

AGREEMENT BETWEEN JAPAN AND THE UNITED MEXICAN STATES
FOR THE STRENGTHENING OF THE ECONOMIC PARTNERSHIP

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Preamble

Japan and the United Mexican States,

Conscious of their longstanding friendship and strong economic and political ties that have developed through growing trade and investment and mutually beneficial cooperation between the Parties;

Realizing that a dynamic and rapidly changing global environment brought about by globalization and closer integration among economies in the world presents many new economic challenges and opportunities to the Parties;

Recognizing that the economies of the Parties are endowed with conditions to complement each other and that this complementarity should contribute to further promoting the economic development in the Parties, by making use of their respective economic strengths through bilateral trade and investment activities;

Recognizing that creating a clearly established and secured trade and investment framework through mutually advantageous rules to govern trade and investment between the Parties would enhance the competitiveness of the economies of the Parties, make their markets more efficient and vibrant and ensure predictable commercial environment for further expansion of trade and investment between them;

Noting that such a framework would promote the economic relations between the Parties;

Recalling Article XXIV of the General Agreement on Tariffs and Trade 1994 and Article V of the General Agreement on Trade in Services in Annex 1A and Annex 1B, respectively, to the Marrakesh Agreement Establishing the World Trade Organization, done at Marrakesh, April 15, 1994;

Realizing that enhancing economic ties between the Parties would contribute to increasing trade and investment flows across the Pacific;

Convinced that this Agreement would open a new era for the relationship between the Parties; and

Determined to establish a legal framework for strengthening the economic partnership between the Parties;

HAVE AGREED as follows:

Chapter 1
Objectives

Article 1
Objectives

The objectives of this Agreement are to:

- (a) liberalize and facilitate trade in goods and services between the Parties;
- (b) increase investment opportunities and strengthen protection for investments and investment activities in the Parties;
- (c) enhance opportunities for suppliers to participate in government procurement in the Parties;
- (d) promote cooperation and coordination for the effective enforcement of competition laws in each Party;
- (e) create effective procedures for the implementation and operation of this Agreement and for the resolution of disputes; and
- (f) establish a framework for further bilateral cooperation and improvement of business environment.

Chapter 2
General Definitions

Article 2
General Definitions

1. For the purposes of this Agreement, unless otherwise specified:

- (a) the term "Area" means:

with respect to the United Mexican States (hereinafter referred to as "Mexico"):

- (i) the States of the Federation and the Federal District;
- (ii) the islands, including the reefs and keys, in adjacent seas;
- (iii) the islands of Guadalupe and Revillagigedo situated in the Pacific Ocean;

- (iv) the continental shelf and the submarine shelf of such islands, keys and reefs;
- (v) the waters of the territorial seas, in accordance with international law, and its interior maritime waters;
- (vi) the space located above the national territory, in accordance with international law; and
- (vii) any areas beyond the territorial seas of Mexico within which, in accordance with international law, including the United Nations Convention on the Law of the Sea, as may be amended, and its domestic law, Mexico may exercise rights with respect to the seabed and subsoil and their natural resources; and

with respect to Japan:

- (viii) the territory of Japan which means the land areas, internal waters, and territorial seas and the airspace above such areas, waters and seas, under the sovereignty of Japan in accordance with international law; and
- (ix) any areas beyond the territorial seas of Japan within which, in accordance with international law, including the United Nations Convention on the Law of the Sea, as may be amended, and its domestic law, Japan may exercise rights with respect to the seabed and subsoil and their natural resources.

Nothing in this subparagraph shall affect the rights and obligations of the Parties under the United Nations Convention on the Law of the Sea, as may be amended;

- (b) the term "days" means calendar days, including weekends and holidays;
- (c) the term "enterprise" means any entity constituted or organized under applicable law, whether or not for profit, and whether privately-owned or governmentally-owned, including any corporation, trust, partnership, joint venture, or other association or sole proprietorship;

- (d) the term "enterprise of a Party" means an enterprise constituted or organized under the law of a Party;
- (e) the term "existing" means in effect on the date of entry into force of this Agreement;
- (f) the term "GATS" means the General Agreement on Trade in Services in Annex 1B to the Marrakesh Agreement Establishing the World Trade Organization, done at Marrakesh, April 15, 1994, as may be amended;
- (g) the term "GATT 1994" means the General Agreement on Tariffs and Trade 1994 in Annex 1A to the Marrakesh Agreement Establishing the World Trade Organization, done at Marrakesh, April 15, 1994, as may be amended. For the purposes of this Agreement, references to Articles in the GATT 1994 include the interpretative notes;
- (h) the term "goods of a Party" means domestic products as these are understood in the GATT 1994, and includes originating goods of that Party;
- (i) the term "Harmonized System (HS)" means the Harmonized Commodity Description and Coding System set out in the Annex to the International Convention on the Harmonized Commodity Description and Coding System, as may be amended, and adopted and implemented by the Parties in their respective domestic laws;
- (j) the term "Joint Committee" means the Joint Committee established under Article 165;
- (k) the term "measure" means any measure by a Party, whether in the form of a law, regulation, rule, procedure, decision, administrative action or any other form;
- (l) the term "national" means a natural person possessing the nationality of a Party under its domestic laws;
- (m) the term "originating goods" means goods qualifying as originating under the provisions of Chapter 4;
- (n) the term "originating materials" means materials qualifying as originating under the provisions of Chapter 4;

- (o) the term "person" means a natural person or enterprise;
- (p) the term "person of a Party" means a national or an enterprise of a Party;
- (q) the term "state enterprise" means an enterprise owned or controlled through ownership interests by a Party; and
- (r) the term "WTO Agreement" means the Marrakesh Agreement Establishing the World Trade Organization, done at Marrakesh, April 15, 1994, as may be amended.

2. For the purposes of this Agreement, unless otherwise specified:

- (a) in the case of Mexico, a reference to a state includes local governments of that state; and
- (b) in the case of Japan, a reference to a local government means a prefecture or any other local authority.

Chapter 3 Trade in Goods

Section 1 General Rules

Article 3 National Treatment

1. Each Party shall accord national treatment to the goods of the other Party in accordance with Article III of the GATT 1994 and to this end Article III of the GATT 1994 is incorporated into and made part of this Agreement.

2. The provisions of paragraph 1 above regarding national treatment shall mean, with respect to a local government in the case of Japan, and with respect to a state in the case of Mexico, treatment no less favorable than the most favorable treatment accorded by that local government or state to any like goods or, directly competitive or substitutable goods, as the case may be, of the Party of which it forms a part.

Article 4 Classification of Goods

The classification of goods in trade between the Parties shall be in conformity with the Harmonized System.

Article 5
Elimination of Customs Duties

1. Except as otherwise provided for in this Agreement, each Party shall eliminate or reduce its Customs Duties on originating goods designated for such purposes in its Schedule in Annex 1, in accordance with the terms and conditions set out therein.

2. Except as otherwise provided for in this Agreement, neither Party shall increase any Customs Duty on originating goods from the level provided for in its Schedule in Annex 1.

Note: The term "level" means the level of Customs Duty that shall be implemented by each Party in accordance with its Schedule and does not mean the Base Rate specified in such Schedule.

3. (a) On the request of either Party, the Parties shall consult to consider:

(i) issues such as improving market access conditions on originating goods designated for consultation in the Schedule in Annex 1, in accordance with the terms and conditions set out in such Schedule; or

(ii) further steps in the process of liberalization of trade between the Parties in respect of goods after 4 years of the date of entry into force of this Agreement.

(b) Subparagraph (a)(ii) above shall not apply to the originating goods referred to in subparagraph (a)(i) above while the consultation on the originating goods is held under the terms and conditions referred to in subparagraph (a)(i) above.

4. The Parties shall consult to consider further steps in the process of liberalization of trade between the Parties in respect of originating goods set out in the Schedule in Annex 1, in light of the result of the multilateral trade negotiations under the World Trade Organization (WTO).

5. Any amendment to the Schedules as a result of the consultations referred to in paragraph 3 or 4 above shall be approved by both Parties in accordance with their respective legal procedures, and shall supersede any corresponding concession provided for in their respective Schedules.

Article 6
Export Duties

Neither Party shall adopt or maintain any duties on goods exported from a Party into the other Party.

Article 7
Import and Export Restrictions

1. Except as otherwise provided for in this Agreement, each Party shall not institute or maintain any prohibition or restriction other than Customs Duties on the importation of any good of the other Party or on the exportation or sale for export of any good destined to the other Party, which is inconsistent with its obligations under Article XI of the GATT 1994 and its relevant provisions under the WTO Agreement.

2. The measures specified in Annex 2 may be maintained, provided that such measures are consistent with the rights and obligations of the Party taking such measures under the WTO Agreement.

Article 8
Protection of Geographical Indications for Spirits

1. The Parties agree that indications for spirits listed in Annex 3 are geographical indications referred to in paragraph 1 of Article 22 of the Agreement on Trade-Related Aspects of Intellectual Property Rights in Annex 1C to the WTO Agreement, as may be amended, and shall abide by the obligations under the relevant provisions of the said Agreement with respect to the protection of geographical indications, and for this purpose, they shall take appropriate measures to prohibit the use of any geographical indications listed in Annex 3 for spirits not originating in the place indicated by the respective geographical indication.

2. Modifications to Annex 3 proposed by both Parties may be adopted by the Joint Committee pursuant to subparagraph 2(e)(i) of Article 165. The adopted modifications shall be confirmed by an exchange of diplomatic notes and shall enter into force on the date specified in the said notes. The modified part of Annex 3 shall supersede the corresponding part provided for in Annex 3.

Article 9
Sub-Committee on Trade in Goods

1. For the purposes of the effective implementation and operation of this Section, a Sub-Committee on Trade in Goods (hereinafter referred to in this Article as "the Sub-Committee") shall be established pursuant to Article 165.
2. The Sub-Committee shall meet at such venue and times as may be agreed by the Parties.
3. The functions of the Sub-Committee shall be:
 - (a) reviewing the implementation and operation of this Section;
 - (b) reporting the findings of the Sub-Committee to the Joint Committee; and
 - (c) carrying out other functions which may be delegated by the Joint Committee pursuant to Article 165.
4.
 - (a) For the purposes of the effective implementation and operation of this Section, the Sub-Committee shall establish a Special Sub-Committee on Steel Products. If necessary, the Sub-Committee may establish any other Special Sub-Committees.
 - (b) The Special Sub-Committees shall be held at such venue and times as may be agreed by the Parties.
 - (c) The functions of the Special Sub-Committees shall be:
 - (i) analyzing relevant matters on the relevant products and its sector, including trade in such products; and
 - (ii) reporting the findings of the Special Sub-Committees, through the Sub-Committee, to the Joint Committee.

Article 10
Uniform Regulations

Upon the date of entry into force of this Agreement, the Joint Committee shall adopt the Uniform Regulations that provide detailed regulations pursuant to which the customs authorities, the competent governmental authorities defined in Article 49 and the relevant authorities of the Parties shall implement their functions under this Section, Chapter 4 and Chapter 5, except Section 3.

Article 11 Definition

For the purposes of this Section, the term "Customs Duty" means any customs or import duty and a charge of any kind, imposed in connection with the importation of a good, but does not include any:

- (a) charge equivalent to an internal tax imposed consistently with the provisions of paragraph 2 of Article III of the GATT 1994, in respect of the like goods or, directly competitive or substitutable goods of the Party or in respect of goods from which the imported goods have been manufactured or produced in whole or in part;
- (b) anti-dumping or countervailing duty applied pursuant to a Party's domestic law and applied consistently with the provisions of Article VI of the GATT 1994, the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994, as may be amended, and the Agreement on Subsidies and Countervailing Measures in Annex 1A to the WTO Agreement, as may be amended; or
- (c) fees or other charges commensurate with the cost of services rendered.

Section 2 Sanitary and Phytosanitary Measures

Article 12 Reaffirmation of Rights and Obligations

The Parties reaffirm their rights and obligations relating to sanitary and phytosanitary (hereinafter referred to in this Chapter as "SPS") measures under the Agreement on the Application of Sanitary and Phytosanitary Measures in Annex 1A to the WTO Agreement, as may be amended.

Article 13 Enquiry Points

Each Party shall designate an enquiry point which is able to answer all reasonable enquiries from the other Party regarding SPS measures referred to in Article 12 and, if appropriate, to provide their relevant information.

Article 14
Sub-Committee on SPS Measures

1. For the purposes of the effective implementation and operation of this Section, a Sub-Committee on SPS Measures (hereinafter referred to in this Article as "the Sub-Committee") shall be established pursuant to Article 165.
2. The Sub-Committee shall meet at such venue and times as may be agreed by the Parties.
3. The functions of the Sub-Committee shall be:
 - (a) exchange of information on such matters as occurrences of SPS incidents in the Parties and non-Parties, and change or introduction of SPS-related regulations and standards of the Parties, which may, directly or indirectly, affect trade in goods between the Parties;
 - (b) notification to either Party of information on potential SPS risks recognized by the other Party;
 - (c) science-based consultation to identify and address specific issues that may arise from the application of SPS measures with the objective of obtaining mutually acceptable solutions;
 - (d) discussing technical cooperation in relation to SPS measures;
 - (e) consulting cooperative efforts between the Parties in international fora in relation to SPS measures;
 - (f) reporting the findings of the Sub-Committee to the Joint Committee; and
 - (g) carrying out other functions which may be delegated by the Joint Committee pursuant to Article 165.
4. The Sub-Committee may, if necessary, establish *ad hoc* technical advisory groups as its subsidiary bodies. The groups shall provide the Sub-Committee with technical information and advice at the request of the Sub-Committee.

Article 15
Non-Application of Chapter 15

The dispute settlement procedure provided for in Chapter 15 shall not apply to this Section.

Section 3
Technical Regulations, Standards and
Conformity Assessment Procedures

Article 16
Reaffirmation of Rights and Obligations

The Parties reaffirm their rights and obligations relating to technical regulations, standards and conformity assessment procedures under the Agreement on Technical Barriers to Trade in Annex 1A to the WTO Agreement, as may be amended.

Article 17
Cooperation in the Field of Technical Regulations,
Standards and Conformity Assessment Procedures

1. The Parties shall develop cooperation between the Governments of the Parties in the field of technical regulations, standards and conformity assessment procedures (hereinafter referred to in this Article as "the Cooperation") with a view to facilitating trade in goods between them.

2. The forms of the Cooperation may include the following:

- (a) conducting joint studies and holding seminars and symposia, in order to enhance mutual understanding of their domestic technical regulations, standards and conformity assessment procedures;
- (b) exchanging government officials for training purpose;
- (c) contributing jointly to activities related to technical regulations, standards and conformity assessment procedures in international and regional fora; and
- (d) encouraging entities related to technical regulations, standards and conformity assessment procedures other than the Governments of the Parties to participate in the Cooperation and to implement cooperation between such entities.

3. The implementation of this Article shall be subject to the availability of appropriated funds and the applicable laws and regulations of each Party.

Article 18
Enquiry Points

Each Party shall designate an enquiry point which is able to answer all reasonable enquiries from the other Party regarding technical regulations, standards and conformity assessment procedures and, if appropriate, to provide their relevant information.

Article 19
Sub-Committee on Technical Regulations,
Standards and Conformity Assessment Procedures

1. For the purposes of the effective implementation and operation of this Section, a Sub-Committee on Technical Regulations, Standards and Conformity Assessment Procedures (hereinafter referred to in this Article as "the Sub-Committee") shall be established pursuant to Article 165.
2. The Sub-Committee shall meet at such venue as may be agreed by the Parties and shall make efforts to meet once a year.
3. The functions of the Sub-Committee shall be:
 - (a) exchanging information on technical regulations, standards and conformity assessment procedures;
 - (b) reviewing the implementation and operation of this Section;
 - (c) discussing any issues related to this Section;
 - (d) reporting the findings of the Sub-Committee to the Joint Committee; and
 - (e) carrying out other functions which may be delegated by the Joint Committee pursuant to Article 165.

Article 20
Non-Application of Chapter 15

The dispute settlement procedure provided for in Chapter 15 shall not apply to this Section.

Article 21
Relation to Section 2

This Section shall not apply to SPS measures referred to in Section 2.

Chapter 4
Rules of Origin

Article 22
Originating Goods

1. Except as otherwise provided for in this Chapter, a good shall be an originating good where:

- (a) the good is wholly obtained or produced entirely in the Area of one or both Parties, as defined in Article 38;
- (b) the good is produced entirely in the Area of one or both Parties exclusively from originating materials;
- (c) the good satisfies the requirements set out in Annex 4, as well as all other applicable requirements of this Chapter, when the good is produced entirely in the Area of one or both Parties using non-originating materials; or
- (d) except for a good provided for in Chapters 61 through 63 of the Harmonized System, the good is produced entirely in the Area of one or both Parties, but one or more of the non-originating materials that are used in the production of the good does not undergo an applicable change in tariff classification because:
 - (i) the good was imported into a Party in an unassembled or a disassembled form but was classified as an assembled good pursuant to Rule 2(a) of the General Rules for the Interpretation of the Harmonized System; or
 - (ii) the heading for the good provides for and specifically describes both the good itself and its parts and is not further subdivided into subheadings, or the subheading for the good provides for and specifically describes both the good itself and its parts;

provided that the regional value content of the good, determined in accordance with Article 23, is not less than 50 percent, unless otherwise provided for in Annex 4, and that the good satisfies all other applicable requirements of this Chapter.

2. For the purposes of this Chapter, the production of a good using non-originating materials that undergo an applicable change in tariff classification and satisfying other requirements, as set out in Annex 4, shall occur entirely in the Area of one or both Parties and every regional value content of a good shall be entirely satisfied in the Area of one or both Parties.

Article 23
Regional Value Content

1. Except as provided for in paragraph 4 below and Article 26, the regional value content of a good shall be calculated on the basis of the transaction value method set out in paragraph 2 below.

2. For the purposes of calculating the regional value content of a good on the basis of the transaction value method, the following formula shall be applied:

$$\text{RVC} = \frac{\text{TV} - \text{VNM}}{\text{TV}} \times 100$$

where:

- RVC: the regional value content, expressed as a percentage;
- TV: transaction value of the good adjusted to a F.O.B. basis, except as provided for in paragraph 3 below; and
- VNM: value of non-originating materials used by the producer in the production of the good determined pursuant to Article 24.

3. For the purposes of paragraph 2 above, when the producer of the good does not export it directly, the transaction value of the good shall be adjusted to the point where the buyer receives the good from the producer in the Area of a Party where the producer is located.

4. In the event that there is no transaction value or the transaction value of the good is unacceptable under Article 1 of the Customs Valuation Code, the value of the good shall be determined in accordance with Articles 2 through 7 of the Customs Valuation Code.

5. A producer may average the regional value content for one or more goods classified in the same subheading under the Harmonized System that he produces in the same plant or in more than one plant in the Area of one Party, on the basis of either all the goods produced by the producer or only those goods exported to the other Party:

- (a) in its fiscal year or period; or
- (b) in any period of 1, 2, 3, 4 or 6 months.

Article 24
Value of Materials

1. The value of a material:

- (a) shall be the transaction value of the material;
or
- (b) in the event that there is no transaction value or the transaction value of the material is unacceptable under Article 1 of the Customs Valuation Code, shall be determined in accordance with Articles 2 through 7 of the Customs Valuation Code.

2. Where not included under subparagraph 1(a) or 1(b) above, the value of a material:

- (a) shall include freight, insurance, packing and all other costs incurred in transporting the material to the importation port in the Party where the producer of the good is located, except as provided for in paragraph 3 below; and
- (b) may include the cost of waste and spoilage resulting from the use of the material in the production of the good, less the value of reusable scrap or by-product.

3. The value of a non-originating material shall not include, where the producer acquires the material in the Area of the Party where the producer is located, freight, insurance, packing and all other costs incurred in transporting the material from the warehouse of the supplier of the material to the place where the producer is located; as well as any other known and ascertainable cost incurred in the Area of the producer of the good.

4. The value of non-originating materials used by the producer in the production of the good shall not include the value of the non-originating materials used by:

- (a) another producer in the production of an originating material which is acquired and used by the producer of the good in the production of such good; or
- (b) the producer of the good in the production of a self-produced originating material, which is designated by the producer as an intermediate material under Article 26.

Article 25
De Minimis

1. A good shall be considered to be an originating good if the value of all non-originating materials used in the production of the good that do not undergo an applicable change in tariff classification set out in Annex 4 is not more than 10 percent of the transaction value of the good, adjusted to the basis set out in paragraph 2 or 3, as the case may be, of Article 23, and the good satisfies all other applicable requirements of this Chapter.

2. Where the good referred to in paragraph 1 above is also subject to a regional value content, the value of such non-originating materials shall be taken into account in determining the regional value of the good and the good shall be required to satisfy all other applicable requirements of this Chapter.

3. A good that is subject to a regional value content requirement pursuant to Annex 4 shall not be required to satisfy such requirement if the value of all non-originating materials is not more than 10 percent of the transaction value of the good, adjusted to the basis set out in paragraph 2 or 3, as the case may be, of Article 23.

4. Paragraph 1 above shall not apply to:

- (a) a good provided for in Chapters 50 through 63 of the Harmonized System; or
- (b) a good provided for in Chapters 1 through 27 of the Harmonized System, except where the non-originating material used in the production of the good is provided for in a different subheading to the good classified in Chapter 1, 4 through 15, or 17 through 27 of the Harmonized System for which the origin is being determined under this Article.

5. A good provided for in Chapters 50 through 63 of the Harmonized System that does not originate because certain fibers or yarns used in the production of the material that determines the tariff classification of the good do not undergo an applicable change in tariff classification set out in Annex 4, shall nonetheless be considered to originate if the total weight of all such fibers or yarns in that material is not more than 7 percent of the total weight of such material.

Article 26 Intermediate Materials

1. For the purposes of determining the regional value content of a good under Article 23, the producer of the good may designate as an intermediate material, any self-produced material used in the production of the good.

2. Where an intermediate material is subject to a regional value content requirement under subparagraph 1(d) of Article 22 or Annex 4, the value of the intermediate material shall be:

- (a) the total cost incurred with respect to all goods produced by the producer of the good which may be reasonably allocated to such intermediate material, in accordance with the Uniform Regulations referred to in Article 10; or
- (b) the sum of each cost which are part of the total cost incurred with respect to such intermediate material, in accordance with the Uniform Regulations referred to in Article 10.

In this case, the regional value content of such material shall be not less than the percentage set out in Annex 4 minus 5 percent.

Article 27 Accumulation

For the purposes of determining whether a good is an originating good, a producer of the good may accumulate his production with the production of one or more producers in the Area of one or both Parties, of materials incorporated in the good, in a manner that the production of the materials is considered to have been performed by that producer, provided that the provisions of Article 22 are satisfied.

Article 28
Fungible Goods and Materials

1. For the purposes of determining whether a good is an originating good, where originating and non-originating fungible materials that are commingled in an inventory, are used in the production of a good, the origin of the materials may be determined pursuant to an inventory management method set out in paragraph 3 below.

2. Where originating and non-originating fungible goods are commingled in an inventory and, prior to exportation do not undergo any production process or any operation in the Area of the Party where they were commingled other than unloading, loading or any other operation necessary to preserve it in good condition or to transport the good to the other Party, the origin of the good may be determined pursuant to an inventory management method set out in paragraph 3 below.

3. The inventory management methods for fungible goods or materials shall be the following:

- (a) "FIFO method" (first in-first out) is the inventory management method by which the origin of the number of fungible goods or materials first received in the inventory is considered to be the origin of the same number of fungible goods or materials first withdrawn from the inventory;
- (b) "LIFO method" (last in-first out) is the inventory management method by which the origin of the number of fungible goods or materials last received in the inventory is considered to be the origin of the same number of fungible goods or materials first withdrawn from the inventory; or
- (c) "average method" is the inventory management method by which, except as provided for in paragraph 4 below, the origin of fungible goods or materials withdrawn from an inventory is based on the ratio, calculated under the following formula:

$$\text{ROM} = \frac{\text{TOM}}{\text{TONM}} \times 100$$

where:

ROM: ratio of originating fungible goods or materials;

TOM: total units of originating fungible goods or materials in the inventory prior to the shipment; and

TONM: total sum of units of originating and non-originating fungible goods or materials in the inventory prior to the shipment.

4. Where a good is subject to a regional value content requirement, the determination of value of non-originating fungible materials shall be made through the following formula:

$$\text{RNM} = \frac{\text{TNM}}{\text{TONM}} \times 100$$

where:

RNM: ratio of value of non-originating fungible materials;

TNM: total value of fungible non-originating materials in the inventory prior to the shipment; and

TONM: total value of originating and non-originating fungible materials in the inventory prior to the shipment.

5. Once an inventory management method set out in paragraph 3 above has been chosen, it shall be used through all the fiscal year or period.

Article 29 Sets, Kits or Composite Goods

1. Sets, kits and composite goods classified pursuant to Rule 3 of the General Rules for the Interpretation of the Harmonized System, and the goods specifically described as sets, kits or composite goods in the nomenclature of the Harmonized System, shall qualify as originating, where every good contained in the sets, kits or composite goods satisfies the applicable rule of origin for each of them under this Chapter.

2. Notwithstanding paragraph 1 above, a set, kit or composite good shall be considered as originating, if the value of all non-originating goods used in the collection of the set, kit or composite good does not exceed 10 percent of the transaction value of the set, kit or composite good, adjusted to the basis set out in paragraph 2 or 3, as the case may be, of Article 23, and such set, kit or composite good satisfies all other applicable requirements of this Chapter.

3. The provisions of this Article shall prevail over the specific rules of origin set out in Annex 4.

Article 30 Indirect Materials

Indirect materials shall be considered to be originating without regard to where they are produced and the value of such materials shall be their cost as reported in the accounting records of the producer of the good.

Article 31 Accessories, Spare Parts and Tools

1. Accessories, spare parts or tools delivered with the good that form part of the good's standard accessories, spare parts or tools, shall be disregarded in determining whether all the non-originating materials used in the production of the good undergo the applicable change in tariff classification set out in Annex 4, provided that:

- (a) the accessories, spare parts or tools are not invoiced separately from the good, without regard of whether they are separately detached in the commercial invoice; and
- (b) the quantities and value of the accessories, spare parts or tools are customary for the good.

2. If the good is subject to a regional value content requirement, the value of the accessories, spare parts or tools shall be taken into account as the value of originating or non-originating materials, as the case may be, in calculating the regional value content of the good.

Article 32

Packaging Materials and Containers for Retail Sale

1. Packaging materials and containers in which a good is packaged for retail sale shall, if classified with the good pursuant to Rule 5 of the General Rules for the Interpretation of the Harmonized System, be disregarded in determining whether all the non-originating materials used in the production of the good undergo the applicable change in tariff classification set out in Annex 4.

2. If the good is subject to a regional value content requirement, the value of such packaging materials and containers for retail sale shall be taken into account as the value of originating or non-originating materials, as the case may be, in calculating the regional value content of the good.

Article 33

Packing Materials and Containers for Shipment

Packing materials and containers in which a good is packed for shipment shall be disregarded in determining whether:

- (a) all non-originating materials used in the production of the good undergo an applicable change in tariff classification set out in Annex 4; and
- (b) the good satisfies a regional value content requirement.

Article 34

Non-Qualifying Operations

1. A good shall not be considered to be an originating good merely by reason of:

- (a) dilution with water or another substance that does not materially alter the characteristics of the good;
- (b) simple operations for the maintenance of the good during transportation or storing, such as ventilation, refrigeration, removal of damaged parts, drying or addition of substances;
- (c) sieving, classification, selection;
- (d) packing, repacking or packaging for retail sale;

- (e) collection of goods to form sets, kits or composite goods;
- (f) application of stamps, labels or similar distinctive signs;
- (g) washing, including removal of dust, oxide, oil, paint or other coverings;
- (h) mere collection of parts and components classified as a good, according to Rule 2(a) of the General Rules for the Interpretation of the Harmonized System. Mere collection does not include the collection of parts and components of disassembled originating goods that were previously disassembled for consideration of packaging, handling or transportation; or
- (i) mere disassembly of the good into parts or components. Disassembling originating goods that were previously assembled, for consideration of packaging, handling or transportation, shall not be considered as mere disassembly.

2. The provisions of this Article shall prevail over the specific rules of origin set out in Annex 4.

Article 35 Transshipment

1. An originating good shall be considered as non-originating, even if it has undergone production that satisfies the requirements of Article 22 if, subsequent to that production, outside the Areas of the Parties, the good:

- (a) undergoes further production, or operations other than unloading, reloading or any other operation necessary to preserve it in good condition or to transport it to the other Party; or
- (b) does not remain under surveillance of the customs authorities in one or more non-Parties where it undergoes transshipment or temporary storage in those non-Parties.

2. Evidence that an originating good has not lost its originating condition by means of paragraph 1 above shall be provided to the customs authority of the importing Party.

Article 36
Application and Interpretation

1. For the purposes of this Chapter:
 - (a) the basis for tariff classification is the Harmonized System;
 - (b) the determination of transaction value of a good or of a material shall be made in accordance with the Customs Valuation Code; and
 - (c) all costs referred to in this Chapter shall be recorded and maintained in accordance with the Generally Accepted Accounting Principles applicable in the Party in which the good is produced.

2. For the purposes of this Chapter, in applying the Customs Valuation Code to determine the transaction value of a good or a material:
 - (a) the principles of the Customs Valuation Code shall apply to domestic transactions, with such modifications as may be required by the circumstances, as would apply to international transactions; and
 - (b) the provisions of this Chapter shall prevail over the Customs Valuation Code to the extent of any difference.

Article 37
Sub-Committee, Consultation and Modifications

1. For the purposes of the effective implementation and operation of this Chapter and Chapter 5, a Sub-Committee on Rules of Origin, Certificate of Origin and Customs Procedures (hereinafter referred to in this Article as "the Sub-Committee") shall be established pursuant to Article 165.

2. The Sub-Committee shall meet at such venue and times as may be agreed by the Parties.

3. The functions of the Sub-Committee shall be:
 - (a) reviewing and making appropriate recommendations, as needed, to the Joint Committee on the implementation and operation of this Chapter and Chapter 5;

- (b) reviewing and making appropriate recommendations, as needed, to the Joint Committee on the:
 - (i) tariff classification and customs valuation matters relating to determinations of origin;
 - (ii) certificate of origin referred to in Article 39;
- (c) reviewing and making appropriate recommendations, as needed, to the Joint Committee on any modification to Annex 4, proposed by either Party, duly based on issues related with the determination of origin;
- (d) reviewing and making appropriate recommendations, as needed, to the Joint Committee on the Uniform Regulations referred to in Article 10;
- (e) considering any other matter as the Parties may agree related to this Chapter and Chapter 5;
- (f) reporting the findings of the Sub-Committee to the Joint Committee; and
- (g) carrying out other functions which may be delegated by the Joint Committee pursuant to Article 165.

4. The recommendation of the Sub-Committee shall be sent to the Joint Committee for necessary action under Article 165.

5. The Parties shall consult and cooperate to ensure that this Chapter and Chapter 5 are applied in an effective and uniform manner in accordance with the provisions, the spirit and the objectives of this Agreement.

6. Modifications to Annex 4 recommended by the Sub-Committee pursuant to subparagraph 3(c) above and proposed by both Parties may be adopted by the Joint Committee pursuant to subparagraph 2(e)(i) of Article 165. The adopted modifications shall be confirmed by an exchange of diplomatic notes and shall enter into force on the date specified in the said notes. The modified part of Annex 4 shall supersede the corresponding part provided for in Annex 4.

Article 38
Definitions

For the purposes of this Chapter:

- (a) the term "Customs Valuation Code" means the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994 in Annex 1A to the WTO Agreement, as may be amended, including its interpretative notes;
- (b) the term "direct overhead" means overhead incurred during a period, directly related to the good, other than direct material costs and direct labor costs;
- (c) the term "factory ships of a Party" and "vessels of a Party" respectively means factory ships and vessels:
 - (i) which are registered in the Party;
 - (ii) which sail under the flag of that Party;
 - (iii) which are owned to an extent of at least 50 percent by nationals of that Party, or by an enterprise with its head office in that Party, of which the managers or representatives, chairman of the board of directors or the supervisory board, and the majority of the members of such boards are nationals of that Party, and of which, in addition, in the case of partnerships or limited companies, at least half the capital belongs to that Party or to public bodies or nationals or enterprises of that Party;
 - (iv) of which the master and officers are all nationals of that Party; and
 - (v) of which at least 75 percent of the crew are nationals of that Party;
- (d) the term "F.O.B." means free on board, regardless of the mode of transportation, at the point of direct shipment by the seller to the buyer;
- (e) the term "fungible goods" means goods that are interchangeable for commercial purposes, whose properties are essentially identical, not practical to distinguish by the naked eye;

- (f) the term "fungible materials" means materials that are interchangeable for commercial purposes and whose properties are essentially identical, not practical to distinguish by the naked eye;
- (g) the term "Generally Accepted Accounting Principles" means the recognized consensus or substantial authoritative support in a Party with respect to the recording of revenues, expenses, costs, assets and liabilities, the disclosure of information and the preparation of financial statements. These standards may be broad guidelines of general application as well as detailed standards, practices and procedures;
- (h) the term "goods wholly obtained or produced entirely in the Area of one or both Parties" means:
 - (i) mineral goods extracted in the Area of one or both Parties;
 - (ii) vegetable goods harvested in the Area of one or both Parties;
 - (iii) live animals born and raised in the Area of one or both Parties;
 - (iv) goods obtained from hunting or fishing in the Area of one or both Parties;
 - (v) fish, shellfish and other marine species taken by vessels of a Party from the sea outside the territorial seas of the Party;
 - (vi) goods produced on board factory ships of a Party from the goods referred to in subparagraph (v);
 - (vii) goods taken by a Party or a person of a Party from the seabed or beneath the seabed outside territorial seas of the Party, provided that the Party has rights to exploit such seabed;
 - (viii) waste and scrap derived from:
 - (AA) production in the Area of one or both Parties; or

- (BB) used goods collected in the Area of one or both Parties, provided such goods are fit only for the recovery of raw materials; or
- (ix) goods produced in the Area of one or both Parties exclusively from goods referred to in subparagraphs (i) through (viii), or from their derivatives, at any stage of production;
- (i) the term "indirect material" means a good used in the production, testing or inspection of a good but not physically incorporated into the good, or a good used in the maintenance of buildings or the operation of equipment associated with the production of a good, including:
 - (i) fuel and energy;
 - (ii) tools, dies and molds;
 - (iii) spare parts and materials used in the maintenance of equipment and buildings;
 - (iv) lubricants, greases, compounding materials and other materials used in production or used to operate equipment and buildings;
 - (v) gloves, glasses, footwear, clothing, safety equipment and supplies;
 - (vi) equipment, devices and supplies used for testing or inspecting the goods;
 - (vii) catalysts and solvents; and
 - (viii) any other goods that are not incorporated into the good but whose use in the production of the good can reasonably be demonstrated to be a part of that production;
- (j) the term "indirect overhead" means overhead incurred during a period, other than direct overhead, direct labor costs and direct material costs;
- (k) the term "intermediate material" means a material that is self-produced and used in the production of a good, and designated pursuant to Article 26;

- (l) the term "material" means a good that is used in the production of another good;
- (m) the term "packing materials and containers for shipment" means goods that are used to protect a good during transportation, other than packaging materials and containers for retail sale;
- (n) the term "place where the producer is located" means in relation to a good, the production plant of that good;
- (o) the term "producer" means a person who conducts a production of a good or material;
- (p) the term "production" means methods of obtaining goods including manufacturing, assembling, processing, growing, mining, harvesting, fishing, and hunting;
- (q) the term "self-produced material" means a material that is produced by the producer of a good and used in the production of that good;
- (r) the term "total cost" means the sum of the following elements, calculated in accordance with the Generally Accepted Accounting Principles of the Party and the Uniform Regulations referred to in Article 10:
 - (i) the direct materials cost used in the production of the good;
 - (ii) the direct labor cost used in the production of the good; and
 - (iii) the amount of direct and indirect overhead of the good, reasonably allocated to the good, except for those not to be included in the cost of the good;
- (s) the term "transaction value of a good" means the price actually paid or payable for a good with respect to a transaction of the producer of the good, pursuant to the principles of Article 1 of the Customs Valuation Code, adjusted in accordance with the principles of paragraphs 1, 3 and 4 of Article 8 of the Customs Valuation Code, regardless of whether the good is sold for export. For the purposes of this definition, the seller referred to in the Customs Valuation Code shall be the producer of the good;

- (t) the term "transaction value of a material" means the price actually paid or payable for a material with respect to a transaction of the producer of the good, pursuant to the principles of Article 1 of the Customs Valuation Code, adjusted in accordance with the principles of paragraphs 1, 3 and 4 of Article 8 of the Customs Valuation Code, regardless of whether the material is sold for export. For the purposes of this definition, the seller referred to in the Customs Valuation Code shall be the supplier of the material, and the buyer referred to in the Customs Valuation Code shall be the producer of the good; and
- (u) the term "used" means used or consumed in the production of goods.

Chapter 5
Certificate of Origin and Customs Procedures

Section 1
Certification of Origin

Article 39
Certificate of Origin

1. For the purposes of this Section and Section 2, upon the date of entry into force of this Agreement, the Parties shall establish a format for the certificate of origin in the Uniform Regulations referred to in Article 10.

2. The certificate of origin referred to in paragraph 1 above will have the purpose of certifying that a good being exported from one Party into the other Party qualifies as an originating good.

3. The certificate of origin referred to in paragraph 1 above shall be issued by the competent governmental authority of the exporting Party on request having been made in writing by the exporter or, under the exporter's responsibility, by his authorized representative, in accordance with paragraph 4 below. The certificate of origin must be stamped and signed by the competent governmental authority of the exporting Party or its designees at the time of issue.

For the purposes of this Article, the competent governmental authority of the exporting Party may designate other entities or bodies to be responsible for the issuance of the certificate of origin, prior authorization given under its applicable laws and regulations.

Where the competent governmental authority of the exporting Party designates other entities or bodies to carry out the issuance of the certificate of origin, the exporting Party shall notify in writing the other Party of its designees.

The exporting Party shall revoke the designation, where the issuance of certificates of origin by a designee is not in conformity with the provisions provided for in this Section and the situation warrants the revocation. For this purpose, the exporting Party shall consider views expressed by the importing Party in deciding on revoking the designation.

4. Prior to the issuance of a certificate of origin, an exporter that requests a certificate of origin must prove to the competent governmental authority of the exporting Party or its designees, that the good to be exported qualifies as an originating good.

Where an exporter is not the producer of the good, the exporter may request a certificate of origin on the basis of a declaration voluntarily provided by the producer of the good that demonstrates that such producer has proved to the competent governmental authority or its designees, that the good concerned qualifies as an originating good. Nothing in this paragraph shall be construed to oblige the producer of the good to certificate that the good qualifies as an originating good. If the producer decides not to provide the declaration concerned, the exporter shall be required to prove to the competent governmental authority or its designees that the good to be exported qualifies as an originating good.

5. The competent governmental authority or its designees shall issue a certificate of origin after the exportation of a good when it is requested by the exporter in accordance with paragraph 4 above. The certificate of origin issued retrospectively must be endorsed with the phrase set out in the Uniform Regulations referred to in Article 10.

6. In the event of theft, loss or destruction of a certificate of origin, the exporter may request to the competent governmental authority or its designees which issued it a duplicate made out on the basis of the export documents in their possession. The duplicate issued in this way must be endorsed with the phrase set out in the Uniform Regulations referred to in Article 10.

7. The certificate of origin for a good imported into the importing Party shall be completed in the English language. If the certificate of origin is not completed in the English language, a translation into the official language of the importing Party shall be attached thereto. If the certificate of origin is completed in the English language, a translation into the Spanish or the Japanese language shall not be required.

8. Each Party shall provide that a valid certificate of origin that fulfills the requirements of this Section that is applicable to a single importation of a good into the other Party, shall be accepted by the customs authority of the importing Party for 1 year or another period that the Parties may agree, after the date on which the certificate was issued.

9. The competent governmental authority of the exporting Party shall:

- (a) determine the administrative mechanisms for the issuing of the certificate of origin;
- (b) provide, at the request of the importing Party in accordance with Article 44 information relating to the origin of the goods for which preferential tariff treatment was claimed; and
- (c) provide the other Party with specimen impressions of stamps used in the offices of the competent governmental authority or its designees for the issue of the certificate of origin.

Article 40 Obligations Regarding Importations

1. Except as otherwise provided for in this Section, each Party shall require an importer that claims preferential tariff treatment for a good imported from the other Party to:

- (a) make a written declaration, based on a valid certificate of origin, that the good qualifies as an originating good;
- (b) have the certificate in its possession at the time the declaration is made;
- (c) provide the certificate on the request of the customs authority; and

- (d) promptly make a corrected declaration and pay any duties owing where the importer has reason to believe that a certificate on which a declaration was based contains information that is not correct.

2. Where an importer claims preferential tariff treatment for a good imported into a Party from the other Party, the customs authority of the importing Party may deny preferential tariff treatment to the good if the importer fails to comply with any requirement under this Article.

3. Each Party shall ensure that, in the case that the importer at the time of importation does not have in his possession a certificate of origin, the importer of the good may, in accordance with the domestic laws and regulations of the importing Party, provide the certificate of origin and if required such other documentation relating to the importation of the good at a later stage, within a period not exceeding 1 year after the time of importation.

Article 41 Obligations Regarding Exportations

1. Each Party shall ensure that an exporter or a producer that has completed and signed a certificate of origin, and that has reasons to believe that the certificate contains incorrect information, shall promptly notify in writing, of any change that could affect the accuracy or validity of the certificate of origin to all persons to whom he gave the certificate, as well as to its competent governmental authority or its designees and to the customs authority of the importing Party. The notification shall be sent by one of the methods stipulated in paragraph 4 of Article 44. If this is done prior to the commencement of a verification referred to in Article 44 and if the exporter or producer demonstrates that at time of issuance of the certificate of origin he possessed facts upon which he could reasonably rely to the effect that the good qualified as an originating good, the exporter or producer shall not be subject to penalties for having submitted an incorrect certificate.

2. Each Party shall ensure that providing false declarations or documents to its competent governmental authority or its designees by its exporters or producers stating that the good qualifies as an originating good shall be subject to penalties or other appropriate sanctions as provided for in Article 46.

3. Each Party shall ensure that the exporter referred to in paragraph 3 of Article 39 or the producer referred to in paragraph 4 of Article 39, as the case may be, shall be prepared to submit at any time, at the request of the competent governmental authority or its designees of the exporting Party, all appropriate documents proving the originating status of the goods concerned as well as the fulfillment of other requirements under this Agreement.

Article 42
Exceptions

Each Party shall ensure that a certificate of origin shall not be required for:

- (a) a commercial importation of a good whose value does not exceed 1,000 United States dollars or its equivalent amount in the Party's currency, or such higher amount as it may establish, provided that it may require that the invoice accompanying the importation includes a statement indicating that the good qualifies as an originating good;
- (b) a non-commercial importation of a good whose value does not exceed 1,000 United States dollars or its equivalent amount in the Party's currency, or such higher amount as it may establish; or
- (c) an importation of a good for which the importing Party has waived the requirement for a certificate of origin,

provided that the importation does not form part of a series of importations that may reasonably be considered to have been undertaken or arranged for the purposes of avoiding the certification requirements of Articles 39 and 40.

Section 2
Administration and Enforcement

Article 43
Records

1. Each Party shall ensure that:
 - (a) an exporter referred to in paragraph 3 of Article 39 or a producer referred to in paragraph 4 of Article 39, that has the documentation that proves that the good qualifies as an originating good for the purposes of requesting a certificate of origin shall maintain in that Party, for 5 years after the date on which the certificate was issued or for such longer period as the Party may specify, the records relating to the origin of a good for which preferential tariff treatment was claimed in the other Party, including records associated with:
 - (i) the purchase of, cost of, value of, and payment for, the good that is exported;
 - (ii) the purchase of, cost of, value of, and payment for, all materials, including indirect materials, used in the production of the good that is exported; and
 - (iii) the production of the good in the form in which the good is exported; and
 - (b) an importer claiming preferential tariff treatment for an imported good shall maintain for 5 years after the date of importation of the good or for such longer period as the Party may specify, such documentation as the Party may require relating to the importation of the good.
2. Each Party shall ensure that the competent governmental authority or its designees shall keep a record of the certificate of origin issued for a minimum period of 5 years after the date on which the certificate was issued. Such record will include all antecedents, which were presented to prove the qualification as an originating good.

Article 44
Origin Verifications

1. For the purposes of determining whether a good imported from the other Party under preferential tariff treatment qualifies as an originating good, the importing Party may conduct a verification through its customs authority, by means of:

- (a) request of information relating to the origin of a good to the competent governmental authority of the exporting Party on the basis of a certificate of origin;
- (b) written questionnaires to an exporter or a producer of the good in the other Party;
- (c) request to the exporting Party to collect information, including that contained in the documents maintained pursuant to Article 43, that demonstrate the compliance with Chapter 4 and to check, for that purpose, the facilities used in the production of the good, through a visit by its competent governmental authority along with the customs authority of the importing Party to the premises of an exporter or a producer of the good in the exporting Party, and to provide the collected information in the English language to the customs authority of the importing Party; or
- (d) such other procedure as the Parties may agree.

2. Where the customs authority of the importing Party has initiated a verification in accordance with this Article, the provisions of Annex 5 shall be applied as appropriate.

3. For the purposes of subparagraph 1(a), the competent governmental authority of the exporting Party shall provide the information requested, in a period not exceeding 4 months, after the date of the request.

If the customs authority of the importing Party considers necessary, it may require additional information relating to the origin of the good. If additional information is requested by the customs authority of the importing Party, the competent governmental authority of the exporting Party shall provide the information requested in a period not exceeding 2 months after the date of the request.

If the competent governmental authority of the exporting Party fails to respond to the request within the period specified therein, the customs authority of the importing Party shall determine that the good subject to the verification does not qualify as an originating good, therefore considering the certificate of origin as not valid, and shall deny it preferential tariff treatment.

4. The customs authority of the importing Party shall send the questionnaires referred to in subparagraph 1(b), to the exporters or producers in the exporting Party, by any of the following means:

- (a) certified or registered mail with confirmation of receipt;
- (b) any other method that produces a confirmation of receipt by the exporter or producer; or
- (c) such other method that the Parties may agree.

The customs authority of the importing Party shall immediately communicate to the competent governmental authority of the exporting Party whenever it sends a questionnaire referred to in subparagraph 1(b).

5. The provisions of paragraph 1 above shall not prevent the customs authority or the competent governmental authority, as the case may be, of the importing Party from exercising its powers to take action in that Party, in relation with the compliance with its domestic laws and regulations by its own importers, exporters or producers.

6. The exporter or producer who receives a questionnaire pursuant to subparagraph 1(b) shall have 30 days from the date of its receipt to answer such questionnaire and return it.

7. Where the importing Party has received the answer to the questionnaire referred to in subparagraph 1(b) within the period specified in paragraph 6 above, and considers that it requires more information to determine whether the good subject to the verification qualifies as an originating good, it may, through its customs authority, request additional information from the exporter or producer, by means of a subsequent questionnaire, in which case, the exporter or producer shall have 30 days from the date of its receipt to answer and return it.

8. (a) If the response by the exporter or producer to any of the questionnaires referred to in paragraph 6 or 7 above does not contain sufficient information to determine that the good is originating, the customs authority of the importing Party may determine that the good subject to the verification does not qualify as an originating good and may deny it preferential tariff treatment, upon written determination under paragraph 22 below.

(b) If the response to the questionnaire referred to in paragraph 6 above is not returned within the period specified therein, the customs authority of the importing Party shall determine that the good subject to the verification does not qualify as an originating good, therefore considering the certificate of origin as not valid, and shall deny it preferential tariff treatment.

9. The conducting of a verification in accordance with one of the methods set forth in paragraph 1 above shall not preclude the use of another verification method provided for in paragraph 1 above.

10. When requesting the exporting Party to conduct a visit pursuant to subparagraph 1(c), the importing Party shall deliver a written communication with such request to the exporting Party, the receipt of which is to be confirmed by the latter Party, at least 30 days in advance of the proposed date of the visit. The competent governmental authority of the exporting Party shall request the written consent of the exporter or producer whose premises are to be visited.

11. The communication referred to in paragraph 10 above shall include:

(a) the identity of the customs authority issuing the communication;

(b) the name of the exporter or producer whose premises are requested to be visited;

(c) the proposed date and place of the visit;

(d) the object and scope of the proposed visit, including specific reference to the good or goods subject of the verification referred to in the certificate of origin; and

- (e) the names and titles of the officials of the customs authority of the importing Party to be present during the visit.

12. Any modification to the information referred to in paragraph 11 above shall be notified in writing, prior to the proposed date of the visit referred to in subparagraph 11(c).

If the proposed date referred to in subparagraph 11(c) is to be modified, this shall be notified in writing at least 10 days prior to the date of the visit.

13. The exporting Party shall respond in writing to the importing Party, within 20 days of the receipt of the communication referred to in paragraph 10 above, if it accepts or refuses to conduct a visit requested pursuant to subparagraph 1(c).

14. Where the exporting Party refuses to conduct a visit, or that Party fails to respond to the communication referred to in paragraph 10 above within the period referred to in paragraph 13 above, the customs authority of the importing Party shall determine that the good or goods that would have been the subject of the visit do not qualify as originating goods, therefore considering the certificate of origin as not valid, and shall deny them preferential tariff treatment.

15. The competent governmental authority of the exporting Party shall provide, within 45 days, or any other mutually agreed period, from the last day of the visit, to the customs authority of the importing Party the information obtained through the visit.

16. It is confirmed by both Parties that during the course of a verification referred to in paragraph 1 above, the customs authority of the importing Party may request information necessary for determining the origin of a material used in the production of the good.

17. For the purposes of obtaining information on the origin of the material used in the production of the good, the exporter or producer of the good referred to in paragraph 1 above may request a producer of the material to provide voluntarily the former with information relating to the origin of such material. In case the producer of such material desires, such information may be sent to the competent governmental authority of the exporting Party for the provision to the customs authority of the importing Party, without the involvement of the exporter or producer of the good.

18. Where the customs authority of the importing Party requests information relating to the origin of a material pursuant to paragraph 16 above, during the course of a verification in accordance with the method set forth in subparagraph 1(a), the information shall be provided by the competent governmental authority of the exporting Party in accordance with paragraph 3 above.

Where the customs authority of the importing Party requests information relating to the origin of a material pursuant to paragraph 16 above, during the course of a verification in accordance with the method set forth in subparagraph 1(b), the information shall be provided by the exporter or producer of the good or the competent governmental authority of the exporting Party, as the case may be, in accordance with paragraph 6 or 7 above, as appropriate and *mutatis mutandis*, provided that in case the information is provided by the competent governmental authority, the 30 day period referred to in paragraph 6 or 7 above shall mean the period beginning on the date of the receipt of the questionnaire by that exporter or producer.

Where the customs authority of the importing Party requests information relating to the origin of a material pursuant to paragraph 16 above, during the course of a verification in accordance with the method set forth in subparagraph 1(c), the information shall be provided by the competent governmental authority of the exporting Party in accordance with paragraph 15 above.

19. The requesting of information relating to the origin of a material pursuant to paragraph 16 above during the course of a verification in accordance with one of the methods set forth in paragraph 1 above shall not preclude the requesting of information relating to the origin of a material during the course of a verification in accordance with another verification method provided for in paragraph 1 above.

20. The customs authority of the importing Party shall determine that a material used in the production of the good is a non-originating material where the exporter or producer of the good or the competent governmental authority of the exporting Party, as the case may be, does not provide the information that demonstrates that the material in question qualifies as originating, or where the information provided is not sufficient to determine whether that material is originating. Such a determination shall not necessarily lead to a decision that the good itself is not originating.

21. Each Party shall, through its customs authority, conduct a verification of a regional value content requirement in accordance with the Generally Accepted Accounting Principles applied in the Party from which the good was exported.

22. After carrying out the verification procedures outlined in paragraph 1 above, the customs authority of the importing Party shall in the manner specified in paragraph 4 above, provide the exporter or producer whose good is subject to the verification, a written determination of whether or not the good qualifies as an originating good under Chapter 4, including findings of fact and the legal basis for the determination.

23. Where the customs authority of the importing Party denies preferential tariff treatment to the good in question in the cases of paragraph 3, 8(b) or 14 above, a written determination thereof shall be sent to the exporter or producer, in the manner specified in paragraph 4 above.

24. When the Party conducting a verification referred to in paragraph 1 above determines, based on the information obtained during the verification, that a good does not qualify as an originating good, and provides the exporter or producer with a written determination pursuant to paragraph 22 above, it shall grant the exporter or producer whose good was the subject of the verification, 30 days from the date of receipt of the written determination, to provide any comments or additional information before denying preferential tariff treatment to the good, and shall issue a final determination after taking into consideration any comments or additional information received from the exporter or producer during the above-mentioned period, and shall send it to the exporter or producer in the manner specified in paragraph 4 above.

25. Where the verification completed by the customs authority of the importing Party indicates that an exporter or a producer has repeatedly made false representations that a good imported into the Party qualifies as an originating good, the customs authority of the importing Party may withhold preferential tariff treatment to identical goods exported or produced by such person until that person establishes compliance with Chapter 4 to that authority. In taking such an action, the customs authority of the importing Party shall notify the person who completed and signed the certificate of origin and the competent governmental authority of the exporting Party.

26. Communications from the importing Party to an exporter or producer in the exporting Party as well as the response to the questionnaire referred to in subparagraph 1(b) to the importing Party shall be conducted in the English language.

Article 45 Confidentiality

1. Each Party shall maintain, in accordance with its domestic laws and regulations, the confidentiality of information provided to it as confidential pursuant to Section 1 and this Section and shall protect that information from disclosure that could prejudice the competitive position of the persons providing the information.

2. Information obtained pursuant to Section 1 and this Section may only be disclosed, for the purposes of Section 1 and this Section, to those competent authorities of the Parties responsible for the administration and enforcement of determinations of origin and of customs duties and other indirect taxes on imports, and shall not be used by a Party in any criminal proceedings carried out by a court or a judge, unless the information is requested to the other Party and provided to the former Party, in accordance with the applicable laws of the requested Party or appropriate international cooperation agreements to which both Parties are parties.

Article 46 Penalties

Each Party shall ensure that criminal, civil or administrative penalties or other appropriate sanctions against its importers, exporters and producers for providing false declaration or documents relating to Section 1 and this Section to its customs authority, competent governmental authority or its designees, shall be established or maintained.

Article 47 Review and Appeal

Each Party shall ensure that its importers have access to:

- (a) at least one level of administrative review of a decision by its customs authority, provided that such review is done by an official or office different from the official or office making the decision subject to review; and

- (b) judicial or quasi-judicial review of the decision referred to in subparagraph (a),

in accordance with its domestic laws and regulations.

Article 48
Goods in Transit or Storage

The provisions of this Agreement may be applied to goods which comply with the provisions of Chapter 4 and Section 1, and which on the date of entry into force of this Agreement are in transit, in Japan or Mexico, or in temporary storage in bonded area, subject to the submission to the customs authority of the importing Party in accordance with the domestic laws and regulations of that Party, within 4 months of that date, of a certificate of origin issued retrospectively, in accordance with paragraph 5 of Article 39, by the competent governmental authority or its designees of the exporting Party together with the documents showing that the goods have been transported directly.

Article 49
Definitions

1. For the purposes of Section 1 and this Section:
 - (a) the term "authorized representative" means the person designated in accordance with its domestic laws and regulations by the exporter to be responsible for completing and signing the certificate of origin on his behalf;
 - (b) the term "commercial importation" means the importation of a good into a Party for the purposes of sale, or any commercial, industrial or other like use;
 - (c) the term "competent governmental authority" means the authority that, according to the legislation of each Party, is responsible for the issuing of the certificate of origin or for the designation of the certification entities or bodies. In the case of Japan, the Minister of Economy, Trade and Industry or his authorized representative, and in the case of Mexico, the Ministry of Economy;

- (d) the term "customs authority" means the authority that, according to the legislation of each Party, is responsible for the administration of its customs laws and regulations. In the case of Japan, the Minister of Finance or his authorized representative, and in the case of Mexico, the Ministry of Finance and Public Credit;
- (e) the term "determination of origin" means a determination whether a good qualifies as an originating good in accordance with Chapter 4;
- (f) the term "exporter" means a person located in an exporting Party who exports a good from the exporting Party;
- (g) the term "identical goods" means goods that are the same in all respects, including physical characteristics, quality and reputation, irrespective of minor differences in appearance that are not relevant to a determination of origin;
- (h) the term "importer" means a person located in an importing Party who imports a good into the importing Party;
- (i) the term "preferential tariff treatment" means the duty rate applicable to an originating good in accordance with this Agreement;
- (j) the term "producer" means "producer", as defined in Article 38, located in a Party;
- (k) the term "valid certificate of origin" means a certificate of origin in the format referred to in paragraph 1 of Article 39, completed and signed by the exporter or the producer and stamped and signed by the competent governmental authority of the exporting Party or its designees, in accordance with the provisions of Section 1 and with the instructions indicated in the format; and
- (l) the term "value" means the value of a good or material for the purposes of applying Chapter 4.

2. Except as otherwise defined in this Article, the definitions of Chapter 4 shall apply.

Section 3
Customs Cooperation for Trade Facilitation

Article 50
Customs Cooperation for Trade Facilitation

For prompt customs clearance of goods traded between the Parties, each Party, recognizing the significant role of customs authorities and the importance of customs procedures in promoting trade facilitation, shall make cooperative efforts to:

- (a) make use of information and communications technology;
- (b) simplify its customs procedures; and
- (c) make its customs procedures conform, as far as possible, to relevant international standards and recommended practices such as those made under the auspices of the Customs Cooperation Council.

Chapter 6
Bilateral Safeguard Measures

Article 51
General Provision

1. This Chapter establishes rules for the application of bilateral safeguard measures to originating goods, which shall be applied only between the Parties (hereinafter referred to as "bilateral safeguard measures").

2. Nothing in this Agreement shall prevent a Party from applying safeguard measures in accordance with Article XIX of the GATT 1994 and the Agreement on Safeguards in Annex 1A to the WTO Agreement, as may be amended. Except for the bilateral safeguard measures provided for in this Chapter, no Party shall apply safeguard measures to originating goods which are accorded the preferential tariff treatment in accordance with Article 5, outside the scope of Article XIX of the GATT 1994 and the Agreement on Safeguards in Annex 1A to the WTO Agreement, as may be amended.

Article 52
Consistency

Each Party shall ensure the consistent, impartial and reasonable administration of its laws, regulations, decisions and rulings governing proceedings of bilateral safeguard measures.

Article 53
Conditions

1. Subject to the provisions of this Chapter, each Party may apply a bilateral safeguard measure, to the minimum extent necessary to prevent or remedy the serious injury and to facilitate adjustment if an originating good imported from the other Party, which is accorded the preferential tariff treatment in accordance with Article 5, as a result of the elimination or reduction of a customs duty, is being imported into the former Party in such increased quantities, in absolute terms, and under such conditions that the imports of that originating good constitute a substantial cause of serious injury, or threat thereof, to a domestic industry of the former Party.

2. A Party proposing to apply a bilateral safeguard measure may (a) suspend the further reduction of any rate of customs duty on the originating good referred to in paragraph 1 above in accordance with Article 5; or (b) increase the rate of customs duty on the originating good to a level not to exceed the lesser of:

- (i) the most-favored-nation applied rate of customs duty in effect at the time when the bilateral safeguard measure is taken; and
- (ii) the most-favored-nation applied rate of customs duty in effect on the day immediately preceding the date of entry into force of this Agreement.

3. A bilateral safeguard measure shall consist of tariff measures, including application of tariff rate quotas.

4. Each Party shall not apply bilateral safeguard measures on an originating good imported up to the limit of quota quantities granted under tariff rate quotas applied in accordance with Schedule in Annex 1.

5. No bilateral safeguard measure shall be maintained for a period exceeding 3 years. However, in very exceptional circumstances, after the prior consultations referred to in paragraph 9 below, a bilateral safeguard measure may be maintained for up to a total maximum period of 4 years. A Party taking such measure shall present to the other Party a schedule leading to its progressive elimination.

6. No bilateral safeguard measure shall be applied again to the imports of the same originating good which has been subject to a bilateral safeguard measure, for a period of time equal to the duration of the previous measure or 1 year, whichever is longer.

7. A Party shall deliver a written notice in English to the other Party immediately upon initiation of an investigation referred to in Article 55. Such written notice shall include the reason for the initiation of the investigation, a precise description of the originating good involved and its subheading or a more detailed level of the Harmonized System.

8. A Party shall deliver a written notice in English to the other Party prior to applying a bilateral safeguard measure. Such written notice shall include a description of evidence of the serious injury or threat thereof caused by the increased imports, a precise description of the originating good involved and its subheading or a more detailed level of the Harmonized System, a precise description of the proposed bilateral safeguard measure, its date of entry into force, and its expected duration.

9. A Party proposing to apply a bilateral safeguard measure shall provide adequate opportunity for prior consultations with the other Party on such measure with a view to, *inter alia*, reaching an agreement on compensation set out in paragraph 10 below.

10. A Party proposing to apply a bilateral safeguard measure shall offer the other Party adequate means of trade compensation in the form of additional concessions of customs duties whose levels are substantially equivalent to the value of the additional customs duties expected to result from such measure, and, in the case that room for such sufficient additional concessions of customs duties is already exhausted through overall reduction of customs duties, other concessions which the Parties may agree upon.

11. If the Parties are unable to agree on compensation within 60 days after the date when a Party initiates the application of the bilateral safeguard measure, the other Party shall be free to suspend, to the trade of the Party applying such measure, the application of concessions of customs duties under Article 5, which are substantially equivalent to such measure applied. For this purpose, the Party exercising the right of suspension may suspend the application of concessions of customs duties only for the minimum period necessary.

12. Upon termination of a bilateral safeguard measure, the rate of customs duty shall be the rate which would have been in effect but for such measure.

13. The Parties shall review the provisions of this Chapter, if necessary, after 10 years of the date of entry into force of this Agreement.

Article 54
Provisional Bilateral Safeguard Measures

1. In critical circumstances, where delay would cause damage which it would be difficult to repair, a Party may take a provisional bilateral safeguard measure pursuant to a preliminary determination that there is clear evidence that increased imports have caused or are threatening to cause serious injury to a domestic industry.

2. A Party shall deliver a written notice in English to the other Party prior to applying a provisional bilateral safeguard measure. Consultations on such measure shall take place promptly after such measure is taken.

3. The duration of the provisional bilateral safeguard measure shall not exceed 200 days. During that period, the pertinent requirements of Articles 52 and 55 shall be met. The duration of such measure shall be counted as a part of the period referred to in paragraph 5 of Article 53.

4. Paragraphs 2 through 4 and 12 of Article 53 shall be applied *mutatis mutandis* to the provisional bilateral safeguard measure. The customs duty imposed as a result of such measure shall be refunded within 60 days if the subsequent investigation referred to in Article 55 does not determine that increased imports have caused or threatened to cause serious injury to a domestic industry.

Article 55
Bilateral Safeguard Measures Proceedings

1. Each Party shall adopt or maintain equitable, timely, transparent and effective proceedings relating to bilateral safeguard measures.

2. A Party shall apply a bilateral safeguard measure only following an investigation by its investigating authority pursuant to the provisions of this Chapter.

3. The investigating authority of a Party shall examine and ensure the existence of sufficient evidence that the increased imports of an originating good are causing serious injury or threat thereof to the domestic industry concerned, to justify the initiation of an investigation.

4. An investigation shall, except in special circumstances, be completed within 1 year, and in no case more than 18 months, following its date of initiation.

5. Upon initiation of an investigation, the investigating authority of a Party shall give a public notice of the initiation of the investigation through the official journal of that Party. The public notice shall identify the originating good subject to the investigation and its subheading or a more detailed level of the Harmonized System, the period of investigation, the date of initiation of the investigation, deadlines for filing statements and other documents, and the place at which documents filed during the investigation may be inspected.

6. Each Party shall establish procedure to allow an interested party to have access to information submitted by other interested parties to the investigating authority of that Party after submission of such information. The investigating authority shall, upon request of an interested party, provide timely access to the information, including documents, items of evidence, and non-confidential written summaries referred to in paragraph 7 below, which were submitted by other interested parties during the investigation. In particular, the investigating authority shall grant access to the interested parties to the following information related to the investigation:

- (a) production processes for the good concerned;
- (b) production costs of the good concerned and specifications of its components;
- (c) distribution costs of the good concerned;
- (d) terms and conditions of sale of the good concerned;
- (e) selling prices of the good concerned;
- (f) description of the category of individual customers, distributors, suppliers, and any other enterprises related to the good concerned;
- (g) data considered for the injury analysis such as the level of sales, production, productivity, capacity utilization, profits and losses, and employment related to the domestic industry concerned; and
- (h) any other information about the enterprise related to the good concerned.

7. Notwithstanding paragraph 6 above, each Party shall adopt or maintain procedures for the treatment of confidential information as specified by that Party in accordance with its domestic laws and regulations and which is provided in the course of an investigation. When the interested parties provide such information, they shall be required to furnish non-confidential written summaries thereof, or if they indicate that the information cannot be summarized, the reasons why a summary cannot be provided.

8. During the course of each investigation, the investigating authority of a Party shall endeavor to hold a public hearing after providing reasonable notice, so that opposite views may be presented and rebuttal arguments offered. Such public hearing should allow interested parties to defend their interest and to question the other parties.

9. In the investigation to determine whether increased imports have caused serious injury or are threatening to cause serious injury to a domestic industry, the investigating authority of a Party shall evaluate all relevant factors of an objective and quantifiable nature having a bearing on the situation of that domestic industry, in particular, the rate and amount of the increase in imports of the originating good, in absolute terms, the share of the domestic market taken by increased imports, and changes in the level of sales, production, productivity, capacity utilization, profits and losses, employment, and prices.

10. The determination that increased imports have caused serious injury or are threatening to cause serious injury to a domestic industry shall not be made unless this investigation demonstrates, on the basis of objective evidence, the existence of the causal link between increased imports of the originating good and serious injury or threat thereof. When factors other than increased imports are causing injury to the domestic industry at the same time, such injury shall not be attributed to increased imports.

11. With regard to determination on whether increased imports have caused serious injury or are threatening to cause serious injury to a domestic industry, the investigating authority of a Party shall not arbitrarily modify a negative injury determination.

12. Upon decision to apply a bilateral safeguard measure, the investigating authority of a Party shall give a public notice through the official journal of that Party. The public notice shall identify the originating good subject to such measure and its subheading or a more detailed level of the Harmonized System, the duration of such measure, and the findings and reasoned conclusions reached on all pertinent issues of law and fact.

13. In the public notice the investigating authority of a Party shall not disclose any confidential information referred to in paragraph 7 above.

Article 56 Definitions

For the purposes of this Chapter:

- (a) the term "domestic industry" means the producers as a whole of the like or directly competitive goods operating in the Area of a Party, or those whose collective output of the like or directly competitive goods constitutes a major proportion of the total domestic production of those goods;
- (b) the term "serious injury" means a significant overall impairment in the position of a domestic industry; and
- (c) the term "threat of serious injury" means serious injury that is clearly imminent, based on facts and not merely on allegation, conjecture or remote possibility.

Chapter 7 Investment

Section 1 Investment

Article 57 Scope and Coverage

1. This Chapter shall apply to measures adopted or maintained by a Party relating to:

- (a) investors of the other Party;
- (b) investments of investors of the other Party in the Area of the former Party; and
- (c) with respect to Articles 65 and 74, all investments in the Area of the former Party.

2. A Party has the right to perform exclusively the economic activities set out in Annex 8 and to refuse to permit the establishment of investment in such activities.

3. This Chapter shall not apply to measures adopted or maintained by a Party to the extent that they are covered by Chapter 9.

4. Nothing in this Chapter shall impose any obligation on either Party regarding measures pursuant to immigration laws and regulations.

Note: Nothing in this Chapter shall be construed to prevent a Party from providing a service or performing a function such as law enforcement, correctional services, income security or insurance, social security or insurance, social welfare, public education, public training, health, and child care, in a manner that is not inconsistent with this Chapter.

Article 58 National Treatment

1. Each Party shall accord to investors of the other Party and to their investments treatment no less favorable than the treatment it accords, in like circumstances, to its own investors and to their investments with respect to the establishment, acquisition, expansion, management, conduct, operation, maintenance, use, enjoyment and sale or other disposition of investments (hereinafter referred to in this Chapter as "investment activities").

2. The treatment accorded by a Party under paragraph 1 above means, with respect to a local government in the case of Japan, and with respect to a state in the case of Mexico, treatment no less favorable than the most favorable treatment accorded, in like circumstances, by that local government or state to investors, and to investments of investors, of the Party of which it forms a part.

Article 59 Most-Favored-Nation Treatment

Each Party shall accord to investors of the other Party and to their investments, treatment no less favorable than the treatment it accords, in like circumstances, to investors of a non-Party and to their investments with respect to investment activities.

Note 1: Each Party shall accord to investors of the other Party and to their investments the better of the treatment required by Articles 58 and 59.

Note 2: For greater certainty, it is confirmed by both Parties that in the application of Articles 58 and 59 a Party:

- (a) may not impose on an investor of the other Party a requirement that a minimum level of equity in an enterprise in the Area of the former Party be held by its nationals; or
- (b) may not require an investor of the other Party, by reason of its nationality, to sell or otherwise dispose of an investment in the Area of the former Party.

Note 3: Each Party shall in its Area accord to investors of the other Party treatment no less favorable than the treatment which it accords, in like circumstances, to its own investors or investors of a non-Party with respect to access to the courts of justice and administrative tribunals and agencies in all degrees of jurisdiction, both in pursuit and in defense of such investor's rights.

Article 60 General Treatment

Each Party shall accord to investments of investors of the other Party treatment in accordance with international law, including fair and equitable treatment and full protection and security.

Note: This Article prescribes the customary international law minimum standard of treatment of aliens as the minimum standard of treatment to be afforded to investments of investors of the other Party. The concepts of "fair and equitable treatment" and "full protection and security" do not require treatment in addition to or beyond that which is required by the customary international law minimum standard of treatment of aliens. A determination that there has been a breach of another provision of this Agreement, or of a separate international agreement, does not establish that there has been a breach of this Article.

Article 61
Expropriation and Compensation

1. Neither Party shall expropriate or nationalize an investment of an investor of the other Party in its Area either directly or indirectly through measures tantamount to expropriation or nationalization (hereinafter referred to as "expropriation") except: (a) for a public purpose; (b) on a non-discriminatory basis; (c) in accordance with due process of law and Article 60; and (d) on payment of compensation pursuant to paragraphs 2 through 5 below.

2. Compensation shall be equivalent to the fair market value of the expropriated investment immediately before the expropriation occurred. The fair market value shall not reflect any change in value occurring because the expropriatory action had become known earlier. Valuation criteria to determine the fair market value may include declared tax value of tangible property. The compensation shall be paid without delay and be fully realizable.

3. If payment is made in a freely usable currency, compensation shall include interest at a commercially reasonable rate for that currency from the date of expropriation until the date of actual payment.

4. If a Party elects to pay in a currency other than a freely usable currency, the compensation paid, converted into the currency of payment at the market rate of exchange prevailing on the date of payment, shall be no less than:

- (a) the fair market value on the date of expropriation, converted into a freely usable currency at the market rate of exchange prevailing on that date, plus
- (b) interest, at a commercially reasonable rate for that freely usable currency, accrued from the date of expropriation until the actual date of payment.

5. On payment, compensation shall be freely transferable as provided in Article 63.

Article 62
Protection from Strife

Without prejudice to Article 60 and notwithstanding Article 66, each Party shall accord to investors of the other Party and to their investments treatment no less favorable than the treatment it accords to its own investors or investors of a non-Party and to their investments, whichever is more favorable to the investor of the other Party or its investments, with respect to measures, such as restitution, indemnification, compensation or any other settlement, it adopts or maintains relating to losses suffered by investments in its Area owing to armed conflict, civil strife or any other similar event.

Article 63
Transfers

1. Each Party shall allow all transfers relating to an investment in its Area of an investor of the other Party to be made freely and without delay. Such transfers shall include:

- (a) the initial capital and additional amounts to maintain or increase the investment;
- (b) profits, dividends, interest, capital gains, royalty payments, management fees, technical assistance fees and other fees;
- (c) proceeds from the sale or liquidation of all or any part of the investment;
- (d) payments made under a contract including payments made pursuant to a loan agreement;
- (e) payments made in accordance with Article 61; and
- (f) payments arising out of the settlement of a dispute under Section 2.

2. Each Party shall allow transfers to be made without delay in a freely usable currency at the market rate of exchange prevailing on the date of the transfer with respect to spot transactions in the currency to be transferred.

3. Notwithstanding paragraphs 1 and 2 above, a Party may delay or prevent a transfer through the equitable, non-discriminatory and good faith application of its laws relating to:

- (a) bankruptcy, insolvency or the protection of the rights of creditors;
- (b) issuing, trading or dealing in securities;
- (c) criminal or penal offenses;
- (d) reports of transfers of currency or other monetary instruments; or
- (e) ensuring compliance with orders or judgments in adjudicatory proceedings.

Article 64
Senior Management and Boards of Directors

1. Neither Party may require that an enterprise of that Party that is an investment of an investor of the other Party appoint to senior management positions individuals of any particular nationality.

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

Article 65
Performance Requirements

1. Neither Party may impose or enforce any of the following requirements, or enforce any commitment or undertaking, in connection with the establishment, acquisition, expansion, management, conduct or operation of an investment of an investor of a Party or of a non-Party in its Area:

- (a) to export a given level or percentage of goods or services;
- (b) to achieve a given level or percentage of domestic content;

- (c) to purchase, use or accord a preference to goods produced or services provided in its Area, or to purchase goods or services from persons in its Area;
- (d) to relate in any way the volume or value of imports to the volume or value of exports or to the amount of foreign exchange inflows associated with such investment;
- (e) to restrict sales of goods or services in its Area that such investment produces or provides by relating such sales in any way to the volume or value of its exports or foreign exchange earnings;
- (f) to transfer technology, a production process or other proprietary knowledge to a person in its Area, except when the requirement is imposed or the commitment or undertaking is enforced by a court, administrative tribunal or competition authority to remedy an alleged violation of competition laws or to act in a manner not inconsistent with multilateral agreements in respect of protection of intellectual property rights. A measure that requires an investment to use a technology to meet generally applicable health, safety or environmental requirements shall not be construed to be inconsistent with this paragraph. For greater certainty, Articles 58 and 59 shall apply to the measure; or
- (g) to act as the exclusive supplier of the goods it produces or services it provides to a specific region or world market.

2. Neither Party may condition the receipt or continued receipt of an advantage, in connection with an investment in its Area of an investor of a Party or of a non-Party, on compliance with any of the following requirements:

- (a) to achieve a given level or percentage of domestic content;
- (b) to purchase, use or accord a preference to goods produced in its Area, or to purchase goods from producers in its Area;
- (c) to relate in any way the volume or value of imports to the volume or value of exports or to the amount of foreign exchange inflows associated with such investment; or

- (d) to restrict sales of goods or services in its Area that such investment produces or provides by relating such sales in any way to the volume or value of its exports or foreign exchange earnings.

3. Nothing in paragraph 2 above shall be construed to prevent a Party from conditioning the receipt or continued receipt of an advantage, in connection with an investment in its Area of an investor of a Party or of a non-Party, on compliance with a requirement to:

- (a) locate production;
- (b) provide a service;
- (c) train or employ workers;
- (d) construct or expand particular facilities; or
- (e) carry out research and development

in its Area.

4. Paragraphs 1 and 2 above shall not apply to any requirement other than the requirements set out in those paragraphs.

5. Provided that such measures are not applied in an arbitrary or unjustifiable manner, or do not constitute a disguised restriction on international trade or investment activities, nothing in subparagraph 1(b) or (c) or 2(a) or (b) above shall be construed to prevent any Party from adopting or maintaining measures:

- (a) necessary to secure compliance with laws and regulations that are not inconsistent with the provisions of this Agreement;
- (b) necessary to protect human, animal or plant life or health; or
- (c) necessary for the conservation of living or non-living exhaustible natural resources.

Article 66
Reservations and Exceptions

1. Articles 58, 59, 64 and 65 shall not apply to:
 - (a) any existing non-conforming measure that is maintained by a Party at the federal or central government level, as set out in its Schedule to Annex 6 or Annex 8; or
 - (b) any existing non-conforming measure that is maintained by:
 - (i) with respect to Mexico:
 - (AA) a state, for 6 months after the date of entry into force of this Agreement, and thereafter as to be set out by Mexico in its Schedule to Annex 6 in accordance with paragraph 2 below; or
 - (BB) a local government; and
 - (ii) with respect to Japan:
 - (AA) a prefecture, for 6 months after the date of entry into force of this Agreement, and thereafter as to be set out by Japan in its Schedule to Annex 6 in accordance with paragraph 2 below; or
 - (BB) a local authority other than prefectures;
 - (c) the continuation or prompt renewal of any non-conforming measure referred to in subparagraphs (a) and (b) above; or
 - (d) an amendment or a modification to any non-conforming measure referred to in subparagraphs (a) and (b) above provided that the amendment or modification does not decrease the conformity of the measure, as it existed immediately before the amendment or modification, with Articles 58, 59, 64 and 65.
2. Each Party shall set out in its Schedule to Annex 6, within 6 months of the date of entry into force of this Agreement, any existing non-conforming measure maintained by a state or a prefecture as referred to in subparagraphs 1(b) (i) (AA) and 1(b) (ii) (AA) above, and shall notify thereof the other Party by a diplomatic note.

3. Articles 58, 59, 64 and 65 shall not apply to any measure that a Party adopts or maintains with respect to sectors, subsectors or activities, as set out in its Schedule to Annex 7.

4. Neither Party may, under any measure adopted after the date of entry into force of this Agreement and covered by Annex 7, require an investor of the other Party, by reason of its nationality, to sell or otherwise dispose of an investment that exists at the time the measure becomes effective.

5. Article 59 shall not apply to treatment accorded by a Party pursuant to agreements, or with respect to sectors, set out in its Schedule to Annex 9.

6. Articles 58, 59 and 64 shall not apply to any measure adopted or maintained with respect to procurement by a Party or a state enterprise.

7. The provisions of:

- (a) subparagraphs 1(a), (b) and (c), and 2(a) and (b) of Article 65 shall not apply to qualification requirements for goods or services with respect to export promotion and foreign aid programs;
- (b) subparagraphs 1(b), (c), (f) and (g), and 2(a) and (b) of Article 65 shall not apply to procurement by a Party or a state enterprise; and
- (c) subparagraphs 2(a) and (b) of Article 65 shall not apply to requirements imposed by an importing Party relating to the content of goods necessary to qualify for preferential tariffs or preferential quotas.

Article 67 Notification

To the maximum extent possible, each Party shall notify the other Party of any new measure that the former Party considers might materially affect the implementation and operation of this Chapter and of Annexes 6 to 9.

Article 68
Special Formalities and Information Requirements

1. Nothing in Article 58 shall be construed to prevent a Party from adopting or maintaining a measure that prescribes special formalities in connection with the establishment of investments by investors of the other Party, such as the compliance with registration requirements or that investments be legally constituted under the laws or regulations of the Party, provided that such formalities do not materially impair the protection afforded by a Party to investors of the other Party and investments of investors of the other Party pursuant to this Chapter.

2. Notwithstanding Article 58 or 59, a Party may require an investor of the other Party, or its investment in its Area, to provide routine information concerning that investment solely for information or statistical purposes. The Party shall protect such business information that is confidential from any disclosure that would prejudice the competitive position of the investor or the investment. Nothing in this paragraph shall be construed to prevent a Party from otherwise obtaining or disclosing information in connection with the equitable and good faith application of its law.

Article 69
Relation to Other Chapters

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

Article 70
Denial of Benefits

1. A Party may deny the benefits of this Chapter to an investor of the other Party that is an enterprise of such Party and to an investment of such investor if investors of a non-Party own or control the enterprise and the denying Party:

- (a) does not maintain diplomatic relations with the non-Party; or
- (b) adopts or maintains measures with respect to the non-Party that prohibit transactions with the enterprise or that would be violated or circumvented if the benefits of this Chapter were accorded to the enterprise or to its investments.

2. Subject to prior notification and consultation, a Party may deny the benefits of this Chapter to an investor of the other Party that is an enterprise of such Party and to investments of such investor if investors of a non-Party own or control the enterprise and the enterprise has no substantial business activities in the Area of the Party under whose law it is constituted or organized.

Article 71 Investment Support

1. An issuer may provide to investors of any Party, investment support in connection with projects or activities in the Area of the other Party. Investors and investments of investors of a Party in the Area of the other Party may enter into agreements for investment support with the issuer. The issuer will undertake investment support only in respect of projects and activities allowed by this Agreement.

2. If the issuer makes a payment to any person or entity, or exercises its rights as a creditor or subrogee, in connection with any investment support, the other Party shall recognize the transfer to, or acquisition by, the issuer of any cash, accounts, credits, instruments or other assets in connection with such payment or the exercise of such rights, as well as the succession of the issuer to any right, title, claim, privilege or cause of action, existing, or which may arise, in connection therewith.

3. With respect to any interests transferred to or acquired by the issuer or any interests to which the issuer succeeds, under this Article, in its own right or otherwise by contract or operation of law, the issuer shall assert no greater rights than those of the person or entity from whom such interests were received.

4. To the extent that the laws of a Party partially or wholly restrict ownership or acquisition by, or transfer or succession to, the issuer of any interests as described in paragraph 3 above, the Party shall permit the issuer to make appropriate arrangements to transfer such assets, interests or rights to a person or entity permitted to own them under the laws of that Party.

Article 72
Temporary Safeguard Measures

1. A Party may adopt or maintain measures not conforming with its obligations under Article 58 relating to cross-border capital transactions and Article 63:

- (a) in the event of serious balance-of-payments and external financial difficulties or imminent threat thereof; or
- (b) in cases where, in exceptional circumstances, movements of capital cause or threaten to cause serious difficulties for macroeconomic management, in particular, monetary and exchange rate policies.

2. Measures referred to in paragraph 1 above:

- (a) shall be consistent with the Articles of Agreement of the International Monetary Fund, as may be amended;
- (b) shall not exceed those necessary to deal with the circumstances set out in paragraph 1 above;
- (c) shall be temporary and shall be eliminated as soon as conditions permit; and
- (d) shall be promptly notified to the other Party.

3. Nothing in this Chapter shall be regarded as altering the rights enjoyed and obligations undertaken by a Party as a party to the Articles of Agreement of the International Monetary Fund, as may be amended.

Article 73
Intellectual Property Rights

1. Nothing in this Chapter shall be construed so as to derogate from the rights and obligations under multilateral agreements in respect of protection of intellectual property rights to which the Parties are parties.

2. Nothing in this Chapter shall be construed so as to oblige either Party to extend to investors of the other Party and their investments treatment accorded to investors of a non-Party and their investments by virtue of multilateral agreements in respect of protection of intellectual property rights, to which the former Party is a party.

Article 74
Environmental Measures

The Parties recognize that it is inappropriate to encourage investment by relaxing domestic health, safety or environmental measures. Accordingly, a Party should not waive or otherwise derogate from, or offer to waive or otherwise derogate from, such measures as an encouragement for the establishment, acquisition, expansion or retention in its Area of an investment of an investor. If a Party considers that the other Party has offered such an encouragement, it may request consultations with the other Party and the Parties shall consult with a view to avoiding any such encouragement.

Section 2
Settlement of Investment Disputes
between a Party and an Investor of the Other Party

Article 75
Purpose

Without prejudice to the rights and obligations of the Parties under Chapter 15, this Section establishes a mechanism for the settlement of investment disputes that assures both equal treatment among investors of the Parties and due process before an impartial tribunal.

Article 76
Claim by an Investor

1. An investor of a Party:
 - (a) on its own behalf, may submit to arbitration under this Section a claim that the other Party has breached an obligation under Section 1 and that the investor has incurred loss or damage by reason of, or arising out of, that breach; and
 - (b) on behalf of an enterprise of the other Party that is a legal person that the investor owns or controls directly or indirectly, may submit to arbitration under this Section a claim that the other Party has breached an obligation under Section 1 and that the enterprise has incurred loss or damages by reason of, or arising out of, that breach.
2. An investment may not make a claim under this Section.

Article 77
Consultation and Negotiation

The disputing parties should first attempt to settle a claim through consultation or negotiation.

Article 78
Written Request

1. The disputing investor shall submit to the disputing Party a written request for consultations with a view to settling the claim amicably at least 180 days before the claim may be submitted to arbitration. Such a request shall specify:

- (a) the name and address of the disputing investor and, where a claim is submitted by an investor of a Party on behalf of an enterprise, the name and address of the enterprise;
- (b) the provisions of this Agreement alleged to have been breached and any other relevant provisions;
- (c) the issues and the factual and legal basis for the claim, including specific measures adopted by the disputing Party; and
- (d) the relief sought and the approximate amount of damages claimed.

2. The disputing investor may not submit its written request referred to in paragraph 1 above before the events giving rise to a claim have occurred.

Article 79
Submission of a Claim to Arbitration

1. Subject to the compliance of the requirements established under Article 78 the disputing investor may submit the claim to:

- (a) arbitration under the ICSID Convention provided that both the disputing Party and the Party of the investor are parties to the ICSID Convention;
- (b) arbitration under the ICSID Additional Facility Rules, as may be amended, provided that either the disputing Party or the Party of the investor, but not both, is a party to the ICSID Convention;
- (c) arbitration under the UNCITRAL Arbitration Rules;
or

- (d) if agreed by the disputing parties, any arbitration in accordance with other arbitration rules.

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

Article 80 Consent to Arbitration

1. Each Party consents to the submission of a claim to arbitration in accordance with the procedures set out in this Section.

2. The consent given by paragraph 1 above and the submission by a disputing investor of a claim to arbitration shall satisfy the requirement of:

- (a) Chapter II of the ICSID Convention (Jurisdiction of the Centre) and the Additional Facility Rules for written consent of the parties; and
- (b) Article II of the New York Convention for an agreement in writing.

Article 81 Conditions and Limitations on Consent of Each Party

1. No claim may be submitted to arbitration under this Section if more than 3 years have elapsed from the date on which the investor (for claims brought under subparagraph 1 (a) of Article 76) or the enterprise (for claims brought under subparagraph 1(b) of Article 76) first acquired, or should have first acquired knowledge of the breach alleged under Article 76 and knowledge that the investor (for claims brought under subparagraph 1(a) of Article 76), or the enterprise (for claims brought under subparagraph 1(b) of Article 76) had incurred loss or damage.

2. No claim may be submitted to arbitration under this Section unless:

- (a) (i) for claims submitted to arbitration under subparagraph 1(a) of Article 76, the investor consents in writing to arbitration in accordance with the procedures set out in this Section;

- (ii) for claims submitted to arbitration under subparagraph 1(b) of Article 76, the investor and the enterprise agree upon the submission of a claim on behalf of the enterprise by the investor with respect to the claim and both of them consent in writing to arbitration in accordance with the procedures set out in this Section;
- (b) for claims submitted to arbitration under subparagraph 1(a) of Article 76, the investor and, where the claim is for loss or damage to an interest in an enterprise of the other Party that is a legal person that the investor owns or controls directly or indirectly, the enterprise, waive in writing their right to initiate or continue before any administrative tribunal or court under the law of either Party, or other dispute settlement procedures, any proceedings with respect to any measure alleged to constitute a breach referred to in paragraph 1 of Article 76;
- (c) for claims submitted to arbitration under subparagraph 1(b) of Article 76, both the investor and the enterprise waive in writing their right to initiate or continue before any administrative tribunal or court under the law of either Party, or other dispute settlement procedures, any proceedings with respect to any measure alleged to constitute a breach referred to in paragraph 1 of Article 76; and
- (d) where the investor (for claims brought under subparagraph 1(a) of Article 76) or the enterprise (for claims brought under subparagraph 1(b) of Article 76) has initiated any proceedings before any administrative tribunal or court referred to in subparagraphs (b) and (c) above, those proceedings are withdrawn in accordance with the laws of that Party.

3. Notwithstanding subparagraphs (b) and (c) above, the investor (for claims submitted to arbitration under subparagraph 1(a) of Article 76) and both the investor and the enterprise (for claims submitted to arbitration under subparagraph 1(b) of Article 76), may initiate or continue an action that seeks interim injunctive relief or other extraordinary relief that does not involve the payment of damages before an administrative tribunal or court under the law of the disputing Party.

4. With respect to the submission of a claim to arbitration:

- (a) an investor of a Party may not allege that the other Party has breached an obligation under Section 1, both in an arbitration under this Section and in proceedings before an administrative tribunal or court under the law of either Party; and
- (b) where an enterprise of a Party that is a legal person that an investor of the other Party owns or controls directly or indirectly alleges in proceedings before an administrative tribunal or court under the law of either Party that such a Party has breached an obligation under Section 1, the investor may not allege the breach in an arbitration under this Section.

Article 82
Constitution of a Tribunal

1. Except in respect of a Tribunal established under Article 83, and unless the disputing parties otherwise agree, the Tribunal shall comprise 3 arbitrators, one arbitrator appointed by each of the disputing parties and the third, who shall be the presiding arbitrator, appointed by agreement of the disputing parties.

2. The Secretary-General shall serve as appointing authority for an arbitration under this Section.

3. If the Tribunal, other than the Tribunal established under Article 83, has not been constituted within 90 days from the date on which a claim was submitted to arbitration, the Secretary-General, on the request of either disputing party, shall appoint, in his discretion, the arbitrator or arbitrators not yet appointed except that the presiding arbitrator shall be appointed in accordance with paragraph 4 below.

4. The Secretary-General shall appoint the presiding arbitrator from the roster of presiding arbitrators referred to in paragraph 5 below or, if not available, from the ICSID Panel of Arbitrators, provided that in both cases the presiding arbitrator shall not be a national of the disputing Party or a national of the Party of the disputing investor.

5. The Parties may establish, and thereafter maintain, a roster of 20 presiding arbitrators experienced in international law and investment matters. The roster members shall be appointed by agreement of the Parties and without regard to nationality.

Article 83
Consolidation of Multiple Claims

1. When a disputing party considers that two or more claims submitted to arbitration under Article 76 have a question of law or fact in common, the disputing party may seek a consolidation order in accordance with the terms of paragraphs 2 through 9 below.

2. A disputing party that seeks a consolidation order under this Article shall deliver, in writing, a request to the Secretary-General to establish a Tribunal under this Article. The request shall:

- (a) specify the nature of the order sought and the grounds on which the order is sought; and
- (b) be accompanied by a request for arbitration made under paragraph 1 of Article 36 of the ICSID Convention or a notice of arbitration submitted under Article 2 of Schedule C of the ICSID Additional Facility Rules, as may be amended.

3. Within 60 days of receipt of the request, the Secretary-General shall establish a Tribunal comprising 3 arbitrators. One arbitrator shall be a national of the disputing Party, the second arbitrator shall be a national of the Party of the disputing investor, and the presiding arbitrator shall not be a national of any of the Parties.

4. A Tribunal established under this Article shall be established under the ICSID Convention or the ICSID Additional Facility Rules as may be amended, as appropriate, and shall conduct its proceedings in accordance with the provisions thereof, except as modified by this Section.

5. Any disputing investor that has submitted a claim to arbitration and considers that such a claim raises questions of law or fact which are common to those upon which the consolidation under paragraph 2 above has been requested, but has not been named in a request made under paragraph 2 above, may request to the Tribunal established under this Article to consider the consolidation of his claim. The request shall comply with the requirements established in paragraph 2 above.

6. The disputing investor referred to in paragraph 5 above shall deliver to the disputing Party or disputing investors with respect to whom the order is sought, a copy of the request made under paragraph 5 above.

7. On application of a disputing party, a Tribunal established under this Article may order the adjourning of the proceedings related to claims referred to in paragraphs 1 and 5 above.

8. A Tribunal established under this Article may, in the interests of fair and efficient resolution of the dispute, and after hearing the disputing parties, by order:

- (a) assume jurisdiction over, and hear and determine together, all or part of the claims referred to in paragraphs 1 and 5 above; or
- (b) assume jurisdiction over, and hear and determine one or more of the claims referred to in paragraphs 1 and 5 above, the determination of which it believes would assist in the resolution of the others.

9. A Tribunal established under Article 79 shall not have jurisdiction to decide a claim, or a part of a claim, over which a Tribunal established under this Article has assumed jurisdiction in the terms of paragraph 8 above.

Article 84 Governing Law

1. A Tribunal established under this Section shall decide the issues in dispute in accordance with this Agreement and applicable rules of international law.

2. An interpretation of a provision of this Agreement adopted by the Joint Committee shall be binding on a Tribunal established under this Section. Such interpretation shall be made publicly available through the means that each Party considers appropriate.

Article 85 Notice

A disputing Party shall deliver to the other Party:

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

Article 86
Participation by a Party

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

Article 87
Documents

1. The Party other than the disputing Party shall be entitled to receive from the disputing Party, at the cost of the requesting Party a copy of:

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

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

Article 88
Place of Arbitration

Unless the disputing parties agree otherwise, a Tribunal shall hold an arbitration in a country that is a party to the New York Convention.

Article 89
Interpretation of Annexes

1. Where a disputing Party asserts as a defense that the measure alleged to be a breach is within the scope of a reservation or exception set out in Annex 6, Annex 7, Annex 8 or Annex 9, on request of the disputing Party, the Tribunal shall request the Joint Committee to adopt an interpretation on the issue. The Joint Committee, within 60 days of delivery of the request, shall adopt an interpretation and submit in writing its interpretation to the Tribunal.

2. Further to Article 84, an interpretation adopted and submitted under paragraph 1 above shall be binding on the Tribunal. If the Joint Committee fails to submit an interpretation within 60 days, the Tribunal shall decide the issue.

Article 90
Expert Reports

Without prejudice to the appointment of other kinds of experts where authorized by the applicable arbitration rules, a Tribunal, at the request of a disputing party or, unless the disputing parties disapprove, on its own initiative, may appoint one or more experts in the fields of environmental, health, safety or other scientific matters to report to it in writing on any factual issue concerning matters of their expertise raised by a disputing party in a proceeding, subject to such terms and conditions as the disputing parties may agree.

Article 91
Interim Measures of Protection

A Tribunal may order an interim measure of protection to preserve the rights of a disputing party, or to facilitate the conduct of arbitral proceedings, including an order to preserve evidence in the possession or control of a disputing party. A Tribunal may not order attachment or enjoin the application of the measure alleged to constitute a breach referred to in paragraph 1 of Article 76.

Article 92
Final Award

1. Where a Tribunal makes a final award against a disputing Party, the Tribunal may award, separately or in combination, only:

- (a) monetary damages and any applicable interest; or
- (b) restitution of property, in which case the award shall provide that the disputing Party may pay monetary damages and any applicable interest in lieu of restitution.

A Tribunal may also award costs in accordance with the applicable arbitration rules.

2. Subject to paragraph 1 above, where a claim is made under subparagraph 1 (b) of Article 76:

- (a) an award of monetary damages and any applicable interest shall provide that the sum be paid to the enterprise; and
- (b) an award of restitution of property shall provide that restitution be made to the enterprise.

3. A Tribunal may not order a Party to pay punitive damages.

Article 93
Finality and Enforcement of an Award

1. Any arbitral award rendered pursuant to Article 92 shall be final, and binding on the disputing parties in respect of the particular case.

2. Subject to the applicable revision, annulment or set aside procedures, a disputing party shall abide by and comply with an award without delay.

3. If a disputing Party fails to abide by or comply with a final award, the Party whose investor was a party to the arbitration may have recourse to the dispute settlement procedure under Chapter 15. In this event, the requesting Party may seek:

- (a) a determination that the failure to abide by or comply with the final award is inconsistent with the obligations of this Agreement; and
- (b) a recommendation that the Party abide by or comply with the final award.

Article 94
General

1. A claim is submitted to arbitration under this Section when:

- (a) the request for arbitration under paragraph (1) of Article 36 of the ICSID Convention has been received by the Secretary-General;
- (b) the notice of arbitration under Article 2 of Schedule C of the ICSID Additional Facility Rules, as may be amended, has been received by the Secretary-General; or
- (c) the notice of arbitration given under the UNCITRAL Arbitration Rules is received by the disputing Party.

The disputing parties shall otherwise agree in relation to subparagraph 1 (d) of Article 79.

2. Delivery of notice and other documents on a Party shall be made:

- (a) in the case of Mexico: through the Directorate General of Foreign Investment of the Ministry of Economy; and
- (b) in the case of Japan: through the Ministry of Foreign Affairs.

3. In an arbitration under this Section, a Party shall not assert, as a defense, counterclaim, right of setoff or otherwise, that the disputing investor has received or will receive, pursuant to an insurance or guarantee contract, indemnification or other compensation for all or part of its alleged damages.

4. Either disputing party may make available to the public in a timely manner all documents, including an award, submitted to, or issued by, a Tribunal established under this Section, subject to redaction of:

- (a) confidential business information;
- (b) information which is privileged or otherwise protected from disclosure under the applicable law of either Party; and
- (c) information which the Party must withhold pursuant to the relevant arbitral rules, as applied.

Note: For greater certainty, it is confirmed by both Parties that a Party may share with officials of its central or local government in the case of Japan, and its federal or state government in the case of Mexico, all relevant documents in the course of dispute settlement under this Section, including confidential information and that the disputing parties may disclose to other persons in connection with the arbitral proceedings the documents submitted to, or issued by, a Tribunal established under this Section, as they consider necessary for the preparation of their cases; provided that they shall ensure that those persons protect the confidential information in such documents.

Article 95
Exceptions from Dispute Settlement Procedure

1. Without prejudice to the applicability or non-applicability of the dispute settlement provisions of this Section or of Chapter 15 to other actions taken by a Party pursuant to Article 169, a decision by a Party to prohibit or restrict the acquisition of an investment in its Area by an investor of the other Party, or its investment, pursuant to that Article shall not be subject to such provisions.

2. In the case of Mexico, the dispute settlement provisions of this Section and of Chapter 15 shall not apply to a decision by the National Commission on Foreign Investment ("Comisión Nacional de Inversiones Extranjeras") following a review pursuant to Annex 6, reservation 3 set out in the Schedule of Mexico, with respect to whether or not to permit an acquisition that is subject to review.

Section 3
Definitions

Article 96
Definitions

For the purposes of this Chapter:

- (a) the term "disputing investor" means an investor that makes a claim under Section 2;
- (b) the term "disputing parties" means the disputing investor and the disputing Party;
- (c) the term "disputing party" means the disputing investor or the disputing Party;
- (d) the term "disputing Party" means a Party against which a claim is made under Section 2;
- (e) the term "equity or debt securities" includes voting and non-voting shares, bonds, convertible debentures, stock options and warrants;
- (f) the term "freely usable currency" means any currency designated as such by the International Monetary Fund from time to time;
- (g) the term "ICSID" means the International Centre for Settlement of Investment Disputes;

- (h) the term "ICSID Convention" means the Convention on the Settlement of Investment Disputes between States and Nationals of other States done at Washington, March 18, 1965, as may be amended;
- (i) the term "investment" means:
 - (AA) an enterprise;
 - (BB) an equity security of an enterprise;
 - (CC) a debt security of an enterprise:
 - (aa) where the enterprise is an affiliate of the investor, or
 - (bb) where the original maturity of the debt security is at least 3 years,but does not include a debt security, regardless of original maturity, of a Party or a state enterprise;
 - (DD) a loan to an enterprise:
 - (aa) where the enterprise is an affiliate of the investor, or
 - (bb) where the original maturity of the loan is at least 3 years,but does not include a loan, regardless of original maturity, to a Party or a state enterprise;
 - (EE) an interest in an enterprise that entitles the owner to share in income or profits of the enterprise;
 - (FF) an interest in an enterprise that entitles the owner to share in the assets of that enterprise on dissolution, other than a debt security or a loan excluded from subparagraph (CC) or (DD) above;
 - (GG) real estate or other property, tangible or intangible, and any related property rights such as lease, liens and pledges, acquired in the expectation or used for the purpose of economic benefit or other business purposes; and

(HH) interests arising from the commitment of capital or other resources in the Area of a Party to economic activity in such Area, such as under:

(aa) contracts involving the presence of an investor's property in the Area of the Party, including turnkey or construction contracts, or concessions, or

(bb) contracts where remuneration depends substantially on the production, revenues or profits of an enterprise;

but investment does not mean,

(II) claims to money that arise solely from:

(aa) commercial contracts for the sale of goods or services by a national or enterprise in the Area of a Party to an enterprise in the Area of the other Party, or

(bb) the extension of credit in connection with a commercial transaction, such as trade financing, other than a loan covered by subparagraph (DD) above; or

(JJ) any other claims to money,

that do not involve the kinds of interests set out in subparagraphs (AA) through (HH) above;

(j) the term "investment of an investor of a Party" means an investment owned or controlled directly or indirectly by an investor of such Party;

(k) the term "investor of a Party" means a Party or state enterprise thereof, or a national or an enterprise of such Party, that seeks to make, is making or has made an investment;

(l) the term "investment support" means any debt or equity investment, any investment guaranty and any investment insurance or reinsurance provided by the issuer in connection with projects or activities in the Area of a Party;

- (m) the term "issuer" means a designated agency of a Party, or any successor agency, and any agent of either, which provides investment support, but does not refer to the Government of any of the Parties;
- (n) the term "New York Convention" means the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, done at New York, June 10, 1958, as may be amended;
- (o) the term "Secretary-General" means the Secretary-General of ICSID;
- (p) the term "transfers" means transfers and international payments;
- (q) the term "Tribunal" means an arbitration tribunal established under Article 79 or 83; and
- (r) the term "UNCITRAL Arbitration Rules" means the arbitration rules of the United Nations Commission on International Trade Law, approved by the United Nations General Assembly on December 15, 1976, as may be amended.

Chapter 8
Cross-Border Trade in Services

Article 97
Scope and Coverage

1. This Chapter shall apply to measures adopted or maintained by a Party affecting cross-border trade in services by service suppliers of the other Party, including measures respecting:

- (a) the supply of a service;

Note: The measures respecting the supply of a service include those respecting the provision of any financial security as a condition for the supply of a service.

- (b) the purchase or use of, or payment for, a service;
- (c) the access to services offered to the public generally and the use of them, in connection with the supply of a service; and
- (d) the presence in its Area of a service supplier of the other Party.

2. This Chapter shall not apply to:

- (a) financial services, as defined in Chapter 9;
- (b) cabotage in maritime transport services, including navigation in inland waters;
- (c) with respect to air transport services, measures affecting traffic rights, however granted; or measures affecting services directly related to the exercise of traffic rights, other than measures affecting:

- (i) aircraft repair and maintenance services;
- (ii) the selling and marketing of air transport services; and
- (iii) computer reservation system (CRS) services;

Note: The term "traffic rights" means the rights for scheduled and non-scheduled services to operate and/or to carry passengers, cargo and mail for remuneration or hire from, to, within, or over a Party, including points to be served, routes to be operated, types of traffic to be carried, capacity to be provided, tariffs to be charged and their conditions, and criteria for designation of air lines, including such criteria as number, ownership, and control.

- (d) procurement by a Party or a state enterprise;
- (e) subsidies provided by a Party or a state enterprise thereof, including grants, government-supported loans, guarantees and insurance;
- (f) measures pursuant to immigration laws and regulations;
- (g) services supplied in the exercise of governmental authority; and

Note: For the purposes of this Chapter, services supplied in the exercise of governmental authority means any service which is supplied neither on a commercial basis nor in competition with one or more service suppliers.

- (h) measures of a Party with respect to a national of the other Party seeking access to its employment market, or employed on a permanent basis in that Party.

Article 98
National Treatment

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

Note: Nothing in this Article shall be construed to require either Party to compensate for any inherent competitive disadvantages which result from the foreign character of the relevant services or service suppliers.

2. The treatment accorded by a Party under paragraph 1 above means, with respect to a local government in the case of Japan, and with respect to a state in the case of Mexico, treatment no less favorable than the most favorable treatment accorded, in like circumstances, by that local government or state to services and service suppliers of the Party of which it forms a part.

Article 99
Most-Favored-Nation Treatment

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

Note: Each Party shall accord to services and service suppliers of the other Party the better of the treatment required by Articles 98 and 99.

Article 100
Local Presence

Neither Party shall require a service supplier of the other Party to establish or maintain a representative office or any form of enterprise, or to be resident, in its Area as a condition for the cross-border supply of a service.

Article 101
Reservations

1. Articles 98, 99 and 100 shall not apply to:
 - (a) any existing non-conforming measure that is maintained by a Party at the federal or central government level, as set out in its Schedule to Annex 6;
 - (b) any existing non-conforming measure that is maintained by:
 - (i) with respect to Mexico:
 - (AA) a state, for 6 months after the date of entry into force of this Agreement, and thereafter as to be set out by Mexico in its Schedule to Annex 6 in accordance with paragraph 2 below; or
 - (BB) a local government; and
 - (ii) with respect to Japan:
 - (AA) a prefecture, for 6 months after the date of entry into force of this Agreement, and thereafter as to be set out by Japan in its Schedule to Annex 6 in accordance with paragraph 2 below; or
 - (BB) a local authority other than prefectures;
 - (c) the continuation or prompt renewal of any non-conforming measure referred to in subparagraphs (a) and (b) above; or
 - (d) an amendment or a modification to any non-conforming measure referred to in subparagraphs (a) and (b) above provided that the amendment or modification does not decrease the conformity of the measure, as it existed immediately before the amendment or modification, with Articles 98, 99 and 100.
2. Each Party shall set out in its Schedule to Annex 6, within 6 months of the date of entry into force of this Agreement, any existing non-conforming measure maintained by a state or prefecture referred to in subparagraphs 1(b) (i) (AA) and 1(b) (ii) (AA) above, and shall notify thereof the other Party by a diplomatic note.

3. Articles 98, 99 and 100 shall not apply to any measure that a Party adopts or maintains with respect to sectors, subsectors or activities, as set out in its Schedule to Annex 7.

Article 102
Notification

To the maximum extent possible, each Party shall notify the other Party of any new measure that the Party considers might materially affect the implementation and operation of this Chapter and of Annexes 6 and 7.

Article 103
Sub-Committee on Cross-Border Trade in Services

1. For the purposes of the effective implementation and operation of this Article, a Sub-Committee on Cross-Border Trade in Services (hereinafter referred to in this Article as "the Sub-Committee") shall be established pursuant to Article 165.

2. The functions of the Sub-Committee shall be:

- (a) reviewing the implementation and operation of this Chapter;
- (b) discussing any issues related to this Chapter;
- (c) reporting the findings of the Sub-Committee and making recommendations to the Joint Committee; and
- (d) carrying out other functions which may be delegated by the Joint Committee pursuant to Article 165.

Article 104
Licensing and Certification

1. With a view to ensuring that any measure adopted or maintained by a Party relating to the licensing, certification, or technical standards of service suppliers of the other Party does not constitute an unnecessary barrier to cross-border trade in services, each Party shall endeavor to ensure that such measure:

- (a) is based on objective and transparent criteria, such as competence and the ability to supply the services;
- (b) is not more burdensome than necessary to ensure the quality of the services; and

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

2. Where a Party recognizes, unilaterally or by agreement, education, experience, licenses or certifications obtained in a non-Party, nothing in Article 99 shall be construed to require the Party to accord such recognition to education, experience, licenses or certifications obtained in the other Party.

Article 105 Denial of Benefits

1. A Party may deny the benefits of this Chapter to a service supplier of the other Party where the Party establishes that the service is being supplied by an enterprise that is owned or controlled by persons of a non-Party, and that the denying Party:

- (a) does not maintain diplomatic relations with the non-Party; or
- (b) adopts or maintains measures with respect to the non-Party that prohibit transactions with the enterprise or that would be violated or circumvented if the benefits of this Chapter were accorded to the enterprise.

Note: An enterprise is "owned" by persons of a non-Party if more than 50 percent of the equity interests in it is beneficially owned by persons of that non-Party. An enterprise is "controlled" by persons of a non-Party if such persons have the power to name a majority of its directors or otherwise to legally direct its actions.

2. Subject to prior notification and consultation, a Party may deny the benefits of this Chapter to a service supplier of the other Party where the Party establishes that the service is being supplied by an enterprise that is owned or controlled by persons of a non-Party and that has no substantial business activities in the Area of that other Party.

Article 106 Definitions

For the purposes of this Chapter:

- (a) the term "cross-border trade in services" means the supply of a service:

- (i) from the Area of a Party into the Area of the other Party;
- (ii) in the Area of a Party by a person of that Party to a person of the other Party; or
- (iii) by a national of a Party in the Area of the other Party;

but does not include the supply of a service by an investment of an investor of a Party, as defined in Article 96 in the Area of the other Party;

- (b) the term "measures by a Party" means measures taken by:
 - (i) federal or central government, state, or prefecture or any other local authority; and
 - (ii) non-governmental bodies in the exercise of powers delegated by federal or central government, state, or prefecture or any other local authority;
- (c) the term "service supplier of a Party" means a person of a Party that seeks to supply or supplies a service; and
- (d) the term "supply of a service" includes the production, distribution, marketing, sale and delivery of a service.

Chapter 9 Financial Services

Article 107 Scope and Coverage

1. This Chapter shall apply to measures adopted or maintained by a Party affecting:

- (a) cross-border trade in financial services;
- (b) financial institutions of the other Party; and
- (c) investors of the other Party, and investments of such investors, in financial institutions in the Party.

2. This Chapter shall not apply to measures pursuant to immigration laws and regulations.

3. Nothing in this Chapter shall be construed to prevent a Party, including its public entities, from exclusively conducting or providing in its Area:

- (a) activities or services forming part of a public retirement plan or statutory system of social security; or
- (b) activities or services for the account or with the guarantee or using the financial resources of the Party, including its public entities.

Article 108
Commitments under International Agreements

The Parties shall be bound by the terms and conditions that each Party is committed to under the Organisation for Economic Cooperation and Development Code of Liberalisation of Capital Movements, as may be amended, and the GATS, including the Understanding on Commitments in Financial Services, and under other international agreements to which both Parties are parties.

Note: Nothing in this Chapter shall be construed to affect the terms and conditions committed to by either Party under the respective agreements referred to in this Article.

Article 109
Non-Application of Chapter 15

The dispute settlement procedure provided for in Chapter 15 shall not apply to this Chapter.

Article 110
Exceptions

Notwithstanding the provisions of this Chapter, Chapter 7 and Chapter 8, a Party shall not be prevented from adopting or maintaining measures for prudential reasons with respect to financial services, including for the protection of investors, depositors, policy holders, policy claimants or persons to whom a fiduciary duty is owed by a financial institution or a cross-border financial service supplier, or to ensure the soundness, integrity and stability of a Party's financial system.

Article 111
Relation to Other Chapters

The provisions of Chapters 7 and 8 shall not apply to measures referred to in paragraph 1 of Article 107.

Article 112
Definitions

For the purposes of this Chapter:

(a) the term "cross-border financial service supplier" means a person of a Party that is engaged in the business of supplying financial services within the Area of the Party and that seeks to supply or supplies financial services through the cross-border supply of such services;

(b) the term "cross-border trade in financial services" means the supply of a financial service:

(i) from the Area of a Party into the Area of the other Party;

(ii) in the Area of a Party by a person of that Party to a person of the other Party; or

(iii) by a national of a Party in the Area of the other Party;

but does not include the supply of a service by an investment of an investor of a Party, in the Area of that other Party;

(c) the term "financial institution" means any enterprise that is authorized to do business and regulated or supervised as a financial institution under the law of the Party in which it is located;

(d) the term "financial institution of the other Party" means a financial institution located in a Party that is owned or controlled by persons of the other Party;

(e) the term "financial service" means a service of a financial nature, including insurance, and a service incidental or auxiliary to a service of a financial nature;

(f) the term "investment" means "investment" as defined in Article 96, except that, with respect to "loan" and "debt security" referred to in that Article:

- (i) a loan to or debt security issued by a financial institution is an investment only where it is treated as regulatory capital by the Party in which the financial institution is located; and
 - (ii) a loan granted by or debt security owned by a financial institution, other than a loan to or debt security of a financial institution referred to in subparagraph (i) above, is not an investment;
- for greater certainty,
- (iii) a loan to, or debt security issued by, a Party or a state enterprise thereof is not an investment; and
 - (iv) a loan granted by or debt security owned by a cross-border financial service supplier, other than a loan to or debt security issued by a financial institution referred to in subparagraph (i) above, is an investment under Chapter 7 if such loan or debt security meets the criteria for investments set out in Article 96;
- (g) the term "investor of a Party" means a Party or state enterprise thereof, or a person of that Party, that seeks to make, makes, or has made an investment; and
 - (h) the term "public entity" means a central bank or a monetary authority of a Party, or any financial institution owned or controlled by a Party.

Chapter 10
Entry and Temporary Stay of Nationals for Business Purposes

Article 113
General Principles

1. This Chapter reflects the preferential trading relationship between the Parties, the desirability of facilitating entry and temporary stay on a reciprocal basis and of establishing transparent criteria and procedures for entry and temporary stay, and the need to ensure border security and to protect the domestic labor force and permanent employment in either Party.

2. Each Party shall apply its measures relating to the provisions of this Chapter in accordance with paragraph 1 above, and in particular, shall apply expeditiously those measures so as to avoid unduly impairing or delaying trade in goods or services or conduct of investment activities under this Agreement.

Article 114
Scope and Coverage

1. This Chapter shall apply to measures affecting the entry and temporary stay of nationals of a Party who enter into the other Party for business purposes.

2. This Chapter shall not apply to measures affecting nationals seeking access to the employment market of the Parties, nor shall it apply to measures regarding nationality or citizenship, or residence or employment on a permanent basis.

3. This Chapter shall not prevent a Party from applying measures to regulate the entry of nationals of the other Party into, or their temporary stay in, the former Party, including those measures necessary to protect the integrity of, and to ensure the orderly movement of natural persons across, its borders, provided that such measures are not applied in such a manner as to nullify or impair the benefits accruing to the other Party under the terms of the categories in Annex 10.

Note: The sole fact of requiring a visa for natural persons of a certain nationality and not for those of others shall not be regarded as nullifying or impairing benefits under a specific category.

Article 115
Grant of Entry and Temporary Stay

1. Each Party shall grant entry and temporary stay to nationals of the other Party in accordance with this Chapter including the terms of the categories in Annex 10.

2. Each Party shall ensure that fees charged by its competent authorities for processing applications for entry and temporary stay of nationals of the other Party for business purposes have regard to the administrative costs involved.

Article 116
Provision of Information

1. Further to Article 160, each Party shall:
 - (a) provide to the other Party such materials as will enable that other Party to become acquainted with its measures relating to this Chapter; and
 - (b) prepare, publish and make publicly available in the Parties, explanatory material in a consolidated document regarding the requirements for entry and temporary stay under this Chapter, no later than one year after the date of entry into force of this Agreement.
2. From the entry into force of this Agreement, each Party shall, to the extent possible, collect, maintain and make available to the other Party, data respecting the granting of entry and temporary stay under this Chapter to nationals of the other Party.

Article 117
Sub-Committee on Entry and Temporary Stay

1. For the purposes of the effective implementation and operation of this Chapter, a Sub-Committee on Entry and Temporary Stay (hereinafter referred to in this Article as "the Sub-Committee") shall be established pursuant to Article 165.
2. The functions of the Sub-Committee shall be:
 - (a) reviewing the implementation and operation of this Chapter;
 - (b) considering the development of measures to further facilitate entry and temporary stay of nationals on a reciprocal basis;
 - (c) enhancing mutual understanding between the Parties on credentials and other qualifications relevant to entry and temporary stay of nationals under this Chapter;
 - (d) reporting the findings of the Sub-Committee and making recommendations to the Joint Committee; and

- (e) carrying out other functions which may be delegated by the Joint Committee pursuant to Article 165. Such functions may include reporting to the Joint Committee on options for possible modifications or additions to this Chapter.

Article 118
Dispute Settlement

1. Notwithstanding the provisions of Article 152, a Party may not request consultations with the other Party regarding refusal to grant entry and temporary stay under this Chapter unless:

- (a) the matter involves a pattern of practice; and
- (b) the nationals concerned have exhausted the administrative remedies, where available, regarding the particular matter.

2. The remedies referred to in subparagraph 1(b) above shall be deemed to be exhausted if a final determination in the matter has not been issued by the competent authority of a Party within one year after the date of the institution of an administrative remedy, and the failure to issue a determination is not attributable to delay caused by the nationals concerned.

Chapter 11
Government Procurement

Article 119
Scope and Coverage

1. This Chapter shall apply to any measures adopted or maintained by a Party relating to government procurement:

- (a) by entities specified in Annex 11;
- (b) of goods specified in Annex 12, services specified in Annex 13, or construction services specified in Annex 14; and
- (c) where the value of the contracts to be awarded is estimated to be not less than the thresholds specified in Annex 15 at the time of publication of an invitation to participate for procurement.

2. Paragraph 1 above is subject to the General Notes set out in Annex 16.

3. This Chapter shall apply to government procurement by any contractual means, including through such methods as purchase or as lease, rental or hire purchase, with or without an option to buy, including any combination of goods and services.

4. Subject to paragraph 5 below, where a contract to be awarded by an entity is not covered by this Chapter, this Chapter shall not be construed to cover any good or service component of that contract.

5. Neither Party shall prepare, design or otherwise structure any government procurement contract in order to avoid the obligations of this Chapter.

Article 120 National Treatment

1. With respect to any measures regarding government procurement covered by this Chapter, each Party shall provide immediately and unconditionally to the goods, services and suppliers of the other Party offering goods or services of the other Party, treatment no less favorable than that accorded to domestic goods, services and suppliers.

2. With respect to any measures regarding government procurement covered by this Chapter, each Party shall ensure:

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

(b) that its entities shall not discriminate against locally-established suppliers on the basis of the country of production of the goods or service being supplied, provided that the country of production is the other Party in accordance with the provisions of Article 121.

3. The provisions of paragraphs 1 and 2 above shall not apply to customs duties and charges of any kind imposed on or in connection with importation, the method of levying such duties and charges, other import regulations and formalities, and measures affecting trade in services other than measures regarding government procurement covered by this Chapter.

Article 121
Rules of Origin

1. A Party shall not apply rules of origin to goods or services imported or supplied for purposes of government procurement covered by this Chapter from the other Party which are different from the rules of origin applied by the former Party in the normal course of trade.

Note: Rules of origin to services applied in the normal course of trade shall be understood in accordance with paragraph (f) "service of another Member" and (g) "service supplier" of Article XXVIII "Definitions" of the GATS.

2. Subject to prior notification and consultation, a Party may deny the benefits of this Chapter to a service supplier of the other Party where the denying Party establishes that the service is being provided by an enterprise that is owned or controlled by persons of a non-Party and that has no substantial business activities in the Area of any Party.

3. A Party may deny to an enterprise of the other Party the benefits of this Chapter if nationals of a non-Party own or control the enterprise and:

- (a) the denying Party does not maintain diplomatic relations with the non-Party; or
- (b) the denying Party adopts or maintains measures with respect to the non-Party that prohibit transactions with the enterprise or that would be violated or circumvented if the benefits of this Chapter were accorded to the enterprise.

Article 122
Procurement Procedures and Other Provisions

1. Each Party shall apply the respective rules and procedures set up in accordance with the provisions, as may be amended, specified in Annex 18.

2. Where a Party considers that a modification to rules and procedures of the other Party corresponding to an amendment of the provisions specified in Annex 18 affects access to the other Party's government procurement market considerably, the former Party can request consultations in order to maintain equivalence between the treatments under the rules and procedures of the Parties. If no satisfactory solution can be found, the former Party may have recourse to the dispute settlement procedure under Chapter 15, with a view to maintaining an equivalent level of access to the other Party's government procurement market.

3. The Party concerned shall notify the other Party of any modification to the rules and procedures referred to in paragraph 1 above no later than 30 days prior to the date of entry into force of such modification.

4. If, in tendering procedures, an entity allows tenders to be submitted in several languages, one of those languages shall be English.

5. No entity of either Party shall make it a condition for the qualification of suppliers and for the awarding of a contract that 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 Area of that Party.

Article 123 Offsets

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 the award of contracts, consider, seek or impose offsets, except as set out in the General Notes of Annex 16. For the purpose of this Article, offsets means conditions considered, sought or imposed 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.

Article 124
Provision of Information

1. Each Party shall promptly publish any law, regulation, judicial decision, administrative ruling of general application, and any procedure (including standard contract clauses) regarding government procurement covered by this Chapter, in the appropriate publications listed in Annex 17 and in such a manner as to enable the other Party and suppliers to become acquainted with them.

2. The Party of an unsuccessful tenderer may seek, without prejudice to the provisions under Chapter 15, such additional information on the contract award as may be necessary to ensure that the procurement was made fairly and impartially. To this end, the Party of the procuring entity shall provide information on both the characteristics and relative advantages of the winning tender and the contract price. Normally this latter information may be disclosed by the former Party provided it exercises this right with discretion. In cases where release of this information would prejudice competition in future tenders, this information shall be confidential and not be disclosed except after consultation with and agreement of the latter Party which gave the information to the former Party.

3. Available information concerning procurement by covered entities and their individual contract awards shall be provided, upon request, to the Party requesting the information.

4. Confidential information provided to a Party which would impede law enforcement or otherwise be contrary to the public interest or would prejudice the legitimate commercial interest of particular enterprises, public or private, or might prejudice fair competition between suppliers shall not be revealed without formal authorization from the other Party.

5. With a view to ensuring effective monitoring of government procurement covered by this Chapter, each Party shall collect statistics and provide to the other Party on a reciprocal basis an annual report which shall contain the following information to the extent that such information is available:

- (a) statistics on the number and total value of contracts above and below the applicable threshold values broken down by entities;

- (b) statistics on the number and total value of contracts above the applicable threshold values, broken down by entities, by categories of goods and services and by the country of origin of the goods and services procured; and
- (c) statistics on the number and total value of contracts awarded under limited tendering procedures, broken down by entities, and by country of origin of the goods and services procured.

Article 125
Challenge Procedures

1. In the event of a complaint by a supplier that there has been a breach of this Chapter in the context of a government procurement, each Party shall encourage the supplier to seek resolution of its complaint in consultation with the procuring entity. In such instances the procuring entity shall accord impartial and timely consideration to any such complaint, in a manner that is not prejudicial to obtaining corrective measures under the challenge system.

2. Each Party shall provide non-discriminatory, timely, transparent and effective procedures enabling suppliers to challenge alleged breaches of this Chapter arising in the context of government procurements in which they have, or have had, an interest.

3. Each Party shall provide its challenge procedures in writing and make them generally available.

4. Each Party shall ensure that documentation relating to all aspects of the process concerning government procurements covered by this Chapter shall be retained for 3 years.

5. The interested supplier may be required to initiate a challenge procedure and notify the procuring entity within specified time-limits from the time when the basis of the complaint is known or reasonably should have been known, but in no case within a period of less than 10 days.

6. A Party may require that a challenge procedure be initiated only after the notice of procurement has been published or, where a notice is not published, after tender documentation has been made available. Where a Party imposes such a requirement, the 10 day period described in paragraph 5 above shall begin no earlier than the date that the notice is published or the tender documentation is made available.

7. Challenges shall be heard by an impartial and independent reviewing authority with no interest in the outcome of the government procurement and the members of which are secure from external influence during the term of appointment. A reviewing authority which is not a court shall either be subject to judicial review or shall have procedures which provide that:

- (a) participants can be heard before an opinion is given or a decision is reached;
- (b) participants can be represented and accompanied;
- (c) participants shall have access to all proceedings;
- (d) proceedings can take place in public;
- (e) opinions or decisions are given in writing with a statement describing the basis for the opinions or decisions;
- (f) witnesses can be presented; and
- (g) documents are disclosed to the reviewing authority.

8. Challenge procedures shall provide for:

- (a) rapid interim measures to correct breaches of this Chapter 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. In such circumstances, just cause for not acting shall be provided in writing;
- (b) an assessment and a possibility for a decision on the justification of the challenge; and
- (c) where appropriate, correction of the breach of this Chapter or compensation for the loss or damages suffered, which may be limited to costs for tender preparation or protest.

9. With a view to the preservation of the commercial and other interests involved, the challenge procedure shall normally be completed in a timely fashion.

Article 126
Exceptions

1. Nothing in this Chapter shall be construed to prevent a Party from taking any action or not disclosing any information which it considers necessary for the protection of its essential security interests relating to the procurement of arms, ammunition or war materials, or to procurement indispensable for national security or for national defence purposes.

2. Provided that such measures are not applied in a manner that 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 Chapter shall be construed to prevent a Party from imposing, enforcing or maintaining measures:

- (a) necessary to protect public morals, order or safety;
- (b) necessary to protect human, animal or plant life or health;
- (c) necessary to protect intellectual property; or
- (d) relating to goods or services of handicapped persons, of philanthropic institutions or of prison labor.

Article 127
Sub-Committee on Government Procurement

1. For the purposes of the effective implementation and operation of this Chapter, a Sub-Committee on Government Procurement (hereinafter referred to in this Article as "the Sub-Committee") shall be established pursuant to Article 165.

2. The functions of the Sub-Committee shall be:

- (a) analyzing available information on each Party's government procurement market including the statistical information provided under paragraph 5 of Article 124;
- (b) evaluating the effective access of suppliers of a Party to government procurement market of the other Party covered by this Chapter;

- (c) monitoring the application of the provisions of this Chapter and providing a forum to identify and address any problems or other issues that may arise;
- (d) reporting the findings of the Sub-Committee to the Joint Committee; and
- (e) carrying out other functions which may be delegated by the Joint Committee pursuant to Article 165.

3. The Parties shall cooperate, on mutually agreed terms, to increase understanding of their respective government procurement systems, with a view to maximizing for the suppliers of both Parties the access to their respective government procurement market. For this purpose, each Party shall develop and implement, within one year after the entry into force of this Agreement, concrete measures for the cooperation, which may include training and orientation programs for government personnel or interested suppliers regarding such aspects as how to identify government procurement opportunities and how to participate in the respective government procurement markets. In developing such measures, special attention should be given to small businesses in each Party.

Article 128 Rectifications or Modifications

1. A Party shall notify the other Party of its rectifications, or in exceptional cases, other modifications relating to Annexes 11, 12, 13, 14, 16 and 17 along with the information as to the likely consequences of the change for the mutually agreed coverage provided in this Chapter. If the rectifications or other modifications are of a purely formal or minor nature, notwithstanding paragraph 1 of Article 174, they shall become effective provided that no objection from the other Party has been raised within 30 days. In other cases, both Parties shall consult the proposal and any claim for compensatory adjustments with a view to maintaining a balance of rights and obligations and a comparable level of mutually agreed coverage provided in this Chapter prior to such rectification or other modification. In the event of an agreement between the Parties not being reached, the Party which has received such notification may have recourse to the dispute settlement procedure under Chapter 15.

2. Notwithstanding any other provision of this Chapter, a Party may undertake reorganizations of its entities covered by this Chapter, including programs through which the procurement of such entities is decentralized or the corresponding government functions cease to be performed by any government entity, whether or not subject to this Chapter. In cases of reorganizations, compensation need not be proposed. Neither Party shall undertake such reorganizations or programs to avoid the obligations of this Chapter.

Article 129
Privatization of Entities

When government control at the federal or central government level over an entity specified in Annex 11 has been effectively eliminated, notwithstanding that the government may possess holding thereof or appoint member of the board of directors thereto, this Chapter shall no longer apply to that entity. A Party shall notify the other Party of the name of such entity before elimination of government control or as soon thereafter as possible.

Article 130
Miscellaneous Provisions

1. The Joint Committee may make recommendations to the Parties to adopt appropriate measures to enhance the conditions for effective access to a Party's covered government procurement or, as the case may be, to adjust a Party's coverage so that such conditions for effective access are maintained on an equitable basis.

2. In the event that after the entry into force of this Agreement a Party offers a non-Party specified in paragraph 3 below additional advantages of access to its government procurement market beyond what the other Party has been provided with under this Chapter, the former Party shall consent to enter into negotiations with the other Party with a view to extending these advantages to the other Party on a reciprocal basis.

3. A non-Party referred to in paragraph 2 above shall be, in the case of Japan, a Party to the Agreement on Government Procurement in Annex 4 to the WTO Agreement, as may be amended, (hereinafter referred to as "the GPA") or a party to an existing Economic Partnership Agreement with Japan and in the case of Mexico, a party to the North American Free Trade Agreement, as may be amended, (hereinafter referred to as "the NAFTA") or the European Communities.

Chapter 12
Competition

Article 131
Anticompetitive Activities

Each Party shall, in accordance with its applicable laws and regulations, take measures which it considers appropriate against anticompetitive activities, in order to facilitate trade and investment flows between the Parties and the efficient functioning of its market.

Article 132
Cooperation on Controlling Anticompetitive Activities

1. The Parties shall, in accordance with their respective laws and regulations, cooperate in the field of controlling anticompetitive activities.
2. The details and procedures of cooperation under this Article shall be specified in an implementing agreement.

Article 133
Non-Discrimination

Each Party shall apply its competition laws and regulations in a manner which does not discriminate between persons in like circumstances on the basis of their nationality.

Article 134
Procedural Fairness

Each Party shall implement administrative and judicial procedures in a fair manner to control anticompetitive activities, pursuant to its relevant laws and regulations.

Article 135
Non-Application of Article 164 and Chapter 15

Article 164 and the dispute settlement procedure provided for in Chapter 15 shall not apply to this Chapter.

Chapter 13
Improvement of the Business Environment

Article 136
Consultations for the Improvement
of the Business Environment

The Parties, confirming their interest in creating a more favorable business environment with a view to promoting trade and investment activities by their private enterprises, shall from time to time have consultations in order to address issues concerning the improvement of the business environment in the Parties.

Article 137
Committee for the Improvement of the Business Environment

1. For the purposes of addressing issues concerning the improvement of the business environment, a Committee for the Improvement of the Business Environment (hereinafter referred to in this Article as "the Committee") shall be established.

2. The Committee:

- (a) shall discuss ways and means to improve the business environment in the Parties;
- (b) may, as needed, make recommendations on appropriate measures to be taken by the Parties. Such recommendations should be taken into consideration by the Parties;
- (c) shall be provided with information on the implementation of such recommendations;
- (d) may make public such recommendations in an appropriate manner; and
- (e) may give the Joint Committee advisory opinions, where appropriate.

3. The Committee:

- (a) shall be composed of representatives of the Governments of the Parties;
- (b) may invite representatives of relevant entities other than the Governments of the Parties with the necessary expertise relevant to the issues to be discussed; and
- (c) shall establish its rules and procedures.

Article 138
Non-Application of Chapter 15

The dispute settlement procedure provided for in Chapter 15 shall not apply to this Chapter.

Chapter 14
Bilateral Cooperation

Article 139
Cooperation in the Field of
Trade and Investment Promotion

1. The Parties shall cooperate in promoting trade and investment activities by private enterprises of the Parties, recognizing that the joint efforts of the Parties to facilitate exchange and collaboration between private enterprises will act as a catalyst to further promote trade and investment between the Parties. Such cooperation between the Parties includes:

- (a) encouraging the exchange of trade, investment and marketing experts and trainees to foster business opportunities;
- (b) exchanging information concerning laws, regulations and practices in relation to bilateral trade and investment;
- (c) encouraging the joint organization of trade and investment missions, seminars, fairs and exhibitions;
- (d) encouraging the sharing, through electronic linkages, of online databases of private enterprises of the Parties keen to establish business ties; and
- (e) encouraging the exchange of information, for the identification of investment opportunities and the promotion of business alliances, for the establishment of joint ventures between private enterprises of both Parties.

2. For the purposes of the effective implementation and operation of this Article, a Sub-Committee on Cooperation in the Field of Trade and Investment Promotion (hereinafter referred to in this Article as "the Sub-Committee") shall be established pursuant to Article 165.

3. The functions of the Sub-Committee shall be:
- (a) reviewing the implementation and operation of this Article;
 - (b) discussing any issues related to this Article;
 - (c) reporting the findings of the Sub-Committee to the Joint Committee; and
 - (d) carrying out other functions which may be delegated by the Joint Committee pursuant to Article 165.

Article 140
Cooperation in the Field of Supporting Industries

The Parties shall cooperate in promoting the development of supporting industries of both Parties with a view to improving the business environment and to promoting bilateral trade and investment. Such cooperation includes encouraging appropriate entities to:

- (a) assist private enterprises of either Party to enter supporting industries' market of the other Party through direct investment or joint ventures;
- (b) assist private enterprises of supporting industries to establish their business ties with other private enterprises of supporting industries, as well as final goods suppliers;
- (c) assist actual or potential private enterprises of supporting industries through financial and technological support; and
- (d) exchange experts and information on best practices and methodologies for the development of supporting industries.

Article 141
Cooperation in the Field of
Small and Medium Enterprises

The Parties shall cooperate in promoting the development of small and medium enterprises of both Parties (hereinafter referred to in this Article as "SMEs") in order to maintain the dynamism of their respective economies and promote favorable environment for bilateral trade and investment. Such cooperation may include:

- (a) exchange of information on SMEs policies for:
 - (i) strengthening competitiveness of SMEs;
 - (ii) assisting SMEs to start up businesses; and
 - (iii) promoting entrepreneurial networks of SMEs;
- (b) encouragement of establishment of networks among appropriate entities of both Parties that provide assistance to SMEs; and
- (c) encouragement of the exchange of experts on the development of SMEs.

Article 142

Cooperation in the Field of Science and Technology

1. The Parties, recognizing that science and technology will contribute to the continued expansion of their respective economies in the medium and long term, shall develop and promote cooperative activities between the Governments of the Parties for peaceful purposes in the field of science and technology on the basis of equality and mutual benefit.

2. Forms of the cooperative activities under this Article may include:

- (a) exchange of information regarding science and technology policies and programs and data;
- (b) joint seminars, workshops and meetings;
- (c) visits and exchanges of scientists, technical personnel or other experts;
- (d) implementation of joint projects and programs;
- (e) encouragement of cooperation for research and development related to industrial technologies; and
- (f) encouragement of cooperation between educational and research institutions.

3. Scientific and technological information of a non-proprietary nature arising from the cooperative activities under this Article may be made available to the public by the Government of either Party.

4. In accordance with the applicable laws and regulations of the Parties and with relevant international agreements to which the Parties are parties, the Parties shall ensure the adequate and effective protection, and give due consideration to the distribution, of intellectual property rights or other rights of a proprietary nature resulting from the cooperative activities under this Article. The Parties shall consult for this purpose as necessary.

5. The implementation of this Article shall be subject to the availability of appropriated funds and the applicable laws and regulations of each Party.

6. Costs of the cooperative activities under this Article shall be borne in such manner as may be mutually agreed.

7. Implementing arrangements setting forth the details and procedures of the cooperative activities under this Article may be made between the government agencies of the Parties.

Article 143
Cooperation in the Field of
Technical and Vocational Education and Training

The Parties, recognizing that sustainable economic growth and prosperity largely depend on people's knowledge and skills, in order to raise the productivity and competitiveness of private enterprises of either Party, shall develop cooperation between the Governments of the Parties in the field of technical and vocational education and training. Such cooperation may include:

- (a) exchange of information related to best practices on technical and vocational education and training including labor policy;
- (b) encouragement of technical and vocational education and training, including training of related instructors and development of training programs, particularly for the development of higher technological education and distance education; and
- (c) encouragement of exchange of scholars, teachers, instructors and students.

Article 144
Cooperation in the Field of Intellectual Property

The Parties, recognizing the growing importance of intellectual property (hereinafter referred to in this Article as "IP") as a factor of economic competitiveness in the knowledge-based economy, and of IP protection in this new environment, shall develop their cooperation in the field of IP. Such cooperation may include the exchange of information on:

- (a) public awareness activities of the importance of IP protection and the function of IP protection systems to their respective nationals;
- (b) improvement of IP protection systems and their operation;
- (c) policy measures conducive to ensuring adequate enforcement of IP rights; and
- (d) automation of administrative processes of IP authority in order to enhance its efficiency.

Note: Information provided from a Party to the other Party pursuant to this Article shall not include information regarding individual cases of infringement of intellectual property rights so as not to be used by the receiving Party in criminal proceedings carried out by a court or a judge.

Article 145
Cooperation in the Field of Agriculture

1. The Parties, recognizing that the development in the field of agriculture in both Parties is of mutual interest and of economic and social importance for the rational and sustainable use of natural resources, shall cooperate in the field of agriculture. Such cooperation may include:

- (a) exchange of information and data regarding experience of rural development, know-how of financial assistance to farmers and the agricultural cooperatives system;
- (b) encouragement of dialogues and exchange of information between entities other than the Governments of the Parties concerning agriculture; and
- (c) encouragement of joint scientific and technological research in agriculture including new technologies.

2. For the purposes of the effective implementation and operation of this Article, a Sub-Committee on Cooperation in the Field of Agriculture (hereinafter referred to in this Article as "the Sub-Committee") shall be established pursuant to Article 165.

3. The functions of the Sub-Committee shall be:

- (a) reviewing the implementation and operation of this Article;
- (b) discussing any issues related to this Article;
- (c) reporting the findings of the Sub-Committee to the Joint Committee; and
- (d) carrying out other functions which may be delegated by the Joint Committee pursuant to Article 165.

Article 146
Cooperation in the Field of Tourism

1. The Parties, recognizing that tourism will contribute to the enhancement of mutual understanding between them and that tourism is an important industry for their economies, shall cooperate to promote and develop tourism in the Parties. Such cooperation may include:

- (a) exchange of information on:
 - (i) activities and policies, including best practices, concerning market research, sustainable development of tourism and the strengthening of the competitiveness of the tourism industry; and
 - (ii) laws, regulations and statistics on tourism;
- (b) provision of appropriate assistance for tourism promotion campaigns;
- (c) encouragement of cooperation between entities other than the Governments of the Parties concerning the promotion and development of tourism; and
- (d) encouragement of training of persons engaged in the tourism industry.

2. For the purposes of the effective implementation and operation of this Article, a Sub-Committee on Cooperation in the Field of Tourism (hereinafter referred to in this Article as "the Sub-Committee") shall be established pursuant to Article 165.

3. The functions of the Sub-Committee shall be:

- (a) reviewing the implementation and operation of this Article;
- (b) discussing any issues related to this Article;
- (c) reporting the findings of the Sub-Committee to the Joint Committee; and
- (d) carrying out other functions which may be delegated by the Joint Committee pursuant to Article 165.

Article 147
Cooperation in the Field of Environment

1. The Parties, recognizing the need for environmental preservation and improvement to promote sound and sustainable development, shall cooperate in the field of environment. Cooperative activities under this Article may include:

- (a) exchange of information on policies, laws, regulations and technology related to the preservation and improvement of the environment, and the implementation of sustainable development;
- (b) promotion of capacity and institutional building to foster activities related with the Clean Development Mechanism under the Kyoto Protocol to the United Nations Framework Convention on Climate Change, as may be amended, by means of workshops and dispatch of experts, and exploration of appropriate ways to encourage the implementation of the Clean Development Mechanism projects;
- (c) encouragement of trade and dissemination of environmentally sound goods and services; and
- (d) encouraging the exchange of information for the identification of investment opportunities and the promotion and development of business alliances in the field of environment.

2. Implementing arrangements setting forth the details and procedures of cooperative activities under this Article may be made between the government agencies of the Parties.

Article 148
Non-Application of Chapter 15

The dispute settlement procedure provided for in Chapter 15 shall not apply to this Chapter.

Article 149
Relation to Other Agreements

1. The Agreement between the Government of Japan and the Government of the United Mexican States concerning Cooperation in the Field of Tourism signed in Tokyo, on November 1, 1978 shall expire upon the date of entry into force of this Agreement.

2. It is confirmed by both Parties that nothing in this Chapter prejudices the rights and obligations of the Parties under the Agreement on Technical Cooperation between the Government of Japan and the Government of the United Mexican States signed in Tokyo, on December 2, 1986, as may be amended.

Chapter 15
Dispute Settlement

Article 150
Scope and Coverage

Except as otherwise provided for in this Agreement, this Chapter shall apply with respect to the settlement of all disputes between the Parties regarding the interpretation or application of this Agreement.

Article 151
Choice of Dispute Settlement Procedure

1. Nothing in this Chapter shall prejudice any rights of the Parties to have recourse to dispute settlement procedures available under any other international agreement to which both Parties are parties.

2. Notwithstanding paragraph 1 above, once a dispute settlement procedure has been initiated under this Chapter or under any other international agreement to which both Parties are parties with respect to a particular dispute, that procedure shall be used to the exclusion of any other procedure for that particular dispute. However, this does not apply if substantially separate and distinct rights or obligations under different international agreements are in dispute.

3. For the purposes of paragraph 2 above, a dispute settlement procedure under this Chapter shall be deemed to be initiated by a Party's request for the establishment of an arbitral tribunal pursuant to paragraph 1 of Article 153.

4. For the purposes of paragraph 2 above, a dispute settlement procedure under the WTO Agreement shall be deemed to be initiated by a Party's request for the establishment of a panel pursuant to Article 6 of the Understanding on Rules and Procedures Governing the Settlement of Disputes in Annex 2 to the WTO Agreement, as may be amended.

Article 152 Consultations

1. Each Party may request in writing consultations with the other Party regarding any matter on the interpretation or application of this Agreement.

2. When a Party requests consultations pursuant to paragraph 1 above, the other Party shall reply to the request and enter into consultations in good faith within 30 days after the date of receipt of the request, with a view to a prompt and satisfactory resolution of the matter. In a case of consultations regarding perishable goods, the requested Party shall enter into consultations within 15 days after the date of receipt of the request.

Article 153 Establishment of Arbitral Tribunals

1. The complaining Party that requested consultations under Article 152 above may request in writing the establishment of an arbitral tribunal to the Party complained against:

- (a) if the Party complained against does not enter into such consultations within 30 days after the date of its receipt of the request for consultations under that Article; or

- (b) if the Parties fail to resolve the dispute through such consultations under that Article within 60 days after the date of receipt of the request for such consultations,

provided that the complaining Party considers that any benefit accruing to it directly or indirectly under this Agreement is being nullified or impaired as a result of the failure of the Party complained against to carry out its obligations, or as a result of the application by the Party complained against of measures which are in conflict with the obligations of that Party, under this Agreement.

2. Any request for the establishment of an arbitral tribunal pursuant to this Article shall identify:

- (a) the legal basis of the complaint, including the provisions of this Agreement alleged to have been breached and any other relevant provisions; and
- (b) the factual basis for the complaint.

3. The arbitral tribunal shall comprise 3 arbitrators.

4. Each Party shall, within 30 days after the date of receipt of the request for the establishment of an arbitral tribunal, appoint one arbitrator who may be its national and propose up to 3 candidates to serve as the third arbitrator who shall be the chair of the arbitral tribunal. The third arbitrator shall not be a national of either Party, nor have his or her usual place of residence in either Party, nor be employed by either Party.

5. The Parties shall agree on and appoint the third arbitrator within 45 days after the date of receipt of the request for the establishment of an arbitral tribunal, taking into account the candidates proposed pursuant to paragraph 4 above.

6. If a Party has not appointed one arbitrator pursuant to paragraph 4 above or if the Parties fail to agree on and appoint the third arbitrator pursuant to paragraph 5 above, such arbitrator or such third arbitrator shall be chosen by lot within further 7 days from the candidates proposed pursuant to paragraph 4 above.

7. The date of the establishment of an arbitral tribunal shall be the date on which the chair is appointed.

8. Unless the Parties otherwise agree within 20 days from the date of receipt of the request for the establishment of the arbitral tribunal, the terms of reference of such arbitral tribunal shall be:

"To examine, in the light of the relevant provisions of this Agreement, the matter referred to in the request for the establishment of an arbitral tribunal pursuant to this Article, to rule on the consistency of the measures at issue with this Agreement, and, where the arbitral tribunal reaches the conclusion that the measure is inconsistent with this Agreement, to make recommendations that the Party complained against bring the measure into conformity with this Agreement. When making recommendations, the arbitral tribunal may not suggest specific ways in which the Party complained against could implement the recommendations."

9. The Parties shall promptly deliver the terms of reference pursuant to paragraph 8 above to the arbitral tribunal.

10. If an arbitrator dies, withdraws or is removed, a replacement shall be appointed within 30 days in accordance with the appointment procedure provided for in paragraphs 4 to 6 above, which shall be applied, respectively, *mutatis mutandis*. In such a case, any time period applicable to the arbitral tribunal proceeding shall be suspended for a period beginning on the date the arbitrator dies, withdraws or is removed and ending on the date the replacement is appointed.

Article 154 Award of Arbitral Tribunals

1. The arbitral tribunal shall meet in closed session.

2. The deliberations of the arbitral tribunal, the documents submitted to it and the draft award referred to in paragraph 4 below shall be kept confidential.

3. Nothing in this Chapter shall preclude a Party from disclosing statements of its own position to the public. Each Party shall treat as confidential, information submitted by the other Party to the arbitral tribunal which that other Party has designated as confidential. A Party shall also, upon request of the other Party, provide a non-confidential summary of the information contained in its written submissions that could be disclosed to the public.

4. The arbitral tribunal shall, within 90 days after the date of its establishment, submit to the Parties its draft award, including both descriptive part and its findings and conclusions, for the purposes of enabling the Parties to review precise aspects of the draft award. When the arbitral tribunal considers that it cannot submit to the Parties its draft award within the aforementioned 90 day period, it may extend that period with the consent of the Parties. However, in no case should the period from the establishment of the arbitral tribunal to the submission of the draft award to the Parties exceed 150 days. A Party may submit comments in writing to the arbitral tribunal on the draft award within 15 days after the date of the submission of the draft award.

5. The arbitral tribunal shall issue its award within 30 days after the date of the submission of the draft award.

6. In the case that the matters referred to the arbitral tribunal are those concerning perishable goods, the arbitral tribunal shall make every effort to issue its award to the Parties within 90 days after the date of its establishment. In no case should it do so later than 120 days.

7. The arbitral tribunal shall take its decisions including its award by majority vote.

8. The award of the arbitral tribunal shall be final and binding on the Parties.

Article 155

Termination of Proceedings of the Arbitral Tribunal

While the proceedings of the arbitral tribunal are in progress, the Parties may agree to terminate the proceedings at any time by jointly so notifying the chair of the arbitral tribunal.

Article 156

Implementation of Award

1. The Party complained against shall promptly comply with the award of the arbitral tribunal issued pursuant to Article 154.

2. The Party complained against shall, within 20 days after the date of issuance of the award, notify the complaining Party of the period of time for implementing the award. If the complaining Party considers the period of time notified to be unacceptable, it may refer the matter to an arbitral tribunal.

3. If the Party complained against fails to comply with the award within the implementation period as determined pursuant to paragraph 2 above, the Party complained against shall no later than the expiry of that implementation period enter into consultations with the complaining Party, with a view to developing mutually acceptable compensation. If no satisfactory compensation has been agreed within 20 days after the date of expiry of that implementation period, the complaining Party may notify the Party complained against that it intends to suspend the application to the Party complained against of concessions or other obligations under this Agreement.

4. If the complaining Party considers that measures taken by the Party complained against for implementing the award do not comply with the award within the implementation period as determined pursuant to paragraph 2 above, it may refer the matter to an arbitral tribunal.

5. If the arbitral tribunal to which the matter is referred pursuant to paragraph 4 above confirms that the Party complained against has failed to comply with the award within the implementation period as determined pursuant to paragraph 2 above, the complaining Party may, within 30 days after the date of such confirmation by the arbitral tribunal, notify the Party complained against that it intends to suspend the application to the Party complained against of concessions or other obligations under this Agreement.

6. Suspension of the application of concessions or other obligations under paragraphs 3 and 5 above may only be implemented at least 30 days after the date of the notification in accordance with those paragraphs. Such suspension shall:

- (a) not be effected if, in respect of the dispute to which the suspension relates, consultations, or proceedings before an arbitral tribunal are in progress;
- (b) be temporary, and be discontinued when the Parties reach a mutually satisfactory resolution or where compliance with the award is effected;
- (c) be restricted to the same level of nullification or impairment that is attributable to the failure to comply with the award; and

- (d) be restricted to the same sector or sectors to which the nullification or impairment relates, unless it is not practicable or effective to suspend the application of concessions or other obligations in such sector or sectors.

7. If the Party complained against considers that the requirements for the suspension of the application to it of concessions or other obligations under this Agreement by the complaining Party set out in paragraph 3, 5 or 6 above have not been met, it may refer the matter to an arbitral tribunal.

8. The arbitral tribunal that is established for the purposes of this Article shall, wherever possible, have as its arbitrators, the arbitrators to the original arbitral tribunal. If this is not possible, then the arbitrators to the arbitral tribunal that is established for the purposes of this Article shall be appointed pursuant to paragraphs 4 to 6 of Article 153. Unless the Parties agree to a different period, such arbitral tribunal shall issue its award within 30 days after the date when the matter is referred to it. The award of the arbitral tribunal established under this Article shall be binding on the Parties.

Article 157 Modification of Time Periods

Any time period provided for in this Chapter may be modified by mutual consent of the Parties.

Article 158 Expenses

Unless the Parties agree otherwise, the expenses of the arbitral tribunal, including the remuneration of its arbitrators, shall be borne by the Parties in equal shares.

Article 159 Rules of Procedure

Unless the Parties agree otherwise, the details and procedures for the arbitral tribunal provided for in this Chapter shall be in accordance with the Rules of Procedure to be adopted by the Joint Committee within the first year of the date of entry into force of this Agreement.

Chapter 16
Implementation and Operation of the Agreement

Article 160
Transparency

1. Each Party shall promptly publish, or otherwise make publicly available, its laws, regulations, administrative procedures and administrative rulings and judicial decisions of general application as well as international agreements to which the Party is a party, respecting any matter covered by this Agreement.

2. Each Party shall, upon request by the other Party, promptly respond to specific questions from, and provide information to, the other Party with respect to matters referred to in paragraph 1 above.

3. Nothing in this Article shall prejudice as to whether a measure adopted by a Party is consistent with this Agreement.

Article 161
Public Comment Procedures

The Government of each Party shall, in accordance with the domestic laws and regulations of the Party, endeavor to maintain public comment procedures, except in cases of emergency, *inter alia*, a real or imminent danger to the health, safety, or welfare of persons, to the preservation of the environment or to the conservation of exhaustible natural resources, in order to:

- (a) make public in advance regulations of general application that affect any matter covered by this Agreement, accompanied by an explanation of their rationale and potential effects, when the Government adopts, amends or repeals them;
- (b) provide a reasonable opportunity for comments by the public and give consideration to those comments before the adoption of such regulations; and
- (c) make public those comments. Where appropriate, those comments should be compiled and accompanied by the views of the Government on them.

Article 162
Administrative Proceedings

1. Where measures are to be adopted which pertain to or affect the implementation and operation of this Agreement, the competent authorities of a Party shall, in accordance with the domestic laws and regulations of the Party:

- (a) inform the applicant of the decision concerning the application within a reasonable period of time after the submission of an application considered complete under the domestic laws and regulations of the Party; and
- (b) provide, without undue delay, information concerning the status of the application, at the request of the applicant.

2. Where measures are to be adopted by the competent authorities of a Party which pertain to or affect the implementation and operation of this Agreement and which impose obligations on or restrict rights of a person, such competent authorities shall, prior to any final decision, when time, the nature of the measures and public interest permit and in accordance with the domestic laws and regulations of the Party, provide that person with:

- (a) a reasonable notice, including a description of the nature of the measure, specific provisions upon which such measure will be based, and the facts which may be a cause of taking such measure; and
- (b) a reasonable opportunity to present facts and arguments in support of the position of such person.

Article 163
Review and Appeal

1. Each Party shall maintain judicial or administrative tribunals or procedures for the purpose of prompt review and, where warranted, correction of administrative actions regarding matters covered by this Agreement. Such tribunals or procedures shall be impartial and independent of the authorities entrusted with the administrative enforcement.

2. Each Party shall ensure that, in any such tribunals or procedures, the parties to the proceeding are provided with the right to:

- (a) a reasonable opportunity to support or defend their respective positions; and

- (b) a decision based on the evidence and submissions of record.

3. Each Party shall ensure, subject to appeal or further review as provided in its domestic laws and regulations, that such decisions are implemented by the competent authorities of the Party with respect to the administrative action at issue.

Article 164 Confidential Information

1. Unless otherwise provided for in this Agreement, neither Party shall be required by this Agreement to provide confidential information, the disclosure of which would impede the enforcement of its domestic laws and regulations, including the law protecting the information relating to personal privacy or the financial affairs or accounts of individual customers of financial institutions, or otherwise be contrary to the public interest, or which would prejudice legitimate commercial interests of particular enterprises, public or private.

2. Each Party shall, in accordance with its domestic laws and regulations, maintain the confidentiality of information provided in confidence by the other Party pursuant to this Agreement.

Article 165 Joint Committee

1. The Joint Committee composed of representatives of the Governments of the Parties shall be established under this Agreement.

2. The functions of the Joint Committee shall be:

- (a) reviewing the implementation and operation of this Agreement and, when necessary, making appropriate recommendations to the Parties;
- (b) considering and recommending to the Parties any amendments to this Agreement;
- (c) by mutual consent of the Parties, serving as a forum for consultations referred to in Article 152;
- (d) supervising the work of all Sub-Committees established under this Agreement;

- (e) adopting:
 - (i) modifications to Annexes referred to in Articles 8 and 37;
 - (ii) the Uniform Regulations referred to in Article 10;
 - (iii) an interpretation of a provision of this Agreement referred to in Articles 84 and 89;
 - (iv) the Rules of Procedure referred to in Article 159; and
 - (v) any necessary decisions; and
- (f) carrying out other functions as the Parties may agree.

3. The Joint Committee may:

- (a) establish and delegate its responsibilities to Sub-Committees for the purposes of the effective implementation and operation of this Agreement; and
- (b) take such other action in the exercise of its functions as the Parties may agree.

4. The following Sub-Committees shall be established on the date of entry into force of this Agreement:

- (a) Sub-Committee on Trade in Goods.
- (b) Sub-Committee on Sanitary and Phytosanitary Measures.
- (c) Sub-Committee on Technical Regulations, Standards and Conformity Assessment Procedures.
- (d) Sub-Committee on Rules of Origin, Certificate of Origin and Customs Procedures.
- (e) Sub-Committee on Cross-Border Trade in Services.
- (f) Sub-Committee on Entry and Temporary Stay.
- (g) Sub-Committee on Government Procurement.
- (h) Sub-Committee on Cooperation in the Field of Trade and Investment Promotion.

- (i) Sub-Committee on Cooperation in the Field of Agriculture.
- (j) Sub-Committee on Cooperation in the Field of Tourism.

Other Sub-Committees may be established as the Parties may agree.

5. The Joint Committee shall establish its rules and procedures.

6. The Joint Committee shall meet alternately in Japan and Mexico at the request of either Party.

Article 166 Communications

Each Party shall designate a contact point to facilitate communications between the Parties on any matter relating to this Agreement.

Article 167 Relation to Other Agreements

1. The Parties reaffirm their rights and obligations under the WTO Agreement.

2. Nothing in Chapters 3, 7 and 8 shall be construed to prevent either Party from taking any necessary action as may be authorized by Article 22 of the Understanding on Rules and Procedures Governing the Settlement of Disputes in Annex 2 to the WTO Agreement, as may be amended.

3. The Convention on Commerce between Japan and the United Mexican States signed at Tokyo on January 30, 1969 shall expire upon the date of entry into force of this Agreement.

Chapter 17 Exceptions

Article 168 General Exceptions

1. For the purposes of Chapters 3, 4, 5, and 6, Article XX of the GATT 1994 is incorporated into and made part of this Agreement, *mutatis mutandis*.

2. For the purposes of Chapters 8 and 10, paragraphs (a), (b) and (c) of Article XIV of the GATS are incorporated into and made part of this Agreement, *mutatis mutandis*.

Article 169
National Security

For the purposes of Chapters 3, 4, 5, 6, 7, 8, 10 and 16, nothing in this Agreement shall be construed:

- (a) to require a Party to furnish or allow access to any information the disclosure of which it considers contrary to its essential security interests;
- (b) to prevent a Party from taking any action that it considers necessary for the protection of its essential security interests:
 - (i) relating to the traffic in arms, ammunition and implements of war and to such traffic and transactions in other goods, materials or services undertaken directly or indirectly for the purpose of supplying a military or other security establishment,
 - (ii) taken in time of war or other emergency in international relations, or
 - (iii) relating to the implementation of national policies or international agreements respecting the non-proliferation of nuclear weapons or other nuclear explosive devices, or relating to fissionable and fusionable materials or the materials from which they are derived; or
- (c) to prevent a Party from taking any action in pursuance of its obligations under the United Nations Charter, as may be amended, for the maintenance of international peace and security.

Article 170
Taxation

1. Except as otherwise provided for in this Article, nothing in this Agreement shall apply to taxation measures.

2. Nothing in this 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.

Note: The term "tax convention" means a convention for the avoidance of double taxation or other international taxation agreement or arrangement.

3. Notwithstanding paragraph 2 above:
 - (a) Article 3 shall apply to taxation measures to the same extent as does Article III of the GATT 1994; and
 - (b) Article 6 shall apply to taxation measures.
4.
 - (a) Article 61 shall apply to taxation measures except that no investor may invoke that Article as the basis for a claim under Article 76, where it has been determined pursuant to subparagraph (b) below that the measure is not an expropriation.
 - (b) The investor shall refer the issue, at the time that it gives a written request under Article 78, to the competent authorities of both Parties to determine whether such measure is not an expropriation. If the competent authorities of both Parties do not consider the issue or, having considered it, fail to determine that the measure is not an expropriation within a period of 180 days of such referral, the investor may submit its claim to arbitration under Article 79.
 - (c) For the purposes of subparagraph (b) above, the term "competent authorities" means:
 - (i) in the case of Mexico, the Ministry of Finance and Public Credit; and
 - (ii) in the case of Japan, the Minister of Finance or his authorized representative.

Article 171
Payments and Transfers
and Restrictions to Safeguard the Balance of Payments

1. For the purposes of Chapter 3:
 - (a) nothing in this Agreement shall be construed to prevent a Party from taking any measure for balance-of-payments purposes;

- (b) a Party taking such measure shall do so in accordance with the conditions established under Article XII of the GATT 1994, and the Understanding on the Balance-of-Payments Provisions of the General Agreement on Tariffs and Trade 1994 in Annex 1A to the WTO Agreement, as may be amended; and
- (c) nothing in this Agreement shall preclude the use by a Party of exchange controls or exchange restrictions in accordance with the Articles of Agreement of the International Monetary Fund, as may be amended.

2. For the purposes of Chapter 8:

- (a) except under the circumstances envisaged in subparagraph (d) below, a Party shall not apply restrictions on international transfers and payments for current transactions relating to cross-border trade in services under Chapter 8;
- (b) nothing in this Agreement shall affect the rights and obligations of the Parties as members of the International Monetary Fund under the Articles of Agreement of the International Monetary Fund, as may be amended, including the use of exchange actions which are in conformity with the Articles of Agreement of the International Monetary Fund, as may be amended;
- (c) notwithstanding subparagraph (b) above, a Party shall not impose restrictions on any capital transactions inconsistently with its obligations regarding such transactions under Chapter 8 except under subparagraph (d) below or at the request of the International Monetary Fund;
- (d) in the event of serious balance-of-payments and external financial difficulties or threat thereof, a Party may adopt or maintain restrictions on trade in services, including on payments or transfers for transactions;
- (e) the restrictions referred to in subparagraph (d) above:
 - (i) shall ensure that the other Party is treated as favorably as any non-Party;
 - (ii) shall be consistent with the Articles of Agreement of the International Monetary Fund, as may be amended;

- (iii) shall avoid unnecessary damage to the commercial, economic and financial interests of the other Party;
- (iv) shall not exceed those necessary to deal with the circumstances described in subparagraph (d) above; and
- (v) shall be temporary and be phased out progressively as the situation specified in subparagraph (d) above improves;
- (f) in determining the incidence of such restrictions referred to in subparagraph (d) above, a Party may give priority to the supply of services which are more essential to their economic or development programs. However, such restrictions shall not be adopted or maintained for the purpose of protecting a particular service sector; and
- (g) any restrictions adopted or maintained under subparagraph (d) above, or any changes therein, shall be promptly notified to the other Party.

Chapter 18
Final Provisions

Article 172
Table of Contents and Headings

The table of contents and the headings of the Chapters, Sections and Articles of this Agreement are inserted for convenience of reference only and shall not affect the interpretation of this Agreement.

Article 173
Annexes and Notes

The Annexes and Notes to this Agreement shall constitute an integral part of this Agreement.

Article 174
Amendment

1. Unless otherwise provided for in this Agreement, this Agreement may be amended by agreement between the Parties. Such amendment shall be approved by the Parties in accordance with their respective legal procedures. Such amendment shall enter into force on the thirtieth day after the date of exchange of diplomatic notes indicating such approval.

2. Any amendment to this Agreement shall constitute an integral part of this Agreement.

Article 175
Entry into Force

This Agreement shall enter into force on the thirtieth day after the date on which the Government of Japan and the Government of Mexico exchange diplomatic notes informing each other that their respective legal procedures necessary for entry into force of this Agreement have been completed. It shall remain in force unless terminated as provided for in Article 176 below.

Article 176
Termination

Either Party may terminate this Agreement by giving one year's advance notice in writing to the other Party.

Article 177
Authentic Texts

1. The texts of this Agreement in the Japanese, Spanish and English languages shall be equally authentic. In case of differences of interpretation, the English text shall prevail.

2. Notwithstanding paragraph 1 above:

- (a) Section 2 of Annex 1 is written in the Japanese and English languages, such texts being equally authentic; and
- (b) Section 3 of Annex 1 is written in the Spanish and English languages, such texts being equally authentic.

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

DONE at Mexico City, on this seventeenth day of
September, 2004, in duplicate.

For Japan:

Junichiro Koizumi

For the United Mexican States:

Vicente Fox Quesada

Annex 6 referred to in Chapters 7 and 8
Reservations for Existing Measures

1. The Schedule of a Party sets out, pursuant to paragraph 1 of Articles 66 and 101, the reservations taken by that Party with respect to existing measures that do not conform with obligations imposed by:

- (a) Article 58 or 98 (National Treatment);
- (b) Article 59 or 99 (Most-Favored-Nation Treatment);
- (c) Article 64 (Senior Management and Boards of Directors);
- (d) Article 65 (Performance Requirements); or
- (e) Article 100 (Local Presence);

and, in certain cases, sets out commitments for immediate or future liberalization.

2. Each reservation sets out the following elements:

- (a) "Sector" refers to the general sector in which a reservation is taken;
- (b) "Sub-Sector" refers to the specific sector in which a reservation is taken;
- (c) "Industry Classification" refers, where applicable, to the activity covered by the reservation according to domestic industry classification codes;
- (d) "Type of Reservation" specifies the obligation referred to in paragraph 1 above for which a reservation is taken;
- (e) "Level of Government" indicates the level of government maintaining the measure for which a reservation is taken;
- (f) "Measures" identifies the existing laws, regulations or other measures, as qualified, where indicated, by the Description element, for which the reservation is taken. A measure cited in the Measures element:
 - (i) means the measure as amended, continued or renewed as of the date of entry into force of this Agreement, and

- (ii) includes any subordinate measure adopted or maintained under the authority of and consistent with the measure;
- (g) "Description" sets out commitments, if any, for liberalization on the date of entry into force of this Agreement and, with regard to the obligations referred to in paragraph 1 above, the remaining non-conforming aspects of the existing measures for which the reservation is taken; and
- (h) "Phase-Out" sets out commitments, if any, for liberalization after the date of entry into force of this Agreement.

3. In the interpretation of a reservation, all elements of the reservation shall be considered. A reservation shall be interpreted in the light of the relevant provisions of the Chapters against which the reservation is taken. To the extent that:

- (a) the Phase-Out element provides for the phasing out of non-conforming aspects of measures, the Phase-Out element shall prevail over all other elements;
- (b) the Measures element is qualified by a liberalization commitment from the Description element, the Measures element as so qualified shall prevail over all other elements; and
- (c) the Measures element is not so qualified, the Measures element shall prevail over all other elements, unless any discrepancy between the Measures element and the other elements considered in their totality is so substantial and material that it would be unreasonable to conclude that the Measures element should prevail, in which case the other elements shall prevail to the extent of that discrepancy.

4. Where a Party maintains a measure that requires that a service supplier be a national, permanent resident or resident of that Party as a condition to the supply of a service in its Area, a reservation for that measure taken with respect to Article 98, 99 or 100 shall operate as a reservation with respect to Article 58, 59 or 65 to the extent of that measure.

5. For the purposes of determining the percentage of foreign investment in the economic activities subject to maximum percentages of foreign equity participation as set out in the Schedule of Mexico, the foreign investment indirectly carried out in such activities through Mexican enterprises holding majority of Mexican capital will not be taken into account, provided that such enterprises are not controlled by the foreign investment.

6. The prior notification requirement under the Foreign Exchange and Foreign Trade Law (Law No. 228, 1949) as set out in the Schedule of Japan means the requirement that an investor of Mexico or an enterprise of Japan which the investor of Mexico owns or controls submits a notification concerning the intended investment to the Minister of Finance and the Minister in charge of the industry concerned. If the Ministers consider that the investment concerned could adversely affect national security, public order or public safety, or sound management of national economy, they may make recommendation or order to change the planning of the investment or to cancel the investment.

7. For the purposes of this Annex:

the term "CMAP" means Mexican Classification of Activities and Products (Clasificación Mexicana de Actividades y Productos) numbers as set out in National Institute for Statistics, Geography and Informatics (Instituto Nacional de Estadística, Geografía e Informática), Mexican Classification of Activities and Products (Clasificación Mexicana de Actividades y Productos), 1994;

the term "concession" means an authorization provided by the Mexican State to a person to exploit a natural resource or provide a service, for which Mexican nationals and Mexican enterprises are granted priority over foreigners;

the term "foreigners' exclusion clause" means the express provision in an enterprise's by-laws, stating that the enterprise shall not allow foreigners, directly or indirectly, to become partners or shareholders of the enterprise; and

the term "JSIC" means Japan Standard Industrial Classification numbers as set out in the Statistics Bureau, Ministry of Internal Affairs and Communications, Japan Standard Industrial Classification, revised March 7, 2002.

Schedule of Japan

1	Sector:	Automobile Maintenance Business
	Sub-Sector:	Motor Vehicle Disassembling Repair Business
	Industry Classification:	JSIC 86 Automobile maintenance services
	Type of Reservation:	Local Presence (Article 100)
	Level of Government:	Central Government
	Measures:	Road Vehicle Law (Law No. 185 of 1951), Chapter 6
	Description:	Cross-Border Services A person who intends to conduct motor vehicle disassembling repair businesses is required to establish a workplace in Japan, and to obtain an approval of the Director-General of the District Transport Bureau having jurisdiction over the district where the workplace is located.
	Phase-Out:	None

2 Sector: Business Services

Sub-Sector:

Industry Classification: JSIC 9051 Private employment services

JSIC 9095 Worker dispatching services

Type of Reservation: Local Presence (Article 100)

Level of Government: Central Government

Measures: Employment Security Law (Law No. 141 of 1947), Chapter 3

Law Concerning Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers (Law No. 88 of 1985), Chapter 2

Port Labour Law (Law No. 40 of 1988), Chapter 4

Mariner's Employment Security Law (Law No. 130 of 1948), Chapter 3

Description: Cross-Border Services

A person who intends to supply private job placement services or worker dispatching services including stevedore dispatching services and mariner dispatching services for enterprises in Japan is required to have an establishment in Japan, and to obtain a permission from, or to submit notification to the competent authority, as applicable.

Phase-Out: None

3 Sector: Construction

Sub-Sector:

Industry Classification: JSIC 06 Construction work, general, including public and private construction work

JSIC 07 Construction work by specialist contractor, except equipment installation work

JSIC 08 Equipment installation work

Type of Reservation: Local Presence (Article 100)

Level of Government: Central Government

Measures: Construction Business Law (Law No. 100 of 1949), Chapter 2

Law Concerning Recycling of Construction Materials (Law No. 104 of 2000), Chapter 5

Description: Cross-Border Services

1. A person who intends to conduct construction businesses is required to establish a place of businesses in Japan, and to obtain permission from the Minister of Land, Infrastructure and Transport or from the prefectural governor having jurisdiction over the district where the place of business is located.

2. A person who intends to conduct demolition work businesses is required to establish a place of business in Japan, and to register with the prefectural governor having jurisdiction over the district where the place of business is located.

Phase-Out: None

4 Sector: Heat Supply

Sub-Sector:

Industry Classification: JSIC 3511 Heat supply

Type of Reservation: National Treatment (Article 58)

Level of Government: Central Government

Measures: Foreign Exchange and Foreign Trade Law (Law No. 228 of 1949), Article 27

Cabinet Order of Foreign Direct Investment (Cabinet Order No. 261 of 1980), Article 3

Description: Investment

The prior notification requirement under the Foreign Exchange and Foreign Trade Law applies to foreign investors who intend to make investment in the heat supply industry in Japan.

Phase-Out: None

5 Sector: Information and Communication

Sub-Sector: Telecommunications

Industry Classification:

Type of Reservation: National Treatment (Article 58)
Senior Management and Boards of Directors (Article 64)

Level of Government: Central Government

Measures: Law Concerning Nippon Telegraph and Telephone Corporation (Law No. 85 of 1984), Articles 6 and 10

Description: Investment

1. Nippon Telegraph and Telephone Corporation may not enter the name and address in its register of shareholders if the aggregate of the ratio of the voting rights directly and/or indirectly held by the persons set forth in item (a) through (c) below reaches or exceeds one third:

(a) a natural person who does not have Japanese nationality;

(b) a foreign government or its representative; or

(c) a foreign juridical person or association.

2. Any natural person who does not have Japanese nationality may not assume the office of director or auditor of Nippon Telegraph and Telephone Corporation, Nippon Telegraph and Telephone East Corporation and Nippon Telegraph and Telephone West Corporation.

Phase-Out: None

6 Sector: Information and Communications

Sub-Sector: Telecommunications and Internet Based Services

Industry Classification: JSIC 3721* Regional telecommunications, except wired broadcast telephones

JSIC 3722* Long-distance telecommunications

JSIC 3729* Miscellaneous fixed telecommunications

JSIC 3731* Mobile telecommunications

JSIC 4011* Internet based services

(An asterisk (*) on the JSIC number indicates that the activities covered by the reservation under such number are limited to the activities which are subject to the registration obligation under Article 9 of the Telecommunications Business Law.)

Type of Reservation: National Treatment (Article 58)

Level of Government: Central Government

Measures: Foreign Exchange and Foreign Trade Law (Law No. 228 of 1949), Article 27

Cabinet Order on Foreign Direct Investment (Cabinet Order No. 261 of 1980), Article 3

Description: Investment

The prior notification requirement under the Foreign Exchange and Foreign Trade Law applies to foreign investors who intend to make investment in telecommunications business and internet based services in Japan.

Phase-Out: None

7 Sector: Manufacturing

Sub-Sector: Drugs and Medicines Manufacturing

Industry Classification: JSIC 1763 Biological preparations

Type of Reservation: National Treatment (Article 58)

Level of Government: Central Government

Measures: Foreign Exchange and Foreign Trade Law (Law No. 228 of 1949), Article 27

Cabinet Order on Foreign Direct Investment (Cabinet Order No. 261 of 1980), Article 3

Description: Investment

The prior notification requirement under the Foreign Exchange and Foreign Trade Law applies to foreign investors who intend to make investment in biological preparations manufacturing industry in Japan. For greater certainty, "biological preparations manufacturing industry" deals with economic activities in establishment which mainly produces vaccine, serum, toxoid, antitoxin and some preparations similar to the aforementioned products, or blood products.

Phase-Out: None

8 Sector: Manufacturing

Sub-Sector: Leather and Leather Products
Manufacturing

Industry Classification: JSIC 1257 Fur apparel and apparel accessories

JSIC 1259* Textile apparel and accessories, n.e.c.

JSIC 1794** Gelatine and adhesives

JSIC 202 Rubber and plastic footwear and its findings

JSIC 21 Manufacture of leather tanning, leather products and fur skins

JSIC 3234* Sporting and athletic goods

(An asterisk (*) on the JSIC number indicates that the activities covered by the reservation under such number are limited to the activities related to leather and leather products manufacturing.)

(Two asterisks (**) on the JSIC number indicate that the activities covered by the reservation under such number are limited to the activities related to animal glue (nikawa) and gelatine manufacturing.)

Type of Reservation: National Treatment (Article 58)

Level of Government: Central Government

Measures: Foreign Exchange and Foreign Trade Law (Law No. 228 of 1949), Article 27

Cabinet Order on Foreign Direct Investment (Cabinet Order No. 261 of 1980), Article 3

Description: Investment

The prior notification requirement under the Foreign Exchange and Foreign Trade Law applies to foreign investors who intend to make investment in the leather and leather products manufacturing industry in Japan.

Phase-Out: None

9 Sector: Matters Related to the Nationality of a Ship

Sub-Sector:

Industry Classification:

Type of Reservation: National Treatment (Article 58)
Senior Management and Boards of Directors (Article 64)

Level of Government: Central Government

Measures: Ship Law (Law No. 46 of 1899), Article 1

Description: Investment

The Japanese nationality shall be given to a ship whose owner is a natural person with Japanese nationality, or a legal person established under Japanese law, with all representatives and not less than two-thirds of executives administering the affairs of the legal person having Japanese nationality.

Phase-Out: None

10 Sector: Measuring Services

Sub-Sector:

Industry Classification: JSIC 902 Commodity inspection service

JSIC 903 Surveyor certification

Type of Reservation: Local Presence (Article 100)

Level of Government: Central Government

Measures: Measurement Law (Law No. 51 of 1992), Chapters 3, 5, 6 and 8

Regulations on Measurement Law (Ministerial Ordinance of Ministry of International Trade and Industry No. 69 of 1993)

Ministerial Ordinance for Designated Inspection Body, Designated Verification Body, Designated Measurement Certification Inspection Body, and Specified Measurement Certification Accreditation Body (Ministerial Ordinance of Ministry of Economy, Trade and Industry No. 72 of 1993)

Description: Cross-Border Services

1. A person who intends to supply services of conducting the periodic inspection of specified measuring instruments is required to establish a legal person in Japan, and to be designated by the prefectural governor having jurisdiction over the district where the person intends to conduct such inspection, or by the mayor of the designated city or the chief of the designated ward or village in case the place where the person intends to conduct such inspection is located within the district of such designated city, ward or village.

2. A person who intends to supply services of conducting the verification of specified measuring instruments is required to establish a legal person in Japan, and to be designated by the Minister of Economy, Trade and Industry.

3. A person who intends to conduct measurement certification business, including specified measurement certification business is required to establish a workplace in Japan, and to be registered with the prefectural governor having jurisdiction over the district where the workplace is located.

4. A person who intends to supply services of conducting inspection of specified measuring instruments used for the measurement certification is required to establish a legal person in Japan, and to be designated by the prefectural governor having jurisdiction over the district where the person intends to conduct such inspection.

5. A person who intends to supply services of conducting the accreditation for a person engaged in specified measurement certification business is required to establish a legal person in Japan, and to be designated by the Minister of Economy, Trade and Industry.

6. A person who intends to supply services of conducting calibration of the measuring instruments and other services is required to establish a legal person in Japan, and to be designated by the Minister of Economy, Trade and Industry.

Phase-Out: None

11 Sector: Medical, Health Care and Welfare

Sub-Sector:

Industry Classification: JSIC 7599 Miscellaneous social insurance, social welfare and care services

Type of Reservation: Local Presence (Article 100)

Level of Government: Central Government

Measures: Law Concerning Collection of Labour Insurance Premium (Law No. 84 of 1969), Chapter 4

Enforcement Regulations for the Law Concerning Collection of Labour Insurance Premium (Ministerial Ordinance of Ministry of Labour No. 8 of 1972)

Description: Cross-Border Services

Only an association of business proprietors or a federation of such associations approved by the Minister of Health, Labour and Welfare under the laws and regulations of Japan may conduct labor insurance businesses entrusted by business proprietors. An association which intends to conduct such labor insurance businesses under the laws and regulations of Japan is required to establish an office in Japan, and to obtain the approval of the Minister of Health, Labour and Welfare.

Phase-Out: None

12	Sector:	Mining
	Sub-Sector:	
	Industry Classification:	JSIC 05 Mining
	Type of Reservation:	National Treatment (Articles 58 and 98) Local Presence (Article 100)
	Level of Government:	Central Government
	Measures:	Mining Law (Law No. 289 of 1950), Chapters 2 and 3
	Description:	Investment and Cross-Border Services Only a Japanese national or a Japanese legal person may have mining rights or mining lease rights.
	Phase-Out:	None

13 Sector: Oil Industry

Sub-Sector:

Industry Classification:	JSIC 053	Crude petroleum and natural gas production
	JSIC 181	Petroleum refining
	JSIC 182	Lubricating oils and greases(not made in petroleum refineries)
	JSIC 1841*	Paving materials
	JSIC 1899*	Miscellaneous petroleum and coal products
	JSIC 4711*	Warehousing
	JSIC 4721*	Refrigerated warehousing
	JSIC 5231	Petroleum (wholesale trade)
	JSIC 6031	Petrol stations (gasoline service stations)
	JSIC 6032*	Fuel stores, except gasoline service stations
	JSIC 9099**	Miscellaneous business services, n.e.c.

(An asterisk (*) on the JSIC number indicates that the activities covered by the reservation under such number are limited to the activities related to oil industry.)

(Two asterisks (**) on the JSIC number indicates that the activities covered by the reservation under such number are limited to the activities related to liquefied petroleum gas industry.)

Type of Reservation: National Treatment (Article 58)

Level of Government: Central Government

Measures: Foreign Exchange and Foreign Trade Law (Law No. 228 of 1949), Article 27

Cabinet Order on Foreign Direct Investment (Cabinet Order No. 261 of 1980), Article 3

Description: Investment

The prior notification requirement under the Foreign Exchange and Foreign Trade Law applies to foreign investors who intend to make investment in oil industry in Japan. All organic chemicals such as ethylene, ethylene glycol and polycarbonates are outside the scope of the oil industry. Therefore, prior notification under the Foreign Exchange and Foreign Trade Law is not required for the investment in the manufacture of these products.

Phase-Out: None

14 Sector: Primary Industry Related to
Agriculture, Forestry and Fisheries
(except those covered by Annex 7)

Sub-Sector:

Industry Classification: JSIC 01 Agriculture
 JSIC 02 Forestry
 JSIC 03 Fisheries
 JSIC 04 Aquaculture
 JSIC 6224 Agricultural cooperatives
 JSIC 6225 Fishery and fishery processing cooperatives
 JSIC 791 Agriculture, forestry and fisheries cooperative associations, n.e.c.

Type of Reservation: National Treatment (Article 58)

Level of Government: Central Government

Measures: Foreign Exchange and Foreign Trade Law (Law No. 228 of 1949), Article 27
 Cabinet Order on Foreign Direct Investment (Cabinet Order No. 261 of 1980), Article 3

Description: Investment
 The prior notification requirement under the Foreign Exchange and Foreign Trade Law applies to foreign investors who intend to make investment in primary industry related to agriculture, forestry and fisheries in Japan.

Phase-Out: None

15 Sector: Professional Services

Sub-Sector:

Industry Classification: JSIC 8011 Lawyers' offices

Type of Reservation: Local Presence (Article 100)

Level of Government: Central Government

Measures: Lawyers Law (Law No. 205 of 1949), Chapters 3, 4, 4-2 and 5

Description: Cross-Border Services

A person who intends to supply legal services is required to be qualified as attorney at law under the laws and regulations of Japan ("Bengoshi"), and to establish an office within the district of the local bar association which the person belongs to.

An enterprise which intends to supply legal services is required to establish a law firm under the laws and regulations of Japan ("Bengoshi-Hojin").

Phase-Out: None

16 Sector: Professional Services

Sub-Sector:

Industry Classification: JSIC 8011 Lawyers' office

Type of Reservation: Local Presence (Article 100)

Level of Government: Central Government

Measures: Law on Special Measures Concerning the Handling of the Legal Business by Foreign Legal Consultant (Law No. 66 of 1986), Chapter 4

Description: Cross-Border Services

A person who intends to supply foreign legal consultant services is required to be qualified as foreign legal consultant under the laws and regulations of Japan ("Gaikokuho-Jimu-Bengoshi"), and to establish an office within the district of the local bar association which the person belongs to.

A foreign legal consultant under the laws and regulations of Japan is required to stay in Japan for not less than 180 days per year.

Phase-Out: None

17	Sector:	Professional Services
	Sub-Sector:	
	Industry Classification:	JSIC 8012 Patent attorneys' offices
	Type of Reservation:	Local Presence (Article 100)
	Level of Government:	Central Government
	Measures:	Patent Attorney Law (Law No. 49 of 2000), Chapters 6 and 8
	Description:	Cross-Border Services An enterprise which intends to supply patent attorney services is required to establish a patent business corporation under the laws and regulations of Japan ("Tokkyo-Gyoumu-Hojin").
	Phase-Out:	None

18 Sector: Professional Services

Sub-Sector:

Industry Classification: JSIC 8021 Notaries public's and judicial scriveners' offices

Type of Reservation: National Treatment (Article 98)
Local Presence (Article 100)

Level of Government: Central Government

Measures: Notary Law (Law No. 53 of 1908), Chapters 2 and 3

Description: Cross-Border Services

Only a Japanese national may be appointed as a notary in Japan.

The notary is required to establish an office in the place designated by the Minister of Justice.

Phase-Out: None

19 Sector: Professional Services

Sub-Sector:

Industry Classification: JSIC 8021 Notaries public's and judicial scriveners' offices

Type of Reservation: Local Presence (Article 100)

Level of Government: Central Government

Measures: Judicial Scrivener Law (Law No. 197 of 1950), Chapters 3, 4, 5 and 7

Description: Cross-Border Services

A person who intends to supply judicial scrivener services is required to be qualified as judicial scrivener under the laws and regulations of Japan ("Shiho-Shoshi"), and to establish an office within the district of the judicial scrivener association which the person belongs to.

An enterprise which intends to supply judicial scrivener services in Japan is required to establish a judicial scrivener corporation under the laws and regulations of Japan ("Shiho-Shoshi-Hojin").

Phase-Out: None

20 Sector: Professional Services

Sub-Sector:

Industry Classification: JSIC 8031 Certified public accountants' offices

Type of Reservation: Local Presence (Article 100)

Level of Government: Central Government

Measures: Certified Public Accountant Law (Law No. 103 of 1948), Chapters 5-2 and 7

Description: Cross-Border Services

An enterprise which intends to supply auditing services is required to establish an audit corporation under the laws and regulations of Japan ("Kansa-Hojin").

Phase-Out: None

21 Sector: Professional Services

Sub-Sector:

Industry Classification: JSIC 8032 Auditors' Offices

Type of Reservation: Local Presence (Article 100)

Level of Government: Central Government

Measures: Certified Public Tax Accountant Law (Law No. 237 of 1951), Chapters 3, 4, 5-2, 6 and 7

Enforcement Regulation on Certified Public Tax Accountant Law (Ministerial Ordinance of Ministry of Finance No. 55 of 1951)

Description: Cross-Border Services

A person who intends to supply certified public tax accountant services is required to be qualified as certified public tax accountant under the laws and regulations of Japan ("Zeirishi"), and to establish an office within the district of certified public tax accountant association which the person belongs to.

An enterprise which intends to supply certified public tax accountant services is required to establish a certified public tax accountant corporation under the laws and regulations of Japan ("Zeirishi-Hojin").

Phase-Out: None

22 Sector: Professional Services

Sub-Sector:

Industry Classification: JSIC 8051 Architectural design services

JSIC 8097 Certified real estate appraisers

JSIC 8098 Administrative scriveners' offices

JSIC 8099 Professional services n.e.c.

Type of Reservation: Local Presence (Article 100)

Level of Government: Central Government

Measures: Architect and/or Building Engineer Law (Law No. 202 of 1950), Chapter 5

Description: Cross-Border Services

An architect and/or building engineer, qualified as such under the laws and regulations of Japan ("Kenchikushi"), or a person employing such an architect and/or building engineer, who intends to conduct businesses of design, superintendence of construction work, administrative work related to construction work contracts, supervision of building construction work, survey and evaluation of buildings, and representation in procedure under the laws and regulations concerning construction, upon request from others for remuneration, is required to establish an office in Japan.

Phase-Out: None

23 Sector: Professional Services

Sub-Sector:

Industry Classification: JSIC 8092 Certified social insurance and labour consultants' offices

Type of Reservation: Local Presence (Article 100)

Level of Government: Central Government

Measures: Certified Social Insurance and Labour Consultant Law (Law No. 89 of 1968), Chapters 2-2, 4-2 and 4-3

Description: Cross-Border Services

A person who intends to supply social insurance and labor consultant services is required to be qualified as a certified social insurance and labor consultant under the laws and regulations of Japan ("Shakai-Hoken-Romushi"), and to establish an office in Japan.

An enterprise which intends to supply social insurance and labor consultant services is required to establish a certified social insurance and labor consultant corporation under the laws and regulations of Japan ("Shakai-Hoken-Romushi-Hojin").

Phase-Out: None

24 Sector: Professional Services

Sub-Sector:

Industry Classification: JSIC 8098 Administrative scriveners' office

Type of Reservation: Local Presence (Article 100)

Level of Government: Central Government

Measures: Administrative Scrivener Law (Law No. 4 of 1951), Articles 6, 6-2, 8 and 19

Description: Cross-Border Services

A person who intends to supply administrative scrivener services is required to be qualified as administrative scrivener under the laws and regulations of Japan ("Gyousei-Shoshi"), and to establish an office within the district of the administrative scrivener association which the person belongs to.

Phase-Out: None

25 Sector: Professional Services

Sub-Sector:

Industry Classification: JSIC 8099 Professional services, n.e.c.

Type of Reservation: Local Presence (Article 100)

Level of Government: Central Government

Measures: Land and House Surveyor Law (Law No. 228 of 1950), Chapters 3, 4, 5 and 7

Description: Cross-Border Services

A person who intends to supply land and house surveyor services is required to be qualified as land and house surveyor under the laws and regulations of Japan ("Tochi-Kaoku-Chosashi"), and to establish an office within the district of the land and house surveyor association which the person belongs to.

An enterprise which intends to supply land and house surveyor services is required to establish a land and house surveyor corporation under the laws and regulations of Japan ("Tochi-Kaoku-Chosashi-Hojin").

Phase-Out: None

26 Sector: Real Estate

Sub-Sector:

Industry Classification: JSIC 6811 Sales agents of buildings and houses

JSIC 6812 Land subdividers and developers

JSIC 6821 Real estate agents and brokers

JSIC 6941 Real estate managers

Type of Reservation: Local Presence (Article 100)

Level of Government: Central Government

Measures: Building Lots and Buildings Transaction Business Law (Law No. 176 of 1952), Chapter 2

Real Estate Syndication Law (Law No. 77 of 1994), Chapter 2

Law Concerning Improving Management of Condominiums (Law No. 149 of 2000), Chapter 3

Description: Cross-Border Services

1. A person who intends to conduct building lots and buildings transaction businesses is required to establish an office in Japan, and to obtain license from the Minister of Land, Infrastructure and Transport or from the prefectural governor having jurisdiction over the district where the office is located;

2. A person who intends to conduct real estate syndication businesses is required to establish an office in Japan, and to obtain permission from the competent Minister or from the prefectural governor having jurisdiction over the district where the office is located; and

3. A person who intends to conduct condominiums management businesses is required to establish an office in Japan, and to be registered in the list maintained by the Ministry of Land, Infrastructure and Transport.

Phase-Out: None

27 Sector: Real Estate Appraisal Services

Sub-Sector:

Industry Classification: JSIC 8097 Certified real estate appraisers

Type of Reservation: Local Presence (Article 100)

Level of Government: Central Government

Measures: Law Concerning the Appraisal of Real Estate (Law No. 152 of 1963), Chapter 3

Description: Cross-Border Services

A person who intends to supply real estate appraisal services is required to establish an office in Japan, and to be registered in the list maintained by the Ministry of Land, Infrastructure and Transport or the prefecture having jurisdiction over the district where the office is located.

Phase-Out: None

28 Sector: Seafarers

Sub-Sector:

Industry Classification: JSIC 031 Marine fisheries
 JSIC 451 Oceangoing transport
 JSIC 452 Coastwise transport

Type of Reservation: National Treatment (Article 98)

Level of Government: Central Government

Measures: Mariners Law (Law No. 100 of 1947), Chapter 4
 The 9th Basic Plan for Employment Measures (Cabinet Decision, August 13, 1999)
 Official Notification of the Director General of Seafarers Department, Maritime Technology and Safety Bureau of the Ministry of Transport, No. 115, 1990
 Official Notification of the Director General of Seafarers Department, Maritime Technology and Safety Bureau of the Ministry of Transport, No. 327, 1990
 Official Notification of the Director General of Maritime, Bureau of the Ministry of Land, Infrastructure and Transport, No. 153, 2004

Description: Cross-Border Services
 Foreign nationals employed by Japanese enterprises except for the seafarers referred to in the relevant official notification may not work on the vessels flying the Japanese flag.

Phase-Out: None

29 Sector: Security Guard Services

Sub-Sector:

Industry Classification: JSIC 9061 Guard services

Type of Reservation: National Treatment (Article 58)
Local Presence (Article 100)

Level of Government: Central Government

Measures: Foreign Exchange and Foreign Trade Law (Law No. 228 of 1949), Article 27
Cabinet Order on Foreign Direct Investment (Cabinet Order No. 261 of 1980), Article 3
Security Business Law (Law No. 117 of 1972), Chapter 2

Description: Investment and Cross-Border Services

1. The prior notification requirement under the Foreign Exchange and Foreign Trade Law applies to foreign investors who intend to make investment in security guard services in Japan.
2. A person who intends to conduct security guard services is required to establish a place of business in Japan, and to obtain an approval from the Prefectural Public Safety Commission having jurisdiction over the district where the place of business is located.

Phase-Out: None

30 Sector: Services Related to Occupational Safety and Health

Sub-Sector:

Industry Classification: JSIC 7722 Vocational guidance centers

JSIC 8099 Professional services, n.e.c.

JSIC 9021 Commodity inspection services

JSIC 9032 Environmental surveying certification

Type of Reservation: Local Presence (Article 100)

Level of Government: Central Government

Measures: Industrial Safety and Health Law (Law No. 57 of 1972), Chapters 5 and 8

Regulation Concerning Registered Inspection Agency and Other Related Agencies (Ministerial Ordinance of Ministry of Labour No. 44 of 1972)

Working Environment Measurement Law (Law No. 28 of 1975), Chapters 2 and 3

Enforcement Regulation of the Working Environment Measurement Law (Ministerial Ordinance of Ministry of Labour No. 20 of 1975)

Description: Cross-Border Services

A person who intends to supply inspection or verification services for working machines, skill training course and other related services in connection with occupational safety and health, or working environment measurement services is required to be resident or to establish an office in Japan, and to register with the Minister of Health, Labour and Welfare or Director-General of the Prefectural Labour Bureau.

Phase-Out: None

31 Sector: Survey Services

Sub-Sector:

Industry Classification: JSIC 8052 Surveying services

Type of Reservation: Local Presence (Article 100)

Level of Government: Central Government

Measures: Survey Law (Law No. 188 of 1949), Chapter 6

Description: Cross-Border Services

A person who intends to supply surveying services is required to establish a place of business in Japan, and to register with the Minister of Land, Infrastructure and Transport.

Phase-Out: None

32 Sector: Transport

Sub-Sector: Air Transport

Industry Classification: JSIC 4611 Air transport

Type of Reservation: National Treatment (Article 58)
Most-Favored-Nation Treatment (Article 59)
Senior Management and Boards of Directors (Article 64)

Level of Government: Central Government

Measures: Foreign Exchange and Foreign Trade Law (Law No. 228 of 1949), Article 27
Cabinet Order on Foreign Direct Investment (Cabinet Order No. 261 of 1980), Article 3
Civil Aeronautics Law (Law No. 231 of 1952), Chapters 7 and 8

Description: Investment

1. The prior notification requirement under the Foreign Exchange and Foreign Trade Law applies to foreign investors who intend to make investment in air transport business in Japan.
2. A permission of the Minister of Land, Infrastructure and Transport for conducting air transport businesses as a Japanese air carrier is not granted to the following natural person or entity applying for the permission:
 - (a) a natural person who does not have Japanese nationality;
 - (b) a foreign state, or public entity or its equivalent thereof;

- (c) an enterprise or other entity constituted or organized under the laws of any foreign state;
- (d) an enterprise represented by the natural person or entity referred to in subparagraph (a), (b) or (c) above; an enterprise of which more than one-third of the members of the board of directors is composed of the natural person or entity referred to in subparagraph (a), (b) or (c) above; or an enterprise of which more than one-third of voting rights is held by the natural person or entity referred to in subparagraph (a), (b) or (c) above.

In the event an air carrier becomes the natural person or entity referred to in subparagraphs (a) through (d) above, the permission will lose effect. The conditions for the permission also apply to enterprises, such as holding companies, which have effective control over the air carriers.

3. Japanese air carriers and the enterprises having effective control over the air carriers, such as holding companies, can reject the request from a natural person or an entity set forth in subparagraphs 2(a) through 2(c) above, who owns equity investment in such air carriers or enterprises, to enter their names and addresses in the register of shareholders, in the event such air carriers and enterprises become the natural person or entity referred to in subparagraph 2(d) by accepting such request.

4. Foreign air carriers are required to obtain permissions of the Minister of Land, Infrastructure and Transport to conduct international air transport businesses.

5. Permission of the Minister of Land, Infrastructure and Transport is required for the use of foreign aircraft for air transportation of passengers or cargoes to and from Japan for remuneration.

6. A foreign aircraft may not be used for a flight and for transporting passengers or cargoes for remuneration, between points within Japan.

Phase-Out: None

33 Sector: Transport

Sub-Sector: Air Transport

Industry Classification: JSIC 4621 Aircraft service, except air transport

Type of Reservation: National Treatment (Articles 58 and 98)

Senior Management and Boards of Directors (Article 64)

Level of Government: Central Government

Measures: Foreign Exchange and Foreign Trade Law (Law No. 228 of 1949), Article 27

Cabinet Order on Foreign Direct Investment (Cabinet Order No. 261 of 1980), Article 3

Civil Aeronautics Law (Law No. 231 of 1952), Chapters 7 and 8

Description: Investment and Cross-Border Services

1. The prior notification requirement under the Foreign Exchange and Foreign Trade Law applies to foreign investors who intend to make investment in aerial work business in Japan.
2. A permission of the Minister of Land, Infrastructure and Transport for conducting aerial work businesses is not granted to the following natural person or entity applying for the permission:
 - (a) a natural person who does not have Japanese nationality;
 - (b) a foreign state, or public entity or its equivalent thereof;

- (c) an enterprise or other entity constituted or organized under the laws of any foreign state;
- (d) an enterprise represented by the natural person or entity referred to in subparagraph (a), (b) or (c) above; an enterprise of which more than one-third of the members of the board of directors is composed of the natural person or entity referred to in subparagraph (a), (b) or (c) above; or an enterprise of which more than one-third of voting rights is held by the natural person or entity referred to in subparagraph (a), (b) or (c) above.

In the event a person conducting an aerial work businesses becomes the natural person or entity referred to in subparagraphs (a) through (d) above, the permission will lose effect. The conditions for the permission also apply to enterprises, such as holding companies, which have effective control over the person conducting aerial work businesses.

A foreign aircraft may not be used for a flight between points within Japan.

Phase-Out: None

34 Sector: Transport

Sub-Sector: Air Transport (Registration of Aircraft in the National Register)

Industry Classification:

Type of Reservation: National Treatment (Article 58)
Senior Management and Boards of Directors (Article 64)

Level of Government: Central Government

Measures: Civil Aeronautics Law (Law No. 231 of 1952), Chapter 2

Description: Investment

1. An aircraft owned by any of the following natural persons or entity may not be registered in the national register:

- (a) a natural person who does not have Japanese nationality;
- (b) a foreign state, or public entity or its equivalent thereof;
- (c) an enterprise or association constituted or organized under the laws of any foreign state;
- (d) an enterprise represented by the natural person or entity referred to in subparagraph (a), (b) or (c) above; an enterprise of which more than one-third of the members of the board of directors is composed of the natural person or entity referred to in subparagraph (a), (b) or (c) above; or an enterprise of which more than one-third of voting shares is held by the natural person or entity referred to in subparagraph (a), (b) or (c) above.

2. An aircraft which has the nationality of a country other than Japan may not be registered in the national register.

Phase-Out: None

35 Sector: Transport

Sub-Sector: Customs Brokerage

Industry Classification: JSIC 4899 Miscellaneous services incidental to transport

Type of Reservation: Local Presence (Article 100)

Level of Government: Central Government

Measures: Customs Brokerage Law (Law No. 122 of 1967), Chapter 2

Description: Cross-Border Services

A person who intends to conduct customs brokerage businesses is required to have a place of business in Japan, and to obtain permission of the Director-General of Customs having jurisdiction over the district where the person intends to conduct customs brokerage businesses.

Phase-Out: None

36 Sector: Transport

Sub-Sector: Freight Forwarding Business
(excluding freight forwarding
business using air transportation)

Industry Classification: JSIC 4441 Collect-and-deliver
freight transport

JSIC 4821 Deliver freight
transport, except
collect-and-deliver
freight transport

Type of Reservation: National Treatment
(Articles 58 and 98)

Most-Favored-Nation Treatment
(Articles 59 and 99)

Senior Management and Boards of
Directors (Article 64)

Local Presence (Article 100)

Level of Government: Central Government

Measures: Freight Forwarding Business Law (Law
No. 82 of 1989), Chapters 2, 3 and 4

Enforcement Regulation of Freight
Forwarding Business Law (Ministerial
Ordinance of Ministry of Transport
No. 20 of 1990)

Description: Investment and Cross-Border Services

1. The following natural person or
entity is required to register with,
or to obtain permission or approval
of the Minister of Land,
Infrastructure and Transport for
conducting freight forwarding
businesses using international
shipping. Such registration shall be
permitted, or such permission or
approval shall be granted, on the
basis of mutual reciprocity, to:

(a) a natural person who does not
have Japanese nationality;

- (b) a foreign state, or public entity or its equivalent thereof;
- (c) an enterprise or association constituted or organized under the laws of any foreign state;
- (d) any enterprise represented by the natural person or entity referred to in subparagraph (a), (b) or (c) above; an enterprise of which more than one-third of the members of the board of directors is composed of the natural person or entity referred to in subparagraph (a), (b) or (c) above; or an enterprise of which more than one-third of voting shares is held by the natural person or entity referred to in subparagraph (a), (b) or (c) above.

2. A person who intends to conduct freight forwarding businesses in Japan is required to establish an office in Japan, and to register with, or to obtain permission or approval of the Minister of Land, Infrastructure and Transport.

Phase-Out: None

37 Sector: Transport

Sub-Sector: Freight Forwarding Business (only freight forwarding business using air transportation)

Industry Classification: JSIC 4441 Collect-and-deliver freight transport

JSIC 4821 Deliver freight transport, except collect-and-deliver freight transport

Type of Reservation: National Treatment (Article 58)

Most-Favored-Nation Treatment (Article 59)

Senior Management and Boards of Directors (Article 64)

Level of Government: Central Government

Measures: Freight Forwarding Business Law (Law No. 82 of 1989), Chapters 2, 3 and 4

Enforcement Regulation of Freight Forwarding Business Law (Ministerial Ordinance of Ministry of Transport No. 20 of 1990)

Description: Investment

1. The following natural person or entity may not conduct freight forwarding businesses using air transportation between any points in Japan:

(a) a natural person who does not have Japanese nationality;

(b) a foreign state, or public entity or its equivalent thereof;

- (c) an enterprise or association constituted or organized under the laws of any foreign state;
- (d) any enterprise represented by the natural person or entity referred to in subparagraph (a), (b) or (c) above; an enterprise of which more than one-third of the members of the board of directors is composed of the natural person or entity referred to in subparagraph (a), (b) or (c) above; or an enterprise of which more than one-third of voting shares is held by the natural person or entity referred to in subparagraph (a), (b) or (c) above.

2. The natural person or entity referred to in subparagraphs 1(a) through 1(d) above is required to register with, or to obtain permission or approval of the Minister of Land, Infrastructure and Transport for conducting freight forwarding businesses using international air transportation. Such registration shall be permitted, or such permission or approval shall be granted, on the basis of mutual reciprocity.

Phase-Out: None

38 Sector: Transport

Sub-Sector: Railway Transport

Industry Classification: JSIC 42 Railway transport
 JSIC 4851 Railway facilities services

Type of Reservation: National Treatment (Article 58)

Level of Government: Central Government

Measures: Foreign Exchange and Foreign Trade Law (Law No. 228 of 1949), Article 27
 Cabinet Order on Foreign Direct Investment (Cabinet Order No. 261 of 1980), Article 3

Description: Investment

The prior notification requirement under the Foreign Exchange and Foreign Trade Law applies to foreign investors who intend to make investment in railway transport industry in Japan. The manufacture of vehicles, parts and components for the railway transport industry is not included in railway transport industry. Therefore, prior notification under the Foreign Exchange and Foreign Trade Law is not required for the investment in the manufacture of these products.

Phase-Out: None

39 Sector: Transport

Sub-Sector: Road Passenger Transport

Industry Classification: JSIC 4311 Common omnibus operators

Type of Reservation: National Treatment (Article 58)

Level of Government: Central Government

Measures: Foreign Exchange and Foreign Trade Law (Law No. 228 of 1949), Article 27

Cabinet Order on Foreign Direct Investment (Cabinet Order No. 261 of 1980), Article 3

Description: Investment

The prior notification requirement under the Foreign Exchange and Foreign Trade Law applies to foreign investors who intend to make investment in road passenger transport industry in Japan. The manufacture of vehicles, parts and components is not included in omnibus industry. Therefore, prior notification under the Foreign Exchange and Foreign Trade Law is not required for the investment in the manufacture of these products.

Phase-Out: None

40 Sector: Transport

Sub-Sector: Road Transport

Industry Classification: JSIC 43 Road passenger transport
 JSIC 44 Road freight transport

Type of Reservation: Local Presence (Article 100)

Level of Government: Central Government

Measures: Road Transport Law (Law No. 183 of 1951), Chapter 2
 Trucking Business Law (Law No. 83 of 1989), Chapter 2

Description: Cross-Border Services

A person who intends to conduct passenger motor transport businesses or trucking businesses is required to establish a place of business in Japan, and to obtain permission of the Minister of Land, Infrastructure and Transport.

Phase-Out: None

41 Sector: Transport

Sub-Sector: Services Incidental to Transport

Industry
Classification:

Type of
Reservation: National Treatment (Article 98)
Local Presence (Article 100)

Level of
Government: Central Government

Measures: Pilotage Law (Law No. 121 of 1949),
Chapters 2 and 3

Description: Cross-Border Services

Only a Japanese national may become a
pilot in Japan.

Pilots directing ships in the same
pilotage district are required to
establish a pilot association for the
pilotage district.

Phase-Out: None

42 Sector: Transport

Sub-Sector: Water Transport

Industry Classification: JSIC 451 Oceangoing transport

Type of Reservation: National Treatment (Article 98)
Most-Favored-Nation Treatment (Article 99)

Level of Government: Central Government

Measures: Law Concerning Special Measures against Unfavorable Treatment to Japanese Oceangoing Ship Operators by Foreign Government (Law No. 60 of 1977)

Description: Cross-Border Services

The oceangoing ship operators of Mexico may be restricted or prohibited from entering Japanese ports or from loading and unloading of cargoes in Japan in cases where Japanese oceangoing ship operators are prejudiced by Mexico.

Phase-Out: None

43 Sector: Transport

Sub-Sector: Water Transport

Industry Classification: JSIC 452 Coastwise transport
 JSIC 453 Inland water transport
 JSIC 4542 Coastwise ship leasing

Type of Reservation: National Treatment (Article 58)

Level of Government: Central Government

Measures: Foreign Exchange and Foreign Trade Law (Law No. 228 of 1949), Article 27
 Cabinet Order on Foreign Direct Investment (Cabinet Order No. 261 of 1980), Article 3

Description: Investment

The prior notification requirement under the Foreign Exchange and Foreign Trade Law applies to foreign investors who intend to make investment in water transport industry in Japan. For greater certainty, "water transport industry" refers to oceangoing/seagoing transport, coastwise transport (i.e. maritime transport between ports in Japan), inland water transport and ship leasing industry. However, oceangoing/seagoing transport industry and ship leasing industry excluding coastwise ship leasing industry are exempted from prior notification requirements.

Phase-Out: None

44 Sector: Transport

Sub-Sector: Water Transport

Industry
Classification:

Type of
Reservation: National Treatment (Articles 58 and
98)

Most-Favored-Nation Treatment
(Articles 59 and 99)

Level of
Government: Central Government

Measures: Ship Law (Law No. 46 of 1899),
Article 3

Description: Investment and Cross-Border Services

Unless otherwise specified in laws
and regulations of Japan, or
international agreements to which
Japan is a party, ships not flying
the Japanese flag are prohibited from
entering Japanese ports which are not
open to foreign commerce and from
carrying cargoes or passengers
between Japanese ports.

Phase-Out: None

45 Sector: Vocational Skills Test

Sub-Sector:

Industry
Classification:

Type of
Reservation: Local Presence (Article 100)

Level of
Government: Central Government

Measures: Human Resources Development Promotion
Law (Law No. 64 of 1969), Chapter 5

Description: Cross-Border Services

An enterprise which intends to carry out the vocational skills test for workers is required to establish an office in Japan, and to be designated by the Minister of Health, Labour and Welfare.

Phase-Out: None

46 Sector: Water Supply and Waterworks

Sub-Sector:

Industry Classification: JSIC 3611 Water for end users,
except industrial users

Type of Reservation: National Treatment (Article 58)

Level of Government: Central Government

Measures: Foreign Exchange and Foreign Trade
Law (Law No. 228 of 1949), Article 27

Cabinet Order on Foreign Direct
Investment (Cabinet Order No. 261 of
1980), Article 3

Description: Investment

The prior notification requirement
under the Foreign Exchange and
Foreign Trade Law applies to foreign
investors who intend to make
investment in water supply and
waterworks industry in Japan.

Phase-Out: None

47 Sector: Wholesale and Retail Trade

Sub-Sector: Livestock

Industry Classification: JSIC 5119 Miscellaneous agricultural, animal and poultry farm and aquatic products

Type of Reservation: Local Presence (Article 100)

Level of Government: Central Government

Measures: Livestock Dealer Law (Law No. 208 of 1949), Article 3

Description: Cross-Border Services

A person who intends to conduct livestock trading businesses is required to be resident in Japan, and to obtain a license from the prefectural governor having jurisdiction over the place of residence. For greater certainty, "livestock trading" means the trading or exchange of livestock, or the good offices for such trading or exchange.

Phase-Out: None

Schedule of Mexico

1 Sector: All sectors

Sub-Sector:

Industry
Classification:

Type of
Reservation: National Treatment (Article 58)

Level of
Government: Federal

Measures: United Mexican States Political
Constitution (Constitución Política
de los Estados Unidos Mexicanos),
Article 27

Foreign Investment Law (Ley de
Inversión Extranjera), Title II,
Chapters I and II

Regulations to the Foreign Investment
Law and the National Registry for
Foreign Investment (Reglamento de la
Ley de Inversión Extranjera y del
Registro Nacional de Inversiones
Extranjeras), Title II, Chapters I
and II

Description: Investment

Foreign nationals or foreign
enterprises may not acquire property
rights ("dominio directo") over land
and water in a 100-kilometer strip
along the country's borders or in a
50-kilometer strip inland from its
coasts (the "Restricted Zone").

Mexican enterprises without a
foreigners' exclusion clause may
acquire property rights ("dominio
directo") over real estate located in
the Restricted Zone, used for non-
residential purposes. Notice of the
acquisition must be given to the
Ministry of Foreign Affairs
(Secretaría de Relaciones Exteriores,
SRE) within the sixty business days
following the date of acquisition.

Mexican enterprises without a foreigners' exclusion clause may not acquire property rights ("dominio directo") over real estate located in the Restricted Zone, used for residential purposes.

Pursuant to the procedure described below, Mexican enterprises without a foreigners' exclusion clause may acquire rights for the use and enjoyment over real estate in the "Restricted Zone", used for residential purposes. Such a procedure shall also apply when foreign nationals or foreign enterprises seek to acquire rights for the use and enjoyment over real estate in the Restricted Zone regardless of the purpose for which the real estate is used.

A permit from the SRE is required for credit institutions to acquire, as trustees, rights to real estate located in the Restricted Zone, when the purpose of the trust is to allow the use and enjoyment of such real estate, without granting real property rights thereof, and the trust beneficiaries are the Mexican enterprises without a foreigners' exclusion clause, or the foreign nationals or foreign enterprises referred to above.

The terms "use" and "enjoyment" of the real estate located in the Restricted Zone mean the rights to use or enjoy such real estate, including, as applicable, obtaining fruits, products and, in general, any yield resulting from lucrative operation and exploitation through third parties or through the credit institutions acting as trustees.

The duration of the trust referred to in this reservation shall be for a maximum period of 50 years, which may be renewed on request by the interested party.

The SRE can verify at any time the compliance with the conditions under which the permits referred to in this reservation are granted, as well as the submission and veracity of the notices mentioned above.

The SRE shall resolve on the permits, considering the economic and social benefits that these operations could imply to the Nation.

Foreign nationals or foreign enterprises seeking to acquire real estate outside the Restricted Zone, shall previously submit to the SRE a statement agreeing to consider themselves Mexican nationals for the above mentioned purposes, and waiving to invoke the protection of their governments with respect to such real estate.

Phase-Out: None

2 Sector: All sectors

Sub-Sector:

Industry
Classification:

Type of
Reservation: National Treatment (Article 58)

Level of
Government: Federal

Measures: Foreign Investment Law (Ley de
Inversión Extranjera), Title VI,
Chapter III

Description: Investment

The National Commission on Foreign
Investment (Comisión Nacional de
Inversiones Extranjeras, CNIE), in
order to evaluate applications
submitted for its consideration
(acquisitions or establishment of
investments in restricted activities
as set out in this Schedule), shall
take into account the following
criteria:

- (a) the effects on employment and
training of workers;
- (b) the technological contribution;
- (c) the compliance with the
environmental provisions
contained in the environmental
legislation; and
- (d) in general, the contribution to
increase the competitiveness of
the Mexican productive system.

When resolving an application, the
CNIE may only impose performance
requirements that do not distort
international trade and that are not
prohibited by Article 65.

Phase-Out: None

3 Sector: All sectors

Sub-Sector:

Industry Classification:

Type of Reservation: National Treatment (Article 58)

Level of Government: Federal

Measures: Foreign Investment Law (Ley de Inversión Extranjera), Title I, Chapter III

Description: Investment

Favorable resolution from the National Commission on Foreign Investment (Comisión Nacional de Inversiones Extranjeras, CNIE) is required for investors of the other Party or their investments to participate, directly or indirectly, in more than 49% of the ownership interest of a Mexican enterprise in an unrestricted sector, only when the total value of the assets of the Mexican enterprise exceeds the applicable threshold at the time the application for acquisition is submitted.

Upon entry into force of this Agreement, the applicable threshold for the review of an acquisition of a Mexican enterprise shall be the amount so determined by the CNIE. In any case, the threshold shall be no less than US\$150 million dollars.

Each year following the entry into force of this Agreement, the threshold will be adjusted according to the nominal growth rate of the Mexican Gross Domestic Product, as published by the National Institute for Statistics, Geography and Informatics (Instituto Nacional de Estadística, Geografía e Informática, INEGI).

Phase-Out: None

4 Sector: All sectors

 Sub-Sector:

 Industry
 Classification:

 Type of National Treatment (Article 58)
 Reservation:

 Senior Management and Boards of
 Directors (Article 64)

 Level of Federal
 Government:

 Measures: United Mexican States Political
 Constitution (Constitución Política
 de los Estados Unidos Mexicanos),
 Article 25

 General Law of Cooperative Companies
 (Ley General de Sociedades
 Cooperativas), Title I, and Title II,
 Chapter II

 Federal Labor Law (Ley Federal del
 Trabajo), Title I

 Foreign Investment Law (Ley de
 Inversión Extranjera), Title I,
 Chapter III

 Description: Investment

 No more than 10 percent of the
 persons participating in a Mexican
 cooperative production enterprise may
 be foreign nationals.

 Investors of the other Party or their
 investments may only own, directly or
 indirectly, up to 10 percent of the
 ownership interest in a Mexican
 cooperative production enterprise.

 No foreign nationals may engage in
 general administrative functions or
 perform managerial activities in that
 enterprise.

A cooperative production enterprise is an enterprise whose members join their personal work, whether physical or intellectual, with the purpose of producing goods or services.

Phase-Out: None

5 Sector: All sectors

Sub-Sector:

Industry
Classification:

Type of
Reservation: National Treatment (Article 58)

Level of
Government: Federal

Measures: Federal Law to Foster the
Microindustry and Handicraft Activity
(Ley Federal para el Fomento de la
Microindustria y la Actividad
Artesanal), Chapters I, II and III

Description: Investment

Only Mexican nationals may apply for
a license ("cédula") to qualify as a
microindustry enterprise.

Mexican microindustry enterprises may
not have foreign persons as partners.

The Federal Law to Foster the
Microindustry and Handicraft Activity
(Ley Federal para el Fomento de la
Microindustria y Actividad Artesanal)
defines "microindustry enterprise" as
the enterprise integrated by up to
fifteen workers, that is engaged in
the transformation of goods, and
whose annual sales do not exceed the
amount so determined by the Ministry
of Economy (Secretaría de Economía,
SE) from time to time.

Phase-Out: None

6 Sector: Agriculture, Livestock, Forestry, and Lumber Activities

Sub-Sector: Agriculture, Livestock or Forestry

Industry Classification: CMAP 1111 Agriculture
 CMAP 1112 Farming of animals and hunting (limited to farming of animals)
 CMAP 1200 Forestry and logging

Type of Reservation: National Treatment (Article 58)

Level of Government: Federal

Measures: United Mexican States Political Constitution (Constitución Política de los Estados Unidos Mexicanos), Article 27
 Agrarian Law (Ley Agraria), Title VI
 Foreign Investment Law (Ley de Inversión Extranjera), Title I, Chapter III

Description: Investment
 Only Mexican nationals or Mexican enterprises may own land for agriculture, livestock or forestry purposes. Such enterprises must issue a special type of share ("T" shares) representing the value of that land at the time of its acquisition. Investors of the other Party or their investments may only own, directly or indirectly, up to 49 percent of "T" shares.

Phase-Out: None

7 Sector: Communications

Sub-Sector: Telecommunications Services and Public Networks (commercial agencies)

Industry Classification: CMAP 720006 Other Telecommunications Services (limited to commercial agencies)

Type of Reservation: National Treatment (Articles 58 and 98)

Most-Favored-Nation Treatment (Article 99)

Local Presence (Article 100)

Level of Government: Federal

Measures: United Mexican States Political Constitution (Constitución Política de los Estados Unidos Mexicanos), Article 28

Telecommunications Federal Law (Ley Federal de Telecomunicaciones), Chapter III, Section V, and Chapter IV, Section III

Regulations to the Public Telephony Services (Reglamento del Servicio de Telefonía Pública), Chapters I, II and IV

Rules of International Telecommunications (Reglas de Telecomunicaciones Internacionales), Rules 1, 2, 3, 4, 5 and 6

Description: Investment and Cross-Border Services

A permit issued by the Ministry of Communications and Transportation (Secretaría de Comunicaciones y Transportes, SCT) is required to provide telecommunications services as a commercial agency. Only Mexican nationals and enterprises established under Mexican laws may obtain such a permit.

A permit issued by the SCT is required to establish an enterprise engaged in the supply of telecommunications services as a commercial agency. Only Mexican nationals and enterprises established under Mexican laws may obtain such a permit.

The establishment and operation of commercial agencies are invariably subject to the relevant regulations in force. The SCT will not issue permits for the establishment of a commercial agency until the relevant regulations are issued.

Commercial agencies are those which, without owning or possessing transmission means, provide third parties with telecommunications services by using capacity from a telecommunications public network concessionaire.

Except where specifically approved by the SCT telecommunications public network concessionaires may not participate, directly or indirectly, in the capital of a telecommunications commercial agency.

International traffic shall be routed through an authorized international port of a concessionaire expressly authorized by the SCT.

Phase-Out: None

8	Sector:	Communications
	Sub-Sector:	Telecommunication Services and Public Networks
	Industry Classification:	CMAP 720006 Other Telecommunications Services
	Type of Reservation:	National Treatment (Articles 58 and 98) Most-Favored-Nation Treatment (Article 99) Local Presence (Article 100)
	Level of Government:	Federal
	Measures:	United Mexican States Political Constitution (Constitución Política de los Estados Unidos Mexicanos), Article 32 Telecommunications Federal Law (Ley Federal de Telecomunicaciones), Chapter I, Chapter III, Sections I, II, III and IV, and Chapter V Foreign Investment Law (Ley de Inversión Extranjera), Title I, Chapter III Regulations to Satellite Communication (Reglamento de Comunicación Vía Satélite), Title II, Sections I, II and III, and Title III Regulations to the Public Telephony Services (Reglamento del Servicio de Telefonía Pública), Chapters I, II and IV Regulations to Restricted Television and Audio Services (Reglamento del Servicio de Televisión y Audio Restringidos), Chapters I and V Rules of Long Distance Service (Reglas del Servicio de Larga Distancia), Chapters III, IV and VII

Rules of International
Telecommunications (Reglas de
Telecomunicaciones Internacionales),
Rules 1, 2, 3, 4, 5 and 6

Description: Investment

Investors of the other Party or their
investments may only participate,
directly or indirectly, up to 49
percent in concessionaire enterprises
that:

- (a) use, profit from or exploit a
frequency band in the national
Area, except the free use
spectrum and the official use
spectrum;
- (b) install, operate or exploit
public telecommunication
networks;
- (c) occupy geostationary orbital
positions and satellite orbits
assigned to the country and
exploit their corresponding
frequency bands; and,
- (d) exploit signal transmission and
reception rights of frequency
bands associated to foreign
satellite systems that cover and
which may provide services in
the national Area.

Cross-Border Services

A concession granted by the Ministry
of Communications and Transportation
(Secretaría de Comunicaciones y
Transportes, SCT) is required to:

- (a) use, profit from or exploit a
frequency band in the national
Area, except the free use
spectrum and the official use
spectrum;
- (b) install, operate or exploit
public telecommunication
networks;

- (c) occupy geostationary orbital positions and satellite orbits assigned to the country and exploit their corresponding frequency bands; and,
- (d) exploit signal transmission and reception rights of frequency bands associated to foreign satellite systems that cover and which may provide services in the national Area.

Only Mexican nationals and Mexican enterprises may obtain such a concession.

A concession is required to use, profit from or to exploit frequency bands for specific use of the radioelectrical spectrum in the Mexican national Area. Concessions to use, profit from or to exploit frequency bands of the spectrum for specific uses shall be granted through public bid.

International public traffic can be transported only by an enterprise holding a concession of public telecommunications network granted by SCT. Such traffic shall be routed through the international port of a concessionaire authorized by SCT.

Private networks operators seeking to commercially exploit services shall obtain a concession granted by SCT in which case they will change its nature to a public telecommunications network.

Phase-Out: None

9 Sector: Communications

Sub-Sector: Telecommunication Services and Public Networks (telephony)

Industry Classification: CMAP 720003 Telephone Services (includes mobile telephony services in the "A" and "B" bands)

CMAP 720004 Public Telephone Services

CMAP 502003 Telecommunications Installation

Type of Reservation: National Treatment (Articles 58 and 98)

Most-Favored-Nation Treatment (Article 99)

Local Presence (Article 100)

Level of Government: Federal

Measures: United Mexican States Political Constitution (Constitución Política de los Estados Unidos Mexicanos), Article 28

Telecommunications Federal Law (Ley Federal de Telecomunicaciones), Chapter I, Chapter III, Sections I, II, III and IV, and Chapter V

Foreign Investment Law (Ley de Inversión Extranjera), Title I, Chapter III

Regulations to the Public Telephony Services (Reglamento de Servicios de Telefonía Pública), Chapters I, II and IV

Regulations to Satellite Telecommunications (Reglamento de Telecomunicaciones Vía Satélite), Title II, Sections I, II and III

Rules of Local Service (Reglas del Servicio Local), Rule 8

Rules of Long Distance Service
(Reglas del Servicio de Larga
Distancia), Chapters III, IV and VII

Rules of International
Telecommunications (Reglas de
Telecomunicaciones Internacionales),
Rules 1, 2, 3, 4, 5 and 6

Description: Telecommunication services covered in this reservation, whether provided or not to the public, refer to the real time transmission of information provided to users between two or more points, without changing from point to point in the form or content of the user's information.

Investment

Investors of the other Party or their investments may only participate, directly or indirectly, up to 49 percent in concessionaire Mexican enterprises providing telephony services, telephone booth services and telecommunications facilities, except for cellular telephony services.

Favorable resolution from the National Commission on Foreign Investment (Comisión Nacional de Inversiones Extranjeras, CNIE) is required for investors of the other Party or their investments to participate, directly or indirectly, in more than 49% in the capital of cellular telephony services operators.

Cross-Border Services

A concession granted by the Ministry of Communications and Transportation (Secretaría de Comunicaciones y Transportes, SCT) is required to:

- (a) use, profit from or exploit a frequency band in the national Area, except the free use spectrum and the official use spectrum;
- (b) install, operate or exploit public telecommunication networks;
- (c) occupy geostationary orbital positions and satellite orbits assigned to the country and exploit their corresponding frequency bands; and,
- (d) exploit signal transmission and reception rights of frequency bands associated to foreign satellite systems that cover and which may provide services in the national Area.

Only Mexican nationals or Mexican enterprises may obtain such a concession.

Private networks operators seeking to commercially exploit services shall obtain a concession granted by SCT in which case they will change its nature to a public telecommunications network.

Telecommunications Public Networks include the facilities to provide telephony services. Telecommunications public networks do not include the user's telecommunications equipment, nor the telecommunications networks located beyond the network termination point.

A concession is required to use, profit from, or to exploit frequency bands for specific use of the radioelectrical spectrum in the Mexican national Area. Concessions on frequency bands of the spectrum for specific uses shall be granted through public bid.

International traffic shall be routed through an international port of a concessionaire expressly authorized by the SCT.

Phase-Out: None

10 Sector: Communications

Sub-Sector: Transportation and Telecommunications

Industry Classification: CMAP 7200 Communications (including telecommunications and postal services)

CMAP 71 Transport

Type of Reservation: National Treatment (Article 58)

Level of Government: Federal

Measures: Ports Law (Ley de Puertos), Chapter IV

Regulatory Law of the Railway Service (Ley Reglamentaria del Servicio Ferroviario), Chapter II, Section III

Civil Aviation Law (Ley de Aviación Civil), Chapter III, Section III

Airports Law (Ley de Aeropuertos), Chapter IV

Roads, Bridges and Federal Road Transport Law (Ley de Caminos, Puentes y Autotransporte Federal), Title I, Chapter III

Telecommunications Federal Law (Ley Federal de Telecomunicaciones), Chapter III, Section VI

Radio and Television Federal Law (Ley Federal de Radio y Televisión), Title III, Chapters I and II

General Means of Communication Law (Ley de Vías Generales de Comunicación), Book I, Chapters III and V

Description: Investment

Foreign governments and foreign state enterprises or their investments may not invest, directly or indirectly, in Mexican enterprises engaged in communications, transportation and other general means of communications ("vías generales de comunicación") activities.

Phase-Out: None

11 Sector: Construction

Sub-Sector:

Industry Classification: CMAP 501322 Construction for Petroleum and Petroleum-derivative Pipelines (limited to specialized contractors only)

CMAP 503008 Drilling of Oil and Gas Wells (limited to specialized contractors only)

Type of Reservation: National Treatment (Article 58)

Level of Government: Federal

Measures: United Mexican States Political Constitution (Constitución Política de los Estados Unidos Mexicanos), Article 27

Regulatory Law of the Constitutional Article 27 on Oil Matters (Ley Reglamentaria del Artículo 27 Constitucional en el Ramo del Petróleo), Articles 2, 3, 4 and 6

Foreign Investment Law (Ley de Inversión Extranjera), Title I, Chapter III

Regulations to the Regulatory Law of the Constitutional Article 27 on Oil Matters (Reglamento de la Ley Reglamentaria del Artículo 27 Constitucional en el Ramo del Petróleo), Chapters I, V, IX and XII

Description: Investment

Risk-sharing contracts are prohibited.

Favorable resolution from the National Commission on Foreign Investment (Comisión Nacional de Inversiones Extranjeras, CNIE) is required for investors of the other Party or their investments to own, directly or indirectly, more than 49 percent of the ownership interest in an enterprise established or to be established in the Area of Mexico involved in "non-risk-sharing" contracts for the exploration and drilling works of petroleum and gas wells, and the construction of means for the transportation of petroleum and its derivatives. (See also Schedule of Mexico, Annex 8.)

Phase-Out: None

12 Sector: Educational Services

Sub-Sector: Private Schools

Industry Classification: CMAP 921101 Private Pre-school Educational Services

CMAP 921102 Private Primary Educational Services

CMAP 921103 Private Secondary Educational Services

CMAP 921104 Private High School Educational Services

CMAP 921105 Private Higher Education Services

CMAP 921106 Private Education Services that Combine Pre-school, Primary, Secondary, High School and Higher Education Levels

Type of Reservation: National Treatment (Article 58)

Level of Government: Federal

Measures: Foreign Investment Law (Ley de Inversión Extranjera), Title I, Chapter III

Law for the Coordination of Higher Education (Ley para la Coordinación de la Educación Superior), Chapter II

General Law of Education (Ley General de Educación), Chapter III

Description:

Investment

Favorable resolution from the National Commission on Foreign Investment (Comisión Nacional de Inversiones Extranjeras, CNIE) is required for investors of the other Party or their investments to own, directly or indirectly, more than 49 percent of the ownership interest in an enterprise established or to be established in the Area of Mexico that provides pre-school, primary, secondary, high school, higher, and combined private educational services.

Phase-Out:

None

13 Sector: Energy

Sub-Sector: Petroleum Products

Industry Classification: CMAP 623050 Retail Trade of Liquefied-Gas Fuels

Type of Reservation: National Treatment (Article 58)

Level of Government: Federal

Measures: Foreign Investment Law (Ley de Inversión Extranjera), Title I, Chapter II

Regulatory Law of the Constitutional Article 27 on Oil Matters (Ley Reglamentaria del Artículo 27 Constitucional en el Ramo del Petróleo), Chapters I, II, V, VII and IX

Regulations to the Regulatory Law of the Constitutional Article 27 on Oil Matters (Reglamento de la Ley Reglamentaria del Artículo 27 Constitucional en el Ramo del Petróleo), Chapters I, IX and XII

Regulations to Liquefied Petroleum Gas (Reglamento de Gas Licuado de Petróleo), Chapters II, III and V

Description: Investment

Only Mexican nationals and Mexican enterprises with foreigners' exclusion clause may engage in the distribution of liquefied petroleum gas.

Phase-Out: None

14 Sector: Energy

Sub-Sector: Petroleum Products

Industry Classification: CMAP 623090 Retail Trade of other Articles and Goods Not Elsewhere Classified (limited to distribution, transportation and storage of natural gas)

Type of Reservation: Local Presence (Article 100)

Level of Government: Federal

Measures: Regulatory Law of the Constitutional Article 27 on Oil Matters (Ley Reglamentaria del Artículo 27 Constitucional en el Ramo del Petróleo), Chapters I, II, V, VII and IX

Regulations to the Regulatory Law of the Constitutional Article 27 on Oil Matters (Reglamento de la Ley Reglamentaria del Artículo 27 Constitucional en el Ramo del Petróleo), Chapters I, IX and XII

Regulations to Natural Gas (Reglamento de Gas Natural), Chapters I, III, IV and V

Description: Cross-Border Services

A permit granted by the Energy Regulatory Commission (Comisión Reguladora de Energía) is required to provide services of distribution, transportation and storage of natural gas. Only Mexican enterprises may obtain such a permit.

Phase-Out: None

15 Sector: Energy

Sub-Sector: Petroleum Products

Industry Classification: CMAP 626000 Retail Trade of Gasoline and Diesel (including lubricants, oils and additives sold at filling stations)

Type of Reservation: National Treatment (Article 58)

Level of Government: Federal

Measures: Foreign Investment Law (Ley de Inversión Extranjera), Title I, Chapter II

Regulatory Law of the Constitutional Article 27 on Oil Matters (Ley Reglamentaria del Artículo 27 Constitucional en el Ramo del Petróleo), Chapters I, II, V, VII and IX

Regulations to the Regulatory Law of the Constitutional Article 27 on Oil Matters (Reglamento de la Ley Reglamentaria del Artículo 27 Constitucional en el Ramo del Petróleo), Chapters I, II, III, V, VII, IX and XII

Description: Investment

Only Mexican nationals and Mexican enterprises with a foreigners' exclusion clause may engage in the retail sale of gasoline, or acquire, establish or operate gas stations for the distribution or retail sale of gasoline, diesel, lubricants, oils or additives.

Phase-Out: None

16 Sector: Energy

Sub-Sector: Petroleum Products (Supply of fuel and lubricants for aircraft, ships and railway equipment)

Industry Classification:

Type of Reservation: National Treatment (Article 58)

Level of Government: Federal

Measures: Foreign Investment Law (Ley de Inversión Extranjera), Title I, Chapter III

Description: Investment

Investors of the other Party or their investments may own, directly or indirectly, up to 49 percent of the ownership interest of a Mexican enterprise which supplies fuel and lubricants for aircraft, ships and railway equipment.

Phase-Out: None

17 Sector: Fishing

Sub-Sector: Fishing

Industry Classification: CMAP 1300 Fishing

Type of Reservation: National Treatment (Article 98)
Most-Favored-Nation Treatment (Article 99)
Local Presence (Article 100)

Level of Government: Federal

Measures: United Mexican States Political Constitution (Constitución Política de los Estados Unidos Mexicanos), Article 32
Fishing Law (Ley de Pesca), Chapters I and II
Navigation Law (Ley de Navegación), Title II, Chapter I
Regulations to the Fishing Law (Reglamento de la Ley de Pesca), Chapters I, III, IV, V, VI, IX and XV

Description: Cross-Border Services

A concession granted, or permit issued, by the Ministry of Environment and Natural Resources (Secretaría de Medio Ambiente y Recursos Naturales, SEMARNAT) is required to engage in fishing activities in "Mexican jurisdictional waters". Only Mexican nationals and Mexican enterprises using Mexican-flagged vessels may obtain such a concession or permit. Permits may exceptionally be issued to persons operating vessels flagged in a foreign country that provides equivalent treatment to Mexican-flagged vessels to engage in fishing activities in the Exclusive Economic Zone.

Only Mexican nationals and Mexican enterprises may obtain authorization from SEMARNAT for high seas fishing on Mexican-flagged vessels, fixed fishing facilities, recollection from the natural milieu of larvae, post-larvae, eggs, seeds or fingerlings, research or aquaculture purposes, introduction of live species into "Mexican jurisdictional waters", and educational fishing in accordance with the programs of fishing educational institutions.

Phase-Out: None

18 Sector: Fishing

Sub-Sector: Fishing

Industry Classification: CMAP 130011 Fishing in Ocean Waters
 CMAP 130012 Fishing in Coastal Waters
 CMAP 130013 Fishing in Inland Waters

Type of Reservation: National Treatment (Article 58)
 Most-Favored-Nation Treatment (Article 59)

Level of Government: Federal

Measures: Fishing Law (Ley de Pesca), Chapters I, II and IV
 Navigation Law (Ley de Navegación), Title III, Chapter I
 Sea Federal Law (Ley Federal del Mar), Title I, Chapters I and III
 National Waters Federal Law (Ley de Aguas Nacionales), Title I, and Title IV, Chapter I
 Foreign Investment Law (Ley de Inversión Extranjera), Title I, Chapter III
 Regulations to the Fishing Law (Reglamento de la Ley de Pesca), Chapters I, II, III, V, VI, IX and XV

Description: Investment

Investors of the other Party or their investments may only own, directly or indirectly, up to 49 percent of the ownership interest in an enterprise established or to be established in the Area of Mexico performing coastal fishing, fresh water fishing and fishing in the Exclusive Economic Zone, excluding aquaculture.

Favorable resolution from the National Commission on Foreign Investment (Comisión Nacional de Inversiones Extranjeras, CNIE) is required for investors of the other Party or their investments to own, directly or indirectly, more than 49 percent of the ownership interest in an enterprise established or to be established in the Area of Mexico performing fishing on the high seas.

Phase-Out: None

19 Sector: Manufacture of Goods

Sub-Sector: Explosives, Fireworks, Firearms and Cartridges

Industry Classification: CMAP 352236 Manufacture of Explosives and Fireworks
CMAP 382208 Manufacture of Firearms and Cartridges

Type of Reservation: National Treatment (Article 58)

Level of Government: Federal

Measures: Foreign Investment Law (Ley de Inversión Extranjera), Title I, Chapter III

Description: Investment

Investors of the other Party or their investments may only own, directly or indirectly, up to 49 percent of the ownership interest in an enterprise established or to be established in the Area of Mexico that manufactures explosives, fireworks, firearms, cartridges and ammunition, excluding the preparation of explosive mixtures for industrial and extractive activities.

Phase-Out: None

20 Sector: Manufacture of Goods

Sub-Sector:

Industry
Classification:

Type of
Reservation: Performance Requirements (Article 65)

Level of
Government: Federal

Measures: Foreign Trade Law (Ley de Comercio Exterior), Title I, Title II, Chapters I, II and III, and Title III

Decree for the Promotion and Operation of the Highly Exporter Enterprises (Decreto para el Fomento y Operación de las Empresas Altamente Exportadoras) ("ALTEX Decree")

Description: Investment

1. "Direct exporters", as defined in the ALTEX Decree, authorized by the Ministry of Economy (Secretaría de Economía, SE) to operate under that Decree must export annually at least 40 percent of their total sales or US\$2,000,000.

2. "Indirect exporters", as defined in the ALTEX Decree, authorized by the SE to operate under that Decree must export annually at least 50 percent of their total sales.

Phase-Out: None

21 Sector: Manufacture of Goods

Sub-Sector:

Industry
Classification:

Type of
Reservation: Performance Requirements (Article 65)

Level of
Government: Federal

Measures: Foreign Trade Law (Ley de Comercio Exterior), Title I, Title II, Chapters I, II and III, and Title III

Customs Law (Ley Aduanera), Title III, Chapter II, Section III, and Title IV, Chapters I and III

Decree that establishes Temporary Import Programs to Produce Export Goods (Decreto que Establece Programas de Importación Temporal para Producir Artículos de Exportación) ("PITEX Decree")

Decree for the Promotion and Operation of the Maquiladora Industry for Export (Decreto para el Fomento y Operación de la Industria Maquiladora de Exportación) ("Maquiladora Decree")

Description: Investment

Persons authorized by the Ministry of Economy (Secretaría de Economía, SE) to operate under the PITEX and Maquiladora Decrees are required to export at least:

(a) 30 percent of their total annual production in order to be permitted to temporarily import duty-free

- (i) Tools, equipment and accessories used for research and industrial safety; products needed in the hygiene and asepsis as well as in the prevention and control of the environmental pollution of the productive system; handbooks and industrial plans; telecommunication and computer equipment, and
 - (ii) Machinery, devices, equipment instruments and spare parts used in the manufacturing process; laboratory, measuring and testing equipment as well as equipment required for quality control, training of personnel and the administrative development of the company.
- (b) 10 percent of their total annual production or US\$500,000 in order to be permitted to temporarily import duty-free
- (i) raw materials, parts, and components, auxiliary materials, containers, packaging materials, fuels and lubricants used in the production of export goods, and
 - (ii) containers and trailer's containers.

Phase-Out: None

22 Sector: Printing, Editing and Associated Industries

Sub-Sector: Newspaper Publishing

Industry Classification: CMAP 342001 Publishing of Newspapers, Magazines and Periodicals (limited to newspapers)

Type of Reservation: National Treatment (Article 58)

Level of Government: Federal

Measures: Foreign Investment Law (Ley de Inversión Extranjera), Title I, Chapter III

As qualified by the Description element

Description: Investment

Investors of the other Party or their investments may only own, directly or indirectly, up to 49 percent of the ownership interest in an enterprise established or to be established in the Area of Mexico engaged in the printing or publication of daily newspapers written primarily for a Mexican audience and distributed in the Area of Mexico.

For purposes of this reservation, daily newspapers are those published at least five days a week.

Phase-Out: None

23 Sector: Professional, Technical and Specialized Services

Sub-Sector: Medical Doctors

Industry Classification: CMAP 9231 Medical, Dental and Veterinary Services provided by the Private Sector (limited to medical and dental services)

Type of Reservation: National Treatment (Article 98)

Level of Government: Federal

Measures: Federal Labor Law (Ley Federal del Trabajo), Chapter I

Description: Cross-Border Services

Only Mexican nationals licensed as doctors in the Area of Mexico may provide in-house medical services in Mexican enterprises.

Phase-Out: None

24 Sector: Professional, Technical and Specialized Services

Sub-Sector: Professional Services

Industry Classification: CMAP 9510 Provision of Professional, Technical and Specialized Services (limited to professional services)

Type of Reservation: National Treatment (Article 98)
Local Presence (Article 100)

Level of Government: Federal

Measures: Regulatory Law of the Constitutional Article 5 relating to the Practice of the Professions in the Federal District (Ley Reglamentaria del Artículo 5° Constitucional, relativo al Ejercicio de las Profesiones en el Distrito Federal), Chapter III, Section III, and Chapter V

Regulations to the Regulatory Law of the Constitutional Article 5 relating to the Practice of the Professions in the Federal District (Reglamento de la Ley Reglamentaria del Artículo 5° Constitucional, relativo al Ejercicio de las Profesiones en el Distrito Federal), Chapter III

Population General Law (Ley General de Población), Chapter III

Description: Cross-Border Services

Pursuant to the relevant international treaties of which Mexico is a Party, foreigners may practice in the Federal District the professions set forth in the Regulatory Law of the Constitutional Article 5 related to the Practice of the Professions in the Federal District.

In the absence of an international treaty on the matter, the professional practice by foreigners will be subject to reciprocity in the place of residence of the applicant and to compliance with the rest of the requirements established in the Mexican laws and regulations.

Foreign professionals must have an address in Mexico. Address will be understood as the place used for hearing and notice purposes.

Phase-Out: None

25 Sector: Professional, Technical and Specialized Services

Sub-Sector: Specialized Services (Commercial Notary Public)

Industry Classification:

Type of Reservation: National Treatment (Articles 58 and 98)

Local Presence (Article 100)

Level of Government: Federal

Measures: Commercial Notary Public Federal Law (Ley Federal de Correduría Pública), Articles 7, 8, 12 and 15

Regulations to the Commercial Notary Public Federal Law (Reglamento de la Ley Federal de Correduría Pública), Chapter I, and Chapter II, Sections I and II

Foreign Investment Law (Ley de Inversión Extranjera), Title I, Chapter II

Description: Investment and Cross-Border Services

Only a Mexican national by birth may be licensed to be a commercial notary public ("corredor público").

A commercial notary public may not have a business affiliation with any person for the provision of commercial notary public services.

A commercial notary public shall establish an office in the place where he has been authorized to practice.

Phase-Out: None

26 Sector: Professional, Technical and Specialized Services

Sub-Sector: Specialized Services

Industry Classification: CMAP 951012 Services of Customs and Representative Agencies

Type of Reservation: National Treatment (Articles 58 and 98)

Level of Government: Federal

Measures: Customs Law (Ley Aduanera), Title II, Chapters I and III, and Title VII, Chapter I

Foreign Investment Law (Ley de Inversión Extranjera), Title I, Chapter II

Description: Investment and Cross-Border Services

Only a Mexican national by birth may be a custom broker.

Only custom brokers acting as consignees or legal representatives ("mandatarios") of an importer or exporter, as well as custom broker's assignees, may carry out the formalities related to the custom clearance of the goods of such importer or exporter.

Investors of the other Party or their investments may not participate, directly or indirectly, in a custom brokers agency.

Phase-Out: None

27 Sector: Religious Services

Sub-Sector:

Industry Classification: CMAP 929001 Services of Religious Organizations

Type of Reservation: Senior Management and Boards of Directors (Article 64)

Local Presence (Article 100)

Level of Government: Federal

Measures: Religious Associations and Public Worship Law (Ley de Asociaciones Religiosas y Culto Público), Title II, Chapters I and II

Description: Investment

Representatives of religious associations in Mexico must be Mexican nationals.

Cross-Border Services

Religious associations must be associations constituted in accordance with the Religious Associations and Public Worship Law (Ley de Asociaciones Religiosas y Culto Público).

Religious associations must register before the Ministry of Internal Affairs (Secretaría de Gobernación, SEGOB). To be registered, the religious associations must be established in Mexico.

Phase-Out: None

28 Sector: Retail Trade

Sub-Sector: Sale of Non-Food Products in Specialized Establishments

Industry Classification: CMAP 623087 Retail Trade of Firearms, Cartridges and Munitions

CMAP 612024 Wholesale Trade Not Elsewhere Classified (limited to firearms, cartridges and munitions)

Type of Reservation: National Treatment (Article 58)

Level of Government: Federal

Measures: Foreign Investment Law (Ley de Inversión Extranjera), Title I, Chapter III

Description: Investment

Investors of the other Party or their investments may only own, directly or indirectly, up to 49 percent of the ownership interest in an enterprise established or to be established in the Area of Mexico that is engaged in the sale of explosives, firearms, cartridges, ammunition, and fireworks, excluding the acquisition and use of explosives for industrial and extractive activities, and the preparation of explosive mixtures for such activities.

Phase-Out: None

29 Sector: Services to Agriculture

Sub-Sector:

Industry Classification: CMAP 971010 Provision of Agricultural Services

Type of Reservation: National Treatment (Article 98)
Local Presence (Article 100)

Level of Government: Federal

Measures: United Mexican States Political Constitution (Constitución Política de los Estados Unidos Mexicanos), Article 32
Plant Health Federal Law (Ley Federal de Sanidad Vegetal), Title II, Chapter IV
Regulations to the Phitosanitary Law of the United Mexican States (Reglamento de la Ley de Sanidad Fitopecuaria de los Estados Unidos Mexicanos), Chapter VII

Description: Cross-Border Services
A concession granted by the Ministry of Agriculture, Livestock, Rural Development, Fishing and Food (Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación) is required to spray pesticides.
Only Mexican nationals or Mexican enterprises may obtain such a concession.

Phase-Out: None

30 Sector: Transportation

Sub-Sector: Air Transportation

Industry Classification: CMAP 384205 Manufacture, Assembly and Repair of Aircraft (limited to repair of aircrafts)

Type of Reservation: Local Presence (Article 100)

Level of Government: Federal

Measures: Civil Aviation Law (Ley de Aviación Civil), Chapter III, Section II

Regulations to Aircraft Repair Facilities (Reglamento de Talleres Aeronáuticos), Chapter I

Description: Cross-Border Services

A permit issued by the Ministry of Communications and Transportation (SCT) is required to establish and operate, or operate, an aircraft repair facility, and centers for teaching and training of personnel.

Phase-Out: None

31 Sector: Transportation

Sub-Sector: Air Transportation

Industry Classification: CMAP 713001 Scheduled Air Transport Services on Domestically Registered Aircraft

CMAP 713002 Non-Scheduled Air Transport (Air Taxis)

Type of Reservation: National Treatment (Article 58)

Senior Management and Boards of Directors (Article 64)

Level of Government: Federal

Measures: Civil Aviation Law (Ley de Aviación Civil), Chapters IX and X

Regulations to the Civil Aviation Law (Reglamento de la Ley de Aviación Civil), Title II, Chapter I

Foreign Investment Law (Ley de Inversión Extranjera), Title I, Chapter III

As qualified by the Description element

Description: Investment

Investors of the other Party or their investments may only own, directly or indirectly, up to 25 percent of the voting interests in an enterprise established or to be established in the Area of Mexico that provides commercial air services on Mexican-registered aircrafts. The chairman and at least two-thirds of the boards of directors and two-thirds of the managing officers of such an enterprise must be Mexican nationals.

Only Mexican nationals and Mexican enterprises in which 75 percent of the voting interest is owned or controlled by Mexican nationals and of which the chairman and at least two-thirds of the managing officers are Mexican nationals, may register an aircraft in Mexico.

Phase-Out: None

32 Sector: Transportation

Sub-Sector: Air Transportation

Industry Classification: CMAP 973301 Aeronautical Navigation Services

CMAP 973302 Airport and Heliport Management Services

Type of Reservation: National Treatment (Article 58)

Level of Government: Federal

Measures: United Mexican States Political Constitution (Constitución Política de los Estados Unidos Mexicanos), Article 32

General Means of Communication Law (Ley de Vías Generales de Comunicación), Book I, Chapters I, II and III

Foreign Investment Law (Ley de Inversión Extranjera), Title I, Chapter III

Civil Aviation Law (Ley de Aviación Civil), Chapters I and IV

Airports Law (Ley de Aeropuertos), Chapter III

Regulations to the Airports Law (Reglamento de la Ley de Aeropuertos), Title II, Chapters I, II and III

Description: Investment

Favorable resolution from the National Commission on Foreign Investment (Comisión Nacional de Inversiones Extranjeras, CNIE) is required for investors of the other Party or their investments to own, directly or indirectly, more than 49 percent of the ownership interest in an enterprise established or to be established in the Area of Mexico that is a concessionaire or permissionaire of airfields for public service.

When resolving, the CNIE will consider that the national and technological development be favored, and that the sovereign integrity of the nation be protected.

Phase-Out: None

33 Sector: Transportation

 Sub-Sector: Specialty Air Services

 Industry
Classification:

 Type of
Reservation: National Treatment (Article 58)

 Senior Management and Boards of
 Directors (Article 64)

 Local Presence (Article 100)

 Level of
Government: Federal

 Measures: General Means of Communications Law
 (Ley de Vías Generales de
 Comunicación), Book I, Chapter III

 Foreign Investment Law (Ley de
 Inversión Extranjera), Title I,
 Chapter III

 Civil Aviation Law (Ley de Aviación
 Civil), Chapters I, II, IV and IX

 As qualified by the Description
 element

Description: Investment

Investors of the other Party or their investments may only own, directly or indirectly, up to 25 percent of the voting interests in an enterprise established or to be established in the Area of Mexico that provides specialty air services using Mexican-registered aircrafts. The chairman and at least two-thirds of the board of directors and two-thirds of the managing officers of such an enterprise must be Mexican nationals. Only Mexican nationals and Mexican enterprises in which 75 percent of the voting interests is owned or controlled by Mexican nationals and of which the chairman and at least two-thirds of the managing officers are Mexican nationals may register an aircraft in Mexico.

Cross-Border Services

A permit issued by the Ministry of Communications and Transportation (Secretaría de Comunicaciones y Transportes, SCT) is required to provide all specialty air services in the Area of Mexico. Such a permit may only be granted when the person interested in the supply of these services has an address in the Area of Mexico.

Phase-Out: None

34 Sector: Transportation

Sub-Sector: Land Transportation

Industry Classification: CMAP 711201 Construction Materials Transport Services

CMAP 711202 Moving Services

CMAP 711203 Other Specialized Freight Transport Services

CMAP 711204 General Freight Transport Services

CMAP 711311 Long-Distance Passenger Bus and Coach Transport Services

CMAP 711318 School and Tourist Transport Services (limited to tourist transport services)

Type of Reservation: National Treatment (Articles 58 and 98)

Local Presence (Article 100)

Level of Government: Federal

Measures: Foreign Investment Law (Ley de Inversión Extranjera), Title I, Chapter II

Roads, Bridges and Federal Road Transport Law (Ley de Caminos, Puentes y Autotransporte Federal), Title I, Chapter III

Regulations to the Federal Road Transport and Ancillary Services (Reglamento de Autotransporte Federal y Servicios Auxiliares), Chapter I

Description: Investment

Investors of the other Party or their investments may not own, directly or indirectly, an ownership interest in an enterprise established or to be established in the Area of Mexico, engaged in transportation services of passengers other than inter-city bus services, or in transportation services of domestic cargo between points in the Area of Mexico, except for packaging and messenger services.

Cross-Border Services

A permit issued by the Ministry of Communications and Transportation (Secretaría de Comunicaciones y Transportes, SCT) is required to provide inter-city bus services, tourist transportation services or truck services for the transportation of goods or passengers to or from the Area of Mexico. Only Mexican nationals and Mexican enterprises with a foreigners' exclusion clause may provide such services.

Only Mexican nationals and Mexican enterprises with a foreigners' exclusion clause, using Mexican-registered equipment that is Mexican-built or legally imported, and drivers who are Mexican nationals, may provide bus or truck services for the transportation of goods or passengers between points in the Area of Mexico.

A permit issued by the SCT is required to provide packaging and messenger services. These permits shall be granted to Mexican nationals or enterprises incorporated under the laws of Mexico.

Phase-Out: None

35 Sector: Transportation

Sub-Sector: Land Transportation

Industry Classification: CMAP 711312 Urban and Suburban Passenger Bus and Coach Transport Services

CMAP 711315 Motor Vehicle Taxi Transport Services

CMAP 711316 Motor Vehicle Fixed Route Transport Services

CMAP 711317 Transport Services in Motor Vehicles from Taxi-Ranks

CMAP 711318 School and Tourist Transport Services (limited to school transport services)

Type of Reservation: National Treatment (Articles 58 and 98)

Level of Government: Federal

Measures: Foreign Investment Law (Ley de Inversión Extranjera), Title I, Chapter II

General Means of Communication Law (Ley de Vías Generales de Comunicación), Book I, Chapters I and II

Roads, Bridges and Federal Road Transport Law (Ley de Caminos, Puentes y Autotransporte Federal), Title I, Chapter III

Regulations to the Federal Road Transport and Auxiliary Services (Reglamento de Autotransporte Federal y Servicios Auxiliares), Chapter I

Description: Investment and Cross-Border Services

Only Mexican nationals and Mexican enterprises with a foreigners' exclusion clause may provide local bus services, school bus services and taxi and other collective transportation services.

Phase-Out: None

36 Sector: Transportation

Sub-Sector: Land Transportation

Industry Classification: CMAP 973101 Management Services of Passenger Bus Terminals and Auxiliary Services (limited to main bus and truck terminals and bus and truck stations)

Type of Reservation: National Treatment (Article 98)
Local Presence (Article 100)

Level of Government: Federal

Measures: Roads, Bridges and Federal Road Transport Law (Ley de Caminos, Puentes y Autotransporte Federal), Title I, Chapter III

Regulations to the Enjoyment of the Right of Way of the Federal Roads and Surrounding Zones (Reglamento para el Aprovechamiento del Derecho de Vía de las Carreteras Federales y Zonas Aledañas), Chapters II and IV

Regulations to the Federal Road Transport and Auxiliary Services (Reglamento de Autotransporte Federal y Servicios Auxiliares), Chapter I

Description: Cross-Border Services

A permit issued by the Ministry of Communications and Transportation (Secretaría de Comunicaciones y Transportes, SCT) is required to establish, or operate, a bus or truck station or terminal. Only Mexican nationals and Mexican enterprises may obtain such a permit.

Phase-Out: None

37 Sector: Transportation

Sub-Sector: Land Transportation

Industry Classification: CMAP 973102 Management Services of Roads, Bridges and Auxiliary Services

Type of Reservation: National Treatment (Article 98)
Local Presence (Article 100)

Level of Government: Federal

Measures: United Mexican States Political Constitution (Constitución Política de los Estados Unidos Mexicanos), Article 32

Roads, Bridges and Federal Road Transport Law (Ley de Caminos, Puentes y Autotransporte Federal), Title I, Chapter III

Description: Cross-Border Services

A concession granted by the Ministry of Communications and Transportation (Secretaría de Comunicaciones y Transportes, SCT) is required to provide road and bridge management services and auxiliary services. Only Mexican nationals and Mexican enterprises may obtain such a concession.

Phase-Out: None

38 Sector: Transportation

Sub-Sector: Land Transportation and Water Transportation

Industry Classification: CMAP 501421 Construction of Maritime and River Works

CMAP 501422 Construction of Roadworks and Works for Land Transport

Type of Reservation: National Treatment (Article 98)

Local Presence (Article 100)

Level of Government: Federal

Measures: United Mexican States Political Constitution (Constitución Política de los Estados Unidos Mexicanos), Article 32

Roads, Bridges and Federal Road Transport Law (Ley de Caminos, Puentes y Autotransporte Federal), Title I, Chapter III

Ports Law (Ley de Puertos), Chapter IV

Navigation Law (Ley de Navegación), Title I, Chapter II

Description: Cross-Border Services

A concession granted by the Ministry of Communications and Transportation (Secretaría de Comunicaciones y Transportes, SCT) is required to construct and operate, or operate, marine or river works or roads for land transportation. Such a concession may be granted only to Mexican nationals and Mexican enterprises.

Phase-Out: None

39 Sector: Transportation

Sub-Sector: Non-Energy Pipelines

Industry
Classification:

Type of
Reservation: National Treatment (Article 98)
Local Presence (Article 100)

Level of
Government: Federal

Measures: United Mexican States Political
Constitution (Constitución Política
de los Estados Unidos Mexicanos),
Article 32

General Means of Communication Law
(Ley de Vías Generales de
Comunicación), Book I, Chapters I, II
and III

National Waters Federal Law (Ley de
Aguas Nacionales), Title I, Chapter
II, and Title IV, Chapter II

Description: Cross-Border Services

A concession granted by the Ministry
of Communications and Transportation
(Secretaría de Comunicaciones y
Transportes, SCT) is required to
construct and operate, or operate,
pipelines carrying goods other than
energy or basic petrochemicals. Only
Mexican nationals and Mexican
enterprises may obtain such a
concession.

Phase-Out: None

40 Sector: Transportation

Sub-Sector: Railway Transportation Services

Industry Classification: CMAP 711101 Transport Services Via Railway

Type of Reservation: National Treatment (Articles 58 and 98)

Local Presence (Article 100)

Level of Government: Federal

Measures: Foreign Investment Law (Ley de Inversión Extranjera), Title I, Chapter III

Regulatory Law of the Railway Service (Ley Reglamentaria del Servicio Ferroviario), Chapter I, and Chapter II, Section III

Regulations to the Railway Service (Reglamento del Servicio Ferroviario), Title I, Chapters I, II and III, Title II, Chapters I and IV, and Title III, Chapter I, Sections I and II

Description: Investment

Favorable resolution from the National Commission of Foreign Investment (Comisión Nacional de Inversiones Extranjeras, CNIE) is required for investors of the other Party or their investments to participate, directly or indirectly, in more than 49 percent of the ownership interest of an enterprise established or to be established in the Area of Mexico engaged in the construction, operation and exploitation of railroads deemed general means of communication, or in the supply of railway transportation public service.

When resolving, the CNIE will consider that the national and technological development be favored, and that the sovereign integrity of the nation be protected.

Cross-Border Services

A concession granted by the Ministry of Communications and Transportation (Secretaría de Comunicaciones y Transportes, SCT) is required to construct, operate and exploit railway transportation services and to provide railway transportation public service. Only Mexican enterprises may obtain such a concession.

A permit issued by SCT is required to provide auxiliary services; the construction of entry and exit facilities, crossings and marginal facilities in the right of way; the installation of advertisements and publicity signs in the right of way; and the construction and operation of bridges over railway lines. Only Mexican nationals and Mexican enterprises may obtain such a permit.

Phase-Out: None

41 Sector: Transportation

Sub-Sector: Railway Transportation Services

Industry Classification: CMAP 711101 Transport Services Via
Railway (limited to
railway crew)

Type of Reservation: National Treatment (Article 98)

Level of Government: Federal

Measures: Federal Labor Law (Ley Federal del
Trabajo), Title VI, Chapter V

Description: Cross-Border Services

Railway crew members must be Mexican
nationals.

Phase-Out: None

43 Sector: Transportation

Sub-Sector: Water Transportation

Industry Classification: CMAP 712011 Sea and Coastal Transport Services

CMAP 712012 Coastal Transport Services

CMAP 712013 Transoceanic and Coastal Towing Services

CMAP 712021 Inland Water Transport Services

Type of Reservation: National Treatment (Articles 58 and 98)

Most-Favored-Nation Treatment (Articles 59 and 99)

Level of Government: Federal

Measures: Navigation Law (Ley de Navegación), Title III, Chapter I

Foreign Investment Law (Ley de Inversión Extranjera), Title I, Chapter III

Economic Competition Federal Law (Ley Federal de Competencia Económica), Chapter IV

As qualified by the Description element

Description: Investment and Cross-Border Services

The operation or exploitation of high-seas navigation vessels, including transport and international maritime towing services is open to ships owners and vessels of all countries, on the basis of reciprocity according to international treaties. With the previous opinion of the Federal Competition Commission (Comisión Federal de Competencia, CFC), the Ministry of Communications and Transportation (Secretaría de Comunicaciones y Transportes, SCT) may reserve, totally or partially, certain international high-seas freight transportation services, which could only be carried out by Mexican shipping enterprises with Mexican-flagged vessels or vessels reputed as such when the principles of free competition are not respected or the national economy is affected.

The operation and exploitation of dredges and maritime devices for the construction, preservation and operation of ports may be carried out by Mexican or foreign shipping enterprises using Mexican or foreign vessels or maritime devices.

Investors of the other Party or their investments may only own, directly or indirectly, up to 49 percent of the ownership interest in a Mexican shipping enterprise, established or to be established in the Area of Mexico, which is engaged in the commercial exploitation of vessels for inland and coastal navigation, excluding tourism cruises and exploitation of dredges and maritime devices for the construction, preservation and operation of ports.

Favorable resolution from the National Commission of Foreign Investments (Comisión Nacional de Inversiones Extranjeras, CNIE) is required for investors of the other Party or their investments to own, directly or indirectly, more than 49 percent of the ownership interest in an enterprise established or to be established in the Area of Mexico engaged in high-seas navigation services.

Phase-Out: None

44 Sector: Transportation

Sub-Sector: Water Transportation

Industry Classification: CMAP 973201 Water Transport Loading and Unloading Services (includes operation and maintenance of docks; loading and unloading of vessels at shore-side; marine cargo handling; operation and maintenance of piers; ship and boat cleaning; stevedoring; transfer of cargo between ships and trucks, trains, pipelines and wharves; waterfront terminal operations)

Type of Reservation: National Treatment (Articles 58 and 98)

Local Presence (Article 100)

Level of Government: Federal

Measures: United Mexican States Political Constitution (Constitución Política de los Estados Unidos Mexicanos), Article 32

Navigation Law (Ley de Navegación), Title I, Chapter II, and Title II, Chapters IV and V

Ports Law (Ley de Puertos), Chapters II, IV and VI

General Means of Communication Law (Ley de Vías Generales de Comunicación), Book I, Chapters I, II and III

Regulations to the Use and Enjoyment of the Territorial Sea, Water Ways, Beaches, Relevant Federal Coastal Zone and Lands Gained to the Sea (Reglamento para el Uso y Aprovechamiento del Mar Territorial, Vías Navegables, Playas, Zona Federal Marítimo Terrestre y Terrenos Ganados al Mar), Chapter II, Section II

Foreign Investment Law (Ley de Inversión Extranjera), Title I, Chapter III

Description: Investment

Favorable resolution from the National Commission on Foreign Investment (Comisión Nacional de Inversiones Extranjeras, CNIE) is required for investors of the other Party or their investments to own, directly or indirectly, more than 49 percent of the ownership interest in an enterprise, established or to be established in the Area of Mexico providing port services to vessels for inland navigation such as towing, mooring and tendering.

Cross-Border Services

A concession granted by the Ministry of Communications and Transportation (Secretaría de Comunicaciones y Transportes, SCT) is required to construct and operate, or operate, maritime and inland port terminals, including docks, cranes and related facilities. Only Mexican nationals and Mexican enterprises may obtain such a concession.

A permit issued by the SCT is required to provide stevedoring and warehousing services. Only Mexican nationals and Mexican enterprises may obtain such a permit.

Phase-Out: None

45 Sector: Transportation

Sub-Sector: Water Transportation

Industry Classification: CMAP 973203 Management of Ports

Type of Reservation: National Treatment (Article 58)

Level of Government: Federal

Measures: Ports Law (Ley de Puertos), Chapters IV and V

Regulations to the Ports Law (Reglamento de la Ley de Puertos), Title I, Chapters I and VI

Foreign Investment Law (Ley de Inversión Extranjera), Title I, Chapter III

Description: Investment

Investors of the other Party or their investments may only own, directly or indirectly, up to 49 percent of the ownership interest of a Mexican enterprise authorized to act as an integral port administrator.

An integral port administration exists when the planning, programming, development and other actions relating to the goods and services of a port are wholly entrusted to a corporation, by means of a concession for the use, enjoyment and exploitation of the goods and the supply of the respective services.

Phase-Out: None

46	Sector	Transportation
	Sub-Sector:	Water Transportation
	Industry Classification:	CMAP 973203 Management of Ports (limited to piloting port services)
	Type of Reservation:	National Treatment (Article 58)
	Level of Government:	Federal
	Measures:	Navigation Law (Ley de Navegación), Title III, Chapter III Foreign Investment Law (Ley de Inversión Extranjera), Title I, Chapter III Ports Law (Ley de Puertos), Chapters IV and VI
	Description:	Investment Investors of the other Party or their investments may only participate, directly or indirectly, up to 49 percent in Mexican enterprises engaged in the supply of piloting port services to vessels operating in inland navigation.
	Phase-Out:	None

Annex 7 referred to in Chapters 7 and 8
Reservations for Future Measures

1. The Schedule of a Party sets out, pursuant to paragraph 3 of Articles 66 and 101, the reservations taken by that Party with respect to specific sectors, sub-sectors or activities for which it may maintain existing, or adopt new or more restrictive, measures that do not conform with obligations imposed by:

- (a) Article 58 or 98 (National Treatment);
- (b) Article 59 or 99 (Most-Favored-Nation Treatment);
- (c) Article 64 (Senior Management and Boards of Directors);
- (d) Article 65 (Performance Requirements); or
- (e) Article 100 (Local Presence).

2. Each reservation sets out the following elements:

- (a) "Sector" refers to the general sector in which a reservation is taken;
- (b) "Sub-Sector" refers to the specific sector in which a reservation is taken;
- (c) "Industry Classification" refers, where applicable, to the activity covered by the reservation according to domestic industry classification codes;
- (d) "Type of Reservation" specifies the obligation referred to in paragraph 1 above for which a reservation is taken;
- (e) "Description" sets out the scope of the sector, sub-sector or activities covered by the reservation; and
- (f) "Existing Measures" identifies, for transparency purposes, existing measures that apply to the sector, sub-sector or activities covered by the reservation.

3. In the interpretation of a reservation, all elements of the reservation shall be considered. The "Description" element shall prevail over all other elements.

4. Nothing in this Annex shall affect interpretation of the provision of subparagraph 2(c) of Article 97 with respect to measures affecting traffic rights in air transport services or services directly related to the exercise of such traffic rights.

5. Nothing in the reservation for Article 65 lodged in the Schedule of Japan shall be construed so as to derogate from the obligations of Japan under the Agreement on Trade Related Investment Measures in Annex 1A to the WTO Agreement.

6. For the purposes of this Annex:

the term "CMAP" means Mexican Classification of Activities and Products (Clasificación Mexicana de Actividades y Productos) numbers as set out in National Institute for Statistics, Geography and Informatics (Instituto Nacional de Estadística, Geografía e Informática), Mexican Classification of Activities and Products (Clasificación Mexicana de Actividades y Productos), 1994; and

the term "JSIC" means Japan Standard Industrial Classification numbers as set out in the Statistics Bureau, Ministry of Internal Affairs and Communications, Japan Standard Industrial Classification, revised March 7, 2002.

Schedule of Japan

1	Sector:	All Sectors
	Sub-Sector:	
	Industry Classification:	
	Type of Reservation:	National Treatment (Article 58) Senior Management and Boards of Directors (Article 64)
	Description:	Investment When transferring or disposing of its equity interests in, or the assets of, a state enterprise or a governmental entity, Japan may: (a) prohibit or impose limitations on the ownership of such interests or assets by investors of Mexico or their investments; (b) impose limitations on the ability of investors of Mexico or their investments as owners of such interests or assets to control any resulting enterprise; or (c) adopt or maintain any measure relating to the nationality of senior management or members of the board of directors of any resulting enterprise. In the event Japan adopts any measure regarding (a) or (b) above, or adopts or maintains any measure referred to in (c) above, Japan shall describe such measure in Annex 6 except in case it is with respect to Japan Post, state enterprises or governmental entities for betting and gambling services, and those successors. Existing Measures:

2 Sector: All Sectors

Sub-Sector:

Industry
Classification:

Type of
Reservation: National Treatment (Articles 58 and
98)

Senior Management and Boards of
Directors (Article 64)

Local Presence (Article 100)

Description: Investment and Cross-Border Services

In the event where the supply of telegraph services, postal services and betting and gambling services, manufacture of tobacco products, manufacture of Bank of Japan notes, minting and sale of coinage in Japan, which are restricted to designated enterprises or governmental entities, are liberalized to those other than the designated enterprises or governmental entities, or in the event where such designated enterprises or governmental entities no longer operate on a non-commercial basis, Japan may adopt or maintain any measure relating to those activities.

In the event Japan adopts any measure regarding liberalization or operation of designated enterprises or governmental entities on a non-commercial basis envisaged above, Japan shall describe such measure in Annex 6 except in case it is with respect to telegraph services, postal services or betting and gambling services.

Existing
Measures:

3 Sector: All Sectors

Sub-Sector:

Industry
Classification:

Type of
Reservation: National Treatment
(Article 58)

Description: Investment

National Treatment may not be
accorded to investors of Mexico and
their investments with respect to
subsidies for research and
development.

Existing
Measures:

4 Sector: All Sectors (New Services)

Sub-Sector:

Industry
Classification:

Type of
Reservation: National Treatment
(Article 98)

Most-Favored-Nation Treatment
(Article 99)

Local Presence (Article 100)

Description: Cross-Border Services

Japan reserves the right to adopt or maintain any measure relating to new services other than those recognized or that should have been recognized owing to the then circumstances at the time of entry into force of this Agreement by the Government of Japan.

Japan reserves the right to adopt or maintain any measure relating to the supply of services in any mode of supply in which those services were not technically feasible at the time of entry into force of this Agreement.

Any services classified positively and explicitly in JSIC, CMAP or United Nations Provisional Central Product Classification (CPC), 1991, at the time of entry into force of this Agreement should have been recognized by the Government of Japan at that time.

Existing
Measures:

5	Sector:	Aerospace Industry
	Sub-Sector:	Aircraft Industry
		Space Industry
	Industry Classification:	JSIC 271* Manufacture of electrical generating, transmission, distribution and industrial apparatus JSIC 274* Manufacture of electronic equipment JSIC 275* Manufacture of electric measuring instruments JSIC 279* Manufacture of miscellaneous electrical machinery equipment and supplies JSIC 28* Manufacture of information and communication electronics equipment JSIC 29* Manufacture of electronic parts and devices JSIC 304 Manufacture of aircraft and parts JSIC 3059* Manufacture of miscellaneous industrial trucks and parts and accessories JSIC 3099* Manufacture of transportation equipment, n.e.c. JSIC 8711* General machine repair shops, except construction and mining machinery JSIC 872* Electrical machinery, apparatus, appliances and supplies repair shop

(An asterisk (*) on the JSIC number indicates that the activities covered by the reservation under such number are limited to the activities related to aircraft and space industry.)

Type of
Reservation:

National Treatment (Articles 58
and 98)

Senior Management and Boards of
Directors (Article 64)

Performance Requirements (Article 65)

Local Presence (Article 100)

Description:

Investment and Cross-Border Services

Japan reserves the right to adopt or maintain any measure relating to investment in aircraft and space industry.

Japan reserves the right to adopt or maintain any measure relating to the supply of services in aircraft and space industry, including:

- (a) services based on technological inducement contracts for importing technology for development, production or use;
- (b) production services on fee or contract basis;
- (c) repair and maintenance services; and
- (d) space transportation services.

Existing
Measures:

Foreign Exchange and Foreign Trade Law (Law No. 228 of 1949), Articles 27 and 30

Cabinet Order on Foreign Direct Investment (Cabinet Order No. 261 of 1980), Articles 3 and 5

6	Sector:	Arms and Explosives Industry	
	Sub-Sector:	Arms Industry	
		Explosives Manufacturing Industry	
	Industry Classification:	JSIC 1791	Manufacture of explosives
		JSIC 271*	Manufacture of electrical generating, transmission, distribution and industrial apparatus
		JSIC 274*	Manufacture of electronic equipment
		JSIC 275*	Manufacture of electric measuring instruments
		JSIC 279*	Manufacture of miscellaneous electrical machinery equipment and supplies
		JSIC 28*	Manufacture of information and communication electronics equipment
		JSIC 29*	Manufacture of electronic parts and devices
		JSIC 303*	Shipbuilding and repairing, and manufacture of marine engines
		JSIC 3059*	Manufacture of miscellaneous industrial trucks and parts and accessories
		JSIC 3099*	Manufacture of transportation equipment, n.e.c.
		JSIC 3281	Manufacture of ordnance and accessories

JSIC 8711* General machine repair shops, except construction and mining machinery

JSIC 872* Electrical machinery, apparatus, appliances and supplies repair shop

(An asterisk (*) on the JSIC number indicates that the activities covered by the reservation under such number are limited to the activities related to arms industry.)

Type of
Reservation:

National Treatment
(Articles 58 and 98)

Senior Management and Boards of
Directors (Article 64)

Performance Requirements (Article 65)

Local Presence (Article 100)

Description:

Investment and Cross-Border Services

Japan reserves the right to adopt or maintain any measure relating to investment in arms industry and explosives manufacturing industry.

Japan reserves the right to adopt or maintain any measure relating to the supply of services in arms industry and explosive manufacturing industry, including:

- (a) services based on technological inducement contracts for importing technology for development, production or use;
- (b) production services on fee or contract basis; and
- (c) repair and maintenance services.

Existing
Measures:

Foreign Exchange and Foreign Trade Law (Law No. 228 of 1949), Articles 27 and 30

Cabinet Order on Foreign Direct
Investment (Cabinet Order No. 261 of
1980), Articles 3 and 5

7	Sector:	Energy
	Sub-Sector:	Electricity Utility Industry
		Gas Utility Industry
		Nuclear Energy Industry
	Industry Classification:	JSIC 0519 Miscellaneous metal mining (limited to nuclear materials)
		JSIC 2491 Manufacture of nuclear fuel
		JSIC 271* Manufacture of electrical generating, transmission, distribution and industrial apparatus
		JSIC 274* Manufacture of electronic equipment
		JSIC 275* Manufacture of electric measuring instruments
		JSIC 279* Manufacture of miscellaneous electrical machinery equipment and supplies
		JSIC 28* Manufacture of information and communication electronics equipment
		JSIC 29* Manufacture of electronic parts and devices
		JSIC 303* Shipbuilding and repairing, and manufacture of marine engines
		JSIC 3059* Manufacture of miscellaneous industrial trucks and parts and accessories
		JSIC 3099* Manufacture of transportation equipment, n.e.c.

JSIC 331	Production, transmission and distribution of electricity
JSIC 3411	Gasworks
JSIC 3412	Gas distribution
JSIC 3413	Gas establishments (main office, office)
JSIC 8599*	Miscellaneous waste treatment services
JSIC 8711*	General machine repair shops, except construction and mining machinery
JSIC 872*	Electrical machinery, apparatus, appliances and supplies repair shop

(An asterisk (*) on the JSIC number indicates that the activities covered by the reservation under such number are limited to the activities related to nuclear energy industry.)

Type of
Reservation:

National Treatment
(Articles 58 and 98)

Most-Favored-Nation Treatment
(Article 99)

Senior Management and Boards of
Directors (Article 64)

Performance Requirements (Article 65)

Local Presence (Article 100)

Description:

Investment and Cross-Border Services

Japan reserves the right to adopt or maintain any measure relating to investment in, or the supply of services in, the energy industry listed sub-sector above.

Existing
Measures:

Foreign Exchange and Foreign Trade Law (Law No. 228 of 1949), Articles 27 and 30

Cabinet Order on Foreign Direct
Investment (Cabinet Order No. 261 of
1980), Articles 3 and 5

Specified Radioactive Waste Final
Disposal Act (Law No. 117 of 2000),
Chapter 5

8 Sector: Fisheries

Sub-Sector: Fisheries within the Territorial Sea, Internal Waters, Exclusive Economic Zone and Continental Shelf

Industry Classification: JSIC 031 Marine fisheries
 JSIC 032 Inland water fisheries
 JSIC 041 Marine aquaculture
 JSIC 042 Inland water aquaculture
 JSIC 8493 Recreational fishing guide business

Type of Reservation: National Treatment (Articles 58 and 98)
 Most-Favored-Nation Treatment (Articles 59 and 99)
 Senior Management and Boards of Directors (Article 64)
 Performance Requirements (Article 65)
 Local Presence (Article 100)

Description: Investment and Cross-Border Services

Japan reserves the right to adopt or maintain any measure relating to investment in, or the supply of services in, fisheries in the territorial sea, internal waters, exclusive economic zone and continental shelf of Japan.

For the purpose of this reservation, the term "fisheries" means the work of taking and cultivation of aquatic resources, including the following fisheries related services:

- (a) investigation of aquatic resources without taking such resources;
- (b) luring of aquatic resources;

- (c) preservation and processing of fish catches;
- (d) transportation of fish catches and fish products; and
- (e) provision of supplies to other vessels used for fisheries.

Existing
Measures:

Foreign Exchange and Foreign Trade Law (Law No. 228 of 1949), Article 27

Cabinet Order on Foreign Direct Investment (Cabinet Order No. 261 of 1980), Article 3

Law for Regulation of Fishing Operation by Foreign Nationals (Law No. 60 of 1967), Articles 3, 4 and 6

Law concerning the Exercise of Sovereign Rights concerning Fisheries in the Exclusive Economic Zones (Law No. 76 of 1996), Articles 4, 5, 7, 8, 9, 10, 11, 12 and 14

9 Sector: Information and Communications

Sub-Sector: Broadcasting Industry

Industry Classification: JSIC 381 Public broadcasting, except cablecasting

JSIC 382 Private sector broadcasting, except cablecasting

JSIC 383 Cablecasting

Type of Reservation: National Treatment (Articles 58 and 98)

Senior Management and Boards of Directors (Article 64)

Performance Requirements (Article 65)

Local Presence (Article 100)

Description: Investment and Cross-Border Services

Japan reserves the right to adopt or maintain any measure relating to investment in, or the supply of services in, broadcasting industry.

Existing Measures: Foreign Exchange and Foreign Trade Law (Law No. 228 of 1949), Article 27

Cabinet Order on Foreign Direct Investment (Cabinet Order No. 261 of 1980), Article 3

Radio Law (Law No. 131 of 1950), Article 5

Broadcast Law (Law No. 132 of 1950), Articles 52-8 and 52-13

10 Sector: Security Guard Services

Sub-Sector:

Industry Classification: JSIC 906 Security Guard Services

Type of Reservation: National Treatment (Article 98)

Local Presence (Article 100)

Description: Cross-Border Services

Japan reserves the right to adopt or maintain any measure relating to the supply of security guard services by non-nationals.

Existing Measures: Security Business Law (Law No. 117 of 1972), Articles 4 and 4-2

11 Sector: Social Services

Sub-Sector:

Industry
Classification:

Type of
Reservation: National Treatment
(Articles 58 and 98)

Senior Management and Boards of
Directors (Article 64)

Performance Requirements (Article 65)

Local Presence (Article 100)

Description: Investment and Cross-Border Services

Japan reserves the right to adopt or
maintain any measure relating to
public law enforcement and
correctional services, and social
services such as income security or
insurance, social security or
insurance, social welfare, public
education, public training, health
and child care.

Existing
Measures:

Schedule of Mexico

1 Sector: All Sectors

Sub-Sector:

Industry
Classification:

Type of
Reservation: National Treatment (Articles 58 and
98)

Description: Investment and Cross-Border Services

Mexico reserves the right to adopt or
maintain any measure restricting the
acquisition, sale or other
disposition of bonds, treasury bills
or any other kind of debt security
issued by the federal, state or local
governments.

Existing
Measures:

2 Sector: All Sectors

Sub-Sector:

Industry
Classification:

Type of
Reservation: National Treatment (Article 58)

Description: Investment

Mexico reserves the right to adopt or maintain any measure relating to subsidies or grants provided by the federal or state governments or by a state enterprise, including government-supported loans, guarantees and insurance.

Existing
Measures:

3 Sector: All Sectors (New Services)
Sub-Sector:
Industry
Classification:

Type of Reservation: National Treatment (Article 98)
Most-Favored-Nation Treatment (Article 99)
Local Presence (Article 100)

Description: Cross-Border Services

Mexico reserves the right to adopt or maintain any measure relating to new services other than those recognized or that should have been recognized owing to the then circumstances at the time of entry into force of this Agreement by the Government of Mexico.

Mexico reserves the right to adopt or maintain any measure relating to the supply of services in any mode of supply in which those services were not technically feasible at the time of entry into force of this Agreement.

Any services classified positively and explicitly in JSIC, CMAP or United Nations Provisional Central Product Classification (CPC), 1991, at the time of entry into force of this Agreement should have been recognized by the Government of Mexico at that time.

Existing
Measures:

4 Sector: Communications

Sub-Sector: Entertainment Services (Broadcasting)

Industry Classification: CMAP 941104 Private Production and Transmission of Radio Programs

CMAP 941105 Private Services of Production, Transmission and Relaying of Television Programs

Type of Reservation: National Treatment (Articles 58 and 98)

Senior Management and Boards of Directors (Article 64)

Performance Requirements (Article 65)

Local Presence (Article 100)

Description: Investment and Cross-Border Services

Mexico reserves the right to adopt or maintain any measure relating to investment in, or the supply of services in, broadcasting industry, including the import in any form of radio or television programming for broadcasting or cable distribution within the Area of Mexico, and the advertising through open radio and television or restricted television.

Existing Measures: United Mexican States Political Constitution (Constitución Política de los Estados Unidos Mexicanos), Article 32

Radio and Television Federal Law (Ley Federal de Radio y Televisión)

Regulations to the Radio and Television Federal Law and to the Film Industry Law relating to the Radio and Television Transmission Content (Reglamento de la Ley Federal de Radio y Televisión y de la Ley de la Industria Cinematográfica Relativo al Contenido de las Transmisiones de Radio y Televisión)

Regulations to Restricted Television
and Audio Services (Reglamento del
Servicio de Televisión y Audio
Restringidos)

General Means of Communication Law
(Ley de Vías Generales de
Comunicación)

Nationality Law (Ley de Nacionalidad)

Telecommunications Federal Law (Ley
Federal de Telecomunicaciones)

Foreign Investment Law (Ley de
Inversión Extranjera)

Regulations to Satellite
Communications (Reglamento de
Comunicación Vía Satélite)

5 Sector: Communications

Sub-Sector: Postal Services and Telecommunications

Industry Classification: CMAP 720001 Postal Services (including messenger services)

CMAP 720005 Telegraph Services (including radiotelegraphy services)

Type of Reservation: National Treatment (Article 98)

Description: Cross-Border Services

Only the Mexican Government may provide postal services, telegraph services and radiotelegraphy services.

Existing Measures: United Mexican States Political Constitution (Constitución Política de los Estados Unidos Mexicanos), Article 28

Mexican Postal Services Law (Ley del Servicio Postal Mexicano)

Telecommunications Federal Law (Ley Federal de Telecomunicaciones)

6 Sector: Communications

Sub-Sector: Telecommunications

Industry Classification: CMAP 720006 Other Telecommunications Services (limited to aeronautical mobile and fixed services)

Type of Reservation: National Treatment (Articles 58 and 98)

Local Presence (Article 100)

Description: Investment and Cross-Border Services

Mexico reserves the right to adopt or maintain any measure relating to investment in, or the supply of, air traffic control, aeronautical meteorology, aeronautical telecommunications, and other telecommunications services relating to air navigation services.

Existing Measures: United Mexican States Political Constitution (Constitución Política de los Estados Unidos Mexicanos), Article 32

General Means of Communication Law (Ley de Vías Generales de Comunicación)

Airports Law (Ley de Aeropuertos)

Telecommunications Federal Law (Ley Federal de Telecomunicaciones)

Foreign Investment Law (Ley de Inversión Extranjera)

Decree that creates the Technically Independent Body "Navigation Services for the Mexican Air Space" (Decreto que crea el Organismo Desconcentrado de "Servicios a la Navegación en el Espacio Aéreo Mexicano") (SENEAM), 3 October 1978

7 Sector: Communications

Sub-Sector: Telecommunications Services and Networks

Industry Classification: CMAP 720006 Other Telecommunications Services (Limited to maritime telecommunