land for agricultural purposes, unless an authorisation is granted; Investment by non-Community residents in flour milling activities.
B. Fishing	
5. Fishing, operation of fish hatcheries and fish farms; excluding services.	A: Acquisition of 25 % or more of vessels registered in Austria. B: Reservation on the acquisition of Belgian flag vessels by shipping companies not having their principal office in Belgium. DK: Reservation on the ownership by non-EC residents of one-third or more of a business engaged in commercial fishing; ownership of flag vessels by non-EC residents except through an enterprise incorporated in Denmark. F: Reservation on the settling of non-Community nationals or non-EFTA nationals on the maritime State property for fish/shellfish/algae farming. F: Reservation on the ownership after acquisition of more than 50 per cent of a French flag vessel, unless the vessel concerned is entirely owned by enterprises having their principal office in France. FIN Reservation on the ownership of Finnish flag vessels, including fishing vessels, except through an enterprise incorporated in Finland. D: Sea fishing licence granted only to vessels entitled to fly the flag of Germany. These are fishing vessels of which the majority of shares is owned by Community citizens or companies established in accordance with Community rules and that have their principal place of business in a Member State. The use of the vessels must be headed and supervised by persons residing in Germany. In order to obtain a fishing licence, all fishing vessels must register with the relevant coastal states in which the ships have their homeports. GR: Ownership of a vessel under the Greek flag is limited to 49 per cent for non-EU natural or legal persons. IRL: Reservation on the acquisition by non-Community nationals of sea fishing vessels registered in Ireland. I: Reservation on the purchase by foreigners other than Community residents of a majority interest in Italian flag vessels or of a controlling interest in ship owning companies having their headquarters in Italy; purchase of Italian flag vessels used to fish in Italian territorial waters. NL: Reservation on the ownership of Netherlands flag vessels, unless the investment is made by shipping companies incorporated under Netherlands law, established in the Kingdom and having their actual place of management in the Netherlands. P: Reservation on the ownership of Portuguese flag vessels other than through an enterprise incorporated in Portugal. S: Reservation on the acquisition of 50 per cent or more of Swedish flag vessels, except through an enterprise incorporated in Sweden; establishment of, or acquisition of 50 per cent or more of shares in firms engaged in commercial fishing activities in Swedish waters, unless an authorisation is granted. Restrictions on the right of fishing and limitations on which fishing-vessels may obtain a license and become a part of the Swedish fishing-fleet are found in the Swedish fisheries legislation. UK: Reservation on the acquisition of UK flagged vessels, unless the investment is at least 75 % owned by British citizens and/or by companies which are at least 75 % owned by British citizens, in all cases resident and domiciled in the UK. Vessels must be managed, directed and controlled from within the UK.
C. Mining and quarrying	
	GR: The right of exploration and exploitation of all minerals, except hydrocarbons, solid fuels, radioactive minerals and geothermal potential is subject to a concession by the Greek State, after approval of the Council of Ministers. E: Reservation on investment originating in non-Community member countries in strategic minerals. F: Establishment by a non resident

10. Mining of coal and lignite; extraction of peat 11. Extraction of crude petroleum and natural gas; excluding services 12. Mining of uranium and thorium ores 13. Mining of metal ores 14. Other mining and quarrying	in extractive industries must be carried out in the form of a French or European subsidiary, whose manager must be resident in France or other country and declare his place of residence to the local prefet authorities. EG: Reservation on prospection, exploration and exploitation of hydrocarbons: In accordance with Directive 94/22/EC of 30 May 1994 (OJ L 164 of 30.6.1994), whenever it appears that a third country is not granting Community entities as regards access to and exercise of these activities treatment comparable to that which the Community grants entities from that country, the Council could, on a proposal of the Commission, authorise a Member State to refuse authorisation to an entity which is effectively controlled by the third country concerned and/or by nationals of that country (reciprocity)
D. Manufacturing	
15. Manufacture of food products and beverages 16. Manufacture of tobacco products 17. Manufacture of textiles 18. Manufacture of wearing apparel; dressing and dyeing of fur 19. Tanning and dressing of leather; manufacture of luggage, handbags, saddlery, harness and footwear 20. Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials 21. Manufacture of paper and paper products 22. Publishing, printing and reproduction of recorded media 23. Manufacture of coke, refined petroleum products and nuclear fuel 24. Manufacture of chemicals and chemical products 25. Manufacture of rubber and plastics products 26. Manufacture of other non-metallic mineral products 27. Manufacture of basic metals 28. Manufacture of fabricated metal products, except machinery and equipment 29. Manufacture of machinery and equipment n.e.c. 30. Manufacture of office, accounting and computing machinery 31. Manufacture of electrical machinery and apparatus n.e.c. 32. Manufacture of radio, television and communication equipment and apparatus 33. Manufacture of medical, precision and optical instruments, watches and clocks 34. Manufacture of motor vehicles, trailers and semi-trailers 35. Manufacture of	None

other transport equipment 36. Manufacture of furniture; manufacturing n.e.c. 37. Recycling	
OTHER MANUFACTURING	A: Production of non-military arms and ammunitions are subject to EEA-nationality requirement. Production of military arms and ammunitions are subject to an Austrian nationality requirement. Juridical persons and partnerships: Registered office or head office in Austria. The company's professional representative or managing partners empowered to act on its behalf must be EEA-nationals.
E. Electricity, gas and water supply	
40. Electricity, gas steam and hot water supply.	A: unbound. F: Concessions and authorisations in hydroelectricity can be given only to French nationals or to nationals from the Community, as well as to nationals of third countries, with which reciprocity agreements have been concluded with respect to exploitation of hydroelectricity. FIN: Reservation on investment in an enterprise engaged in activities involving nuclear energy or nuclear matter. GR: Solid fuels, radioactive minerals and geothermal energy: An exploration licence may not be granted to non-Community natural or legal persons. The right of exploitation is subject to a concession by the Greek State, after approval by the Council of Ministers. P: Reservation on investment in an enterprise engaged in the import, transport and supply of natural gas. The Portuguese Government is competent to define the conditions to be fulfilled by enterprises wishing to perform those activities

Part B. CHILE'S SCHEDULE

All sectors included in this schedule

1. Payments and transfers:

Payments and capital movements made under this Chapter shall be subject to the provisions of paragraph 3 of Annex XIV.

2. The Decree Law 600 (1974), the Foreign Investment Statute, is a voluntary and special investment regime.

As an alternative to the common regime for the entry of capital into Chile, potential investors may apply to the Foreign Investment Committee to be subject to the regime set out in the Decree Law 600.

The obligations and commitments contained in the establishment chapter and in this Annex, do not apply to Decree Law 600, Foreign Investment Statute, Law 18.657 Foreign Capital Investment Fund Law, to the continuation or prompt renewal of such laws, to amendments to those laws or to any special and/or voluntary investment regime that may be adopted in the future by Chile.

For greater certainty, it is understood that the Foreign Investment Committee of Chile has the right to reject applications to invest through Decree Law 600 and Law 18.657. Additionally, the Foreign Investment Committee has the right to regulate the terms and conditions of foreign investment under the aforementioned Decree Law 600 and Law 18.657.

3. The property or any other right over State land may only be granted to Chilean natural or juridical persons. State land for these purposes refers to State land up to a distance of 10 kilometres from the borderfront and up to a distance of 5 kilometres from the oceanfront.

Corporeal immovable property situated in borderland and declared "borderland zone" by virtue of Decreto con Fuerza de Ley 4, 1967, by the Ministerio de Relaciones Exteriores may not be acquired, either as property or in another quality, by natural persons with nationality in a neighbouring country or juridical persons with its principal seat in a neighbouring country or with 40 per cent or more of its capital belonging to such natural persons or its effective control is exercised by such natural persons.

4. In the transfer or disposal of any interest in stock or asset held in an existing State-owned or Government entity, Chile reserves the right to prohibit or impose limitations on the ownership of said interest or asset, and also on the right of Community investors or investors from a Non-Party State to control any company created thereby or investments made by the same. In connection with any such transfer or disposal, Chile may adopt or maintain any measure related to the nationality of senior management and

members of the Board of Directors.

For this purposes:

a) any measure maintained or adopted after the entry into force of this Agreement which, at the time of the transfer or disposal, prohibits or limits ownership of such interest or assets or imposes the nationality requirements set forth herein shall be considered to be a measure in force; and

b) A "State owned company" shall mean any company owned or controlled by Chile by means of an interest share in the ownership thereof, and it shall include any company created after the entry into force of this Agreement for the sole purpose of selling or disposing of its interest share in the capital or assets of an existing State-owned or Government Entity.

5. Chile reserves the right to adopt or maintain any measure related to residence requirements related to the ownership of or investment in coastal lands by investors of the other Party.

Any Chilean natural person or person residing in Chile or a Chilean juridical person shall be able to acquire or control lands used for agricultural activities. Moreover, Chile reserves the right to adopt or maintain any measures related to the ownership or control of such lands. In the case of juridical persons, the majority of each class of stock could be required to be held by Chilean natural persons or by persons residing in the country.

A resident shall be any person residing in Chile for 183 days or more per year.

6. Chile reserves the right to adopt or maintain any measure preventing Community investors and their investments to acquire any of the rights or preferences granted to indigenous peoples.

Sector	Limitations on national treatment to establishment
A. Agriculture	None
B. Fishing	Subject to the provisions of the Appendix to this Annex (Protocol on Fishing enterprises):
	A concession or permit is required for the use of beaches, land adjacent to beaches (terrenos de playas), water-column (porciones de agua) and seabed lots (fondos marinos) to engage in aquaculture activities.
	Only Chilean natural persons or juridical persons constituted in accordance with Chilean law and foreigners with permanent residency may be holders of a permit or concession to carry out aquaculture activities.
	In order to harvest and to catch hydrobiological species in interior waters, in the territorial sea and Exclusive Economic Zone of Chile, a permit issued by the Subsecretaría de Pesca is required.
	Only Chilean natural persons or juridical persons constituted in accordance with Chilean law and foreigners with permanent residency may be holders of permits to harvest and to catch hydrobiological species.
	Only Chilean vessels are permitted to fish in interior waters, in the Territorial sea and Chile's Exclusive Economic Zone. Chilean vessels are those defined in the Ley de Navegación. Access to extractive industrial fishing activities shall be subject to the previous registration of the vessel in Chile. Access to industrial fisheries activities shall be subject to a previous registration of the vessel in Chile.
	Only a Chilean natural or juridical person may register a vessel in Chile. A juridical person must be constituted in Chile with principal domicile and real and effective seat in Chile with its president, manager and majority of the directors or administrators being Chilean natural persons. In addition, more than 50 percent of its equity capital must be held by Chilean natural or juridical persons. For these purposes, a juridical person with ownership participation in another juridical person that owns a vessel has to comply with all the aforementioned requisites.

	A joint ownership (comunidad) may register a vessel if the majority of the joint owners are Chilean with domicile and residency in Chile. The administrators must be Chilean natural persons and the majority of the rights of the joint ownership (comunidad) must belong to a Chilean natural or juridical person. For these purposes, a juridical person with ownership participation in a joint ownership (comunidad) that owns a vessel, has to comply with all the aforementioned requisites.
	An owner (natural or juridical person) of a fishing vessel registered in Chile prior to June 30, 1991 shall not be subject to the nationality requirement above mentioned.
	Fishing vessels specifically authorised by the maritime authorities, pursuant to powers conferred by law in cases of reciprocity granted to Chilean vessels by other States may be exempted from the above mentioned requisites on equivalent terms provided to Chilean vessels by that State.
	Access to small scale fishing activities (pesca artesanal) shall be subject to registration in the Registro de Pesca Artesanal. Registration for small scale fishing (pesca artesanal) is only granted to Chilean natural persons and foreign natural persons with permanent residency, or a Chilean juridical person constituted by the aforementioned persons.
	Chile retains the right to control the activities of foreign fishing, including fish landings, the first landing of fish processed at sea and access to Chilean ports (port privileges).
	Chile reserves the right to control the use of beaches, land adjacent to beaches (terrenos de playas), water-columns (porciones de agua) and sea-bed lots (fondos marinos) for the issuance of maritime concessions. For greater certainty, "maritime concessions" does not include aquaculture.
C. Mining and quarrying	The State has the right of first refusal, at regular prices and market modalities, regarding mining products originating from exploitations developed in the country where thorium or uranium have a significant presence.
	The State may require that producers remove from mining products the portion of non-concessionable substances present in significant quantities in said products and which may economically and technically be separated for their delivery or sale on behalf of the State. For the purposes thereof, economic and technical removal implies that the costs incurred in the recovery of the substances involved, by means of the appropriate technical procedure, as well as the costs incurred in their marketing and delivery, shall be lower than the commercial value of the substance involved.
	The exploration, exploitation and processing of lithium, deposits of any kind existing in ocean waters subject to national jurisdiction and those totally or partially located in certain areas of importance to national security with mining effects, the classification of which shall be made exclusively by law, may be subject to administrative concessions or special operations contracts, according to the requirements and conditions that may be determined by the President of the Republic in each case by means of an Executive Order.
	Natural atomic materials and extracted lithium, as well as concentrates, by-products or compounds thereof, shall not be subject to any juridical act whatsoever, except when performed or entered into by or with the Chilean Nuclear Energy Commission or with its prior authorisation. Should the Commission deem it advisable to grant such authorisation, it shall also determine the operating terms and conditions.
	The exploration, exploitation and processing of liquid or gaseous hydrocarbons, deposits of any kind existing in ocean waters subject to national jurisdiction and those that are totally or partially located in certain areas of importance for national security with mining effects, the classification of which shall be made solely by law, may be subject to administrative concessions or special operations contracts, according to the requirements and conditions as

	the President of the Republic may determine in each case by means of an Executive Order. For added clarity, the term processing shall not include storage, transportation or refining of the energy material referred to in this paragraph.
D. Manufacturing	None
E. Electricity, gas and water supply	The production of nuclear energy for peaceful purposes shall only be performed by the Chilean Nuclear Energy Commission or, with its authorisation, in conjunction with third parties. Should the Commission determine it is advisable to grant such authorisation, it shall also establish the terms and conditions for operation.

Appendix . PROTOCOL ON FISHING ENTERPRISES

1. Ownership and Control

Chile shall authorise Community legal and natural persons as defined in Article 131 to own a majority share of equity capital and to control the management of new or existing fishing enterprises in Chile, provided that Chilean legal and natural persons are equally entitled to own a majority share of equity capital and to control the management of new or existing fishing enterprises in the Member State of origin of the Community legal and natural person concerned.

A Community Member State shall authorise Chilean legal and natural persons to own a majority share of equity capital and to control the management of new or existing fishing enterprises in its territory, provided that the legislation of that Member State so allows.

2. Registration and operation of fishing vessels Legal entities established in Chile, with a majority share of equity capital owned and whole management is. controlled by Community legal and natural persons, shall be entitled to apply for, register and operate a fishing vessel under the same conditions applicable to legal entities with a majority share of equity capital owned and whose management is controlled by Chilean legal and natural persons, provided that entities established in the Member State of origin of the Community legal and natural person concerned, with a majority share of equity capital owned by and whose management is controlled by Chilean legal and natural persons are equally entitled to apply for, register and operate a fishing vessel in that same Member State.

3. Authorisation and fishing permits

Legal entities established in one Party, with a majority share of equity capital owned and whose management is controlled by a legal or natural person of the other Party, which have registered a fishing vessel, shall be entitled to apply for and obtain an authorisation for industrial fishing, including all available additional extraordinary fishing permits, and their corresponding individual quotas, under the same conditions applicable to other legal entities established in that same Party with a majority share of equity capital owned by domestic legal and natural persons.

Such legal entities must comply with all regulations and conservation and management measures governing fishing activities of the Party in which they are established.

4. Transfer of authorisations and vessels

In accordance with Chilean law, new or existing fishing enterprises with a majority share of equity capital owned or controlled by Community legal and natural persons shall be entitled to receive, by means of transfer, fishing authorisations and vessels, under the same conditions as enjoyed by new or existing fishing enterprises with a majority share of capital owned or controlled by Chilean legal and natural persons, provided that, in accordance with the law applicable in the Member State of origin of the Community legal and natural person concerned, new or existing fishing enterprises with a majority share of equity capital owned or controlled by Chilean legal and natural persons are entitled to receive by means of transfer, fishing authorisations and vessels under the same conditions as enjoyed by new or existing fishing enterprises with a majority share of equity capital owned by Community legal and natural persons.

5. Confirmation of Reciprocity conditions

Without prejudice to the dispute settlement provisions of this Agreement, at the request of either Party, the Parties shall hold consultations, make publicly available and exchange relevant information in the context of the Association Committee, in order to verify and confirm that the conditions of reciprocity as defined in paragraphs 1, 2, 3 and 4 of this Protocol are fulfilled.

Following the consultations, the Parties shall conclude jointly on whether the reciprocity conditions are fulfilled or not. They shall take action accordingly and report to the Association Committee within a maximum period of 45 days.

6. The Parties agree that the provisions of Title III, Chapter III shall apply subject to the provisions of this Protocol

Annex XIV. (Regarding Articles 164 and 165 of the Association Agreement) REGARDING CURRENT PAYMENTS AND CAPITAL MOVEMENTS

With respect to its obligations under Articles 164 and 165 of this Agreement, Chile reserves:

1. The right, without prejudice to paragraph 3 of this Annex, to maintain existing requirements that transfers from Chile of proceeds from the sale of all or any part of an investment of an investor of the Community or from the partial or complete liquidation of the investment may not take place until a period not to exceed:

(i) in the case of an investment made pursuant to Decree Law 600 Foreign Investment Statute (Decreto Ley 600, Estatuto de la Inversion Extranjera), one year has elapsed from the date of transfer to Chile, or

(ii) in the case of an investment made pursuant to Law 18657 Foreign Capital Investment Fund Law (Ley 18.657, Ley Sobre Fondo de Inversiones de Capitales Extranjeros), five years have elapsed from the date of transfer to Chile and

2. The right to adopt measures, consistent with Articles 164 and 165 and this Annex, establishing future special voluntary investment programs in addition to the general regime for foreign investment in Chile, except that any such measures may restrict transfers from Chile of proceeds from the sale of all or any part of an investment of an investor of the Community or from the partial or complete liquidation of the investment for a period not to exceed five years from the date of transfer to Chile.

3. The right of the Central Bank of Chile to maintain or adopt measures in conformity with the Constitutional Organic Law of the Central Bank of Chile (Ley Orgánica Constitucional del Banco Central de Chile, Ley 18.840 (hereinafter, “Law 18.840”) or other legislation, in order to ensure currency stability and the normal operation of domestic and foreign payments. For this purpose, the Central Bank of Chile is empowered to regulate the supply of money and credit in circulation and international credit and foreign exchange operations. The Central Bank of Chile is empowered as well to issue regulations governing monetary, credit, financial, and foreign exchange matters. Such measures include, inter alia, the establishment of restrictions or limitations on current payments and transfers (capital movements) to or from Chile, as well as transactions related to them, such as requiring that deposits, investments or credits from or to a foreign country, be subject to a reserve requirement (“encaje”).

Notwithstanding the above, the reserve requirement that the Central Bank of Chile can apply pursuant to Article 49 No. 2 of Law 18.840, shall not exceed 30 per cent of the amount transferred and shall not be imposed for a period which exceeds two years.

4. When applying measures under this Annex, Chile, as established in its legislation, shall not discriminate between the Community and any third country with respect to transactions of the same nature.

Annex XV. (Referred to in Article 189 (2) of the Association Agreement) MODEL RULES OF PROCEDURE FOR THE CONDUCT OF ARBITRATION PANELS

1. In these rules:

"adviser" means a person retained by a Party to advise or assist that Party in connection with the arbitration panel proceeding;

"complaining Party » means any Party that requests the establishment of an arbitration panel under Article 184 of this Agreement;

"arbitration panel" means an arbitration panel established pursuant to Article 185 of this Agreement;

"representative of a Party" means an employee or any person appointed by a government department or agency or of any other government entity of a Party; and

"day" means a calendar day.

2. The Party complained against shall be in charge of the logistical administration of dispute settlement proceedings, in particular the organisation of hearings, unless otherwise agreed.

Notifications

3. Any request, notice, written submissions or other document shall be delivered by either Party or the arbitration panel by delivery against receipt, registered post, courier, facsimile transmission, telex, telegram or any other means of telecommunication that provides a record of the sending thereof.

4. A Party shall provide a copy of each of its written submissions to the other Party and to each of the arbitrators. A copy of the document shall also be provided in electronic format.

5. All notifications shall be made and delivered to Chile and to the Community, respectively.

6. Minor errors of a clerical nature in any request, notice, written submission or other document related to the arbitration panel proceeding may be corrected by delivery of a new document clearly indicating the changes.

7. If the last day for delivery of a document falls on a legal holiday of Chile or the Community, the document may be delivered on the next business day.

Commencing the arbitration

8. Unless the Parties otherwise agree, they shall meet with the arbitration panel within seven days following the date of the establishment of the arbitration panel in order to determine such matters that the Parties or the arbitration panel deem appropriate, including the remuneration and expenses that shall be paid to the arbitrators, which normally shall conform to the WTO standards.

9. (a) Unless the Parties otherwise agree, the terms of reference of the arbitration panel shall be:

"To examine, in the light of the relevant provisions of the Agreement, the matter referred to the Association Committee, to rule on the consistency of the measure at issue with Part IV of the Agreement and to deliver the ruling referred to in Article 187 of the Agreement."

(b) Arbitration panels shall interpret the provisions of this Agreement in accordance with customary rules of interpretation of public international law, due account being taken of the fact that the Parties must perform this Agreement in good faith and avoid circumvention of their obligations.

(c) The Parties shall promptly deliver any agreed terms of reference to the arbitration panel.

Initial submissions

10. The complaining Party shall deliver its initial written submission no later than 20 days after the date of establishment of the arbitration panel. The Party complained against shall deliver its written counter-submission no later than 20 days after the date of delivery of the initial written submission.

Operation of arbitration panels

11. The chairperson of the arbitration panel shall preside at all of its meetings. An arbitration panel may delegate to the chairperson authority to make administrative and procedural decisions.

12. Except as otherwise provided in these rules, the arbitration panel may conduct its activities by any means, including telephone, facsimile transmissions or computer links.

13. Only arbitrators may take part in the deliberations of the arbitration panel but the arbitration panel may permit their assistants to be present during such deliberations.

14. The drafting of any decision and ruling shall remain the exclusive responsibility of the arbitration panel.

15. Where a procedural question arises that is not covered by these rules, an arbitration panel may adopt anappropriate procedure that is not inconsistent with Part IV of this Agreement.

16. When the arbitration panel considers that there is a need to modify any time period applicable in the proceeding,or to make any other procedural or administrative adjustment in the proceeding, it shall inform the Parties inwriting of the reasons for the modification or adjustment with the indication of the period or adjustment needed.

Hearings

17. The chairperson shall fix the date and time of the hearing in consultation with the Parties and the other membersof the arbitration panel. It shall notify in writing to the Parties of the date, time and location of the hearing. Thatinformation shall also be made publicly available by the Party in charge of the logistical administration of theproceeding when the hearing is open to the public. Unless the Parties disagree, the arbitration panel may decidenot to convene a hearing.

18. Unless the Parties otherwise agree, the hearing shall be held in Brussels, where the complaining Party is Chile, or inSantiago, where the complaining Party is the Community or the Community and its Member States.

19. The arbitration panel may convene additional hearings if the Parties so agree.

20. All arbitrators shall be present at hearings.

21. The following persons may attend the hearing, irrespective of whether the proceedings are open to the public ornot:

(a) representatives of a Party;

(b) advisers to a Party;

(c) administration personnel, interpreters, translators and court reporters; and

(d) arbitrators' assistants.

Only the representative and advisor of a Party may address the arbitration panel.

22. No later than five days before the date of a hearing, each Party shall deliver a list of the names of those persons who will make oral arguments or presentations at the hearing on behalf of that Party and of other representatives or advisers who will be attending the hearing.

23. The hearings of the arbitration panels shall be closed to the public, unless the Parties decide otherwise. If the Parties decide that the hearing is open to the public, part of the hearing may however be closed to the public, if the arbitration panel, on application by the Parties, so decides for serious reasons. In particular, the arbitration panel shall meet in closed sessions when the submission and arguments of a Party contain business confidential

information.

24. The arbitration panel shall conduct the hearing in the following manner, ensuring that the complaining Party and the Party complained against are afforded equal time:

Argument

(a) argument of the complaining Party.

(b) argument of the Party complained against.

Rebuttal Argument

(a) reply of the complaining Party.

(b) counter-reply of the Party complained against.

25. The arbitration panel may direct questions to either Party at any time during a hearing.

26. The arbitration panel shall arrange for a transcript of each hearing to be prepared and shall, as soon as possible after it is prepared, deliver a copy of the transcript to the Parties.

27. Within ten days after the date of the hearing, each Party may deliver a supplementary written submission responding to any matter that arose during the hearing.

Questions in writing

28. The arbitration panel may at any time during the proceedings address questions in writing to one or both Parties.

The arbitration panel shall deliver the written questions to the Party or Parties to whom the questions are addressed.

29. A Party to whom the arbitration panel addresses written questions shall deliver a copy of any written reply to the other Party and to the arbitration panel. Each Party shall be given the opportunity to provide written comments on the reply within five days after the date of delivery.

Confidentiality

30. The Parties shall maintain the confidentiality of the panel's hearings, to the extent that the panel holds the hearing in closed session under rule 23. Each Party shall treat as confidential the information submitted by the other Party to the arbitration panel which that Party has designated as confidential. Where a Party to a dispute submits a confidential version of its written submissions to the panel, it shall also, upon request of the other Party, provide a non-confidential summary of the information contained in its submissions that could be disclosed to the public, no later than 15 days after the date of either the request or the submission, whichever is later. Nothing in these rules shall preclude a Party from disclosing statements of its own positions to the public.

Ex parte contacts

31. The arbitration panel shall not meet or contact a Party in the absence of the other Party.

32. No arbitrator may discuss an aspect of the subject matter of the proceeding with a Party or both Parties in the absence of the other arbitrators.

Role of Experts

33. On request of a Party or on its own initiative, the arbitration panel may obtain information and technical advice from any person or body that it deems appropriate. Any information so obtained shall be submitted to the Parties for comments.

34. When a request is made for a written report of an expert, any time period applicable to the arbitration panel proceeding shall

be suspended for a period beginning on the date of delivery of the request and ending on the date the report is delivered to the arbitration panel.

Amicus curiae submissions

35. Unless the Parties otherwise agree within three days following the date of the establishment of the arbitration panel, the arbitration panel may receive unsolicited written submissions, provided that they are made within ten days following the date of the establishment of the arbitration panel, that they are concise and in no case longer

than 15 typed pages, included any annexes, and that they are directly relevant to the factual and legal issue under consideration by the arbitration panel.

36. The submission shall contain a description of the person, whether natural or legal, making the submission, including the nature of its activities and the source of its financing, and specify the nature of the interest that that person has in the arbitration proceeding. It shall be made in the languages chosen by the Parties in accordance with rule 39.

37. The arbitration panel shall list in its ruling all the submissions that it has received and that conform to the provisions of the above rules. The arbitration panel shall not be obliged to address, in its ruling, the factual or legal arguments made in such submissions. Any submission obtained by the arbitration panel under this rule shall be submitted to the Parties for comments.

Cases of Urgency

38. In cases of urgency referred to in Article 187(5) of this Agreement, the arbitration panel shall appropriately adjust the time periods mentioned to in these rules.

Translation and interpretation

39. Each Party shall, within a reasonable period of time before it delivers its initial written submission in an arbitration panel proceeding, advise the other Party and the arbitration panel in writing of the language in which its written and oral submissions shall be made.

40. Each Party shall arrange for and bear the costs of the translation of its written submissions into the language chosen by the other Party.

41. The Party complained against shall arrange for the interpretation of oral submissions into the languages chosen by the Parties.

42. Arbitration panel rulings shall be issued in the language or languages chosen by the Parties.

43. The costs incurred to prepare a translation of an arbitration ruling shall be borne equally by the Parties.

44. Any Party may provide comments on a translated version of a document that is prepared in accordance with these rules.

Computation of time

45. Where anything under this Agreement or these rules is to be done, or the arbitration panel requires anything to be done, within a number of days after, before or of a specified date or event, the specified date or the date on which the specified event occurs shall not be included in calculating that number of days.

46. Where, by reason of the operation of rule 7, a Party receives a document on a date other than the date on which the same document is received by the other Party, any period of time the calculation of which is dependent on such receipt shall be calculated from the date of receipt of the last such document.

Other proceedings

47. These rules shall apply to the proceedings established under Article 188 (4), (5), (8) and (10) of this Agreement except that:

(a) the Party making a request under Article 188(4) shall deliver its initial written submission within 10 days after the date the request is submitted, and the responding Party shall deliver its written counter-submission within 10 days after the date of delivery of the initial written submission;

(b) the Party making a request under Article 188(5) shall deliver its initial written submission within 10 days after the date the request is submitted and the responding Party shall deliver its written counter-submission within 10 days after the date of delivery of the initial written submission;

(c) the Party making a request under Article 188(8) shall deliver its initial written submission within 10 days after the date the request is submitted and the responding Party shall deliver its written counter-submission within 10 days after the date of delivery of the initial written submission; and

(d) the Party making a request under Article 188(10) shall deliver its initial written submission within 10 days after the date the request is submitted and the responding Party shall deliver its written counter-submission within 10 days after the date of delivery

of the initial written submission.

48. If appropriate, the arbitration panel shall fix the time limit for delivering any further written submissions, including rebuttal written submissions, so as to provide each Party with the opportunity to make an equal number of written submissions subject to the time limits for arbitration panel proceedings set out in Article 188 of this Agreement and these rules.

Annex XVI. Referred to in Article s 185 and 189 of the Association Agreement) CODE OF CONDUCT FOR MEMBERS OF ARBITRATION PANELS

Definitions

1. In this Code of Conduct,

(a) "member" means a member of an arbitration panel effectively established under Article 185 of this Agreement;

(b) "candidate" means an individual whose name is on the list of arbitrators referred to in of Article 185(2) of this Agreement and who is under consideration for appointment as a member of an arbitration panel under Article 185(3) of this Agreement;

(c) "assistant" means a person who, under the terms of appointment of a member, conducts, research or provides support for the member;

(d) "proceeding", unless otherwise specified, means an arbitration panel proceeding under Title VIII, Chapter III of this Agreement;

(e) "staff", in respect of a member, means persons under the direction and control of the member, other than assistants.

I. Responsibilities to the process

2. Every candidate and member shall avoid impropriety and the appearance of impropriety, shall be independent and impartial, shall avoid direct and indirect conflicts of interests and shall observe high standards of conduct so that the integrity and impartiality of the dispute settlement process are preserved. Former members must comply with the obligations established in Parts V and VI of this Code of Conduct.

II. Disclosure obligations

3. Prior to confirmation of his or her selection as a member of the arbitration panel under Article 185 of this Agreement, a candidate shall disclose any interest, relationship or matter that is likely to affect his or her independence or impartiality or that might reasonably create an appearance of impropriety or bias in the proceeding. To this end, a candidate shall make all reasonable efforts to become aware of any such interests, relationships and matters.

4. Once selected, a member shall continue to make all reasonable efforts to become aware of any interests, relationships or matters referred to in rule 3 and shall disclose them. The obligation to disclose is a continuing duty which requires a member to disclose any such interests, relationships and matters that may arise during any stage of the proceeding. The member shall disclose such interests, relationships and matters by communicating them in writing to the Association Committee for consideration by the Parties.

III. The performance of duties by candidates and members

5. A candidate who accepts a selection as a member shall be available to perform, and shall perform, a member's duties thoroughly and expeditiously throughout the course of the proceeding.

6. A member shall carry out all duties fairly and diligently.

7. A member shall comply with this Code of Conduct.

8. A member shall not deny other members the opportunity to participate in all aspects of the proceeding.

9. A member shall consider only those issues raised in the proceeding and necessary to a decision and shall not delegate the duty to decide to any other person.

10. A member shall take all reasonable steps to ensure that the member's assistant and staff comply with Parts I, II and VI of this Code of Conduct.

11. A member shall not engage in ex parte contacts concerning the proceeding.

12. A candidate or member shall not communicate matters concerning actual or potential violations of this Code of Conduct unless the communication is to the Association Committee or is necessary to ascertain whether that candidate or member has violated or may violate this Code.

IV. Independence and impartiality of members

13. A member shall be independent and impartial. A member shall act in a fair manner and shall avoid creating an appearance of impropriety or bias.

14. A member shall not be influenced by self-interest, outside pressure, political considerations, public clamour, loyalty to a Party or fear of criticism.

15. A member shall not, directly or indirectly, incur any obligation or accept any benefit that would in any way interfere, or appear to interfere, with the proper performance of the member's duties.

16. A member shall not use his or her position on the arbitration panel to advance any personal or private interests. A member shall avoid actions that may create the impression that others are in a special position to influence the member. A member shall make every effort to prevent or discourage others from representing themselves as being in such a position.

17. A member shall not allow past or existing financial, business, professional, family or social relationships or responsibilities to influence the member's conduct or judgement.

18. A member shall avoid entering into any relationship, or acquiring any financial interest, that is likely to affect the member's impartiality or that might reasonably create an appearance of impropriety or bias.

V. Duties in certain situations

19. A member or former member shall avoid actions that may create the appearance that the member was biased in carrying out the member's duties or would benefit from the decision or ruling of the arbitration panel.

VI. Maintenance of confidentiality

20. A member or former member shall not at any time disclose or use any non-public information concerning the proceeding or acquired during the proceeding except for the purposes of the proceeding and shall not, in any case, disclose or use any such information to gain personal advantage or advantage for others or to affect adversely the interest of another.

21. A member shall not disclose an arbitration panel ruling prior to its publication.

22. A member or former member shall not at any time disclose the deliberations of an arbitration panel, or any member's view.

VII. Responsibilities of assistants and staff

23. Parts I (Responsibilities to the process), II (Disclosure obligations) and VI (Maintenance of confidentiality) of this Code of Conduct apply also to assistants and staff.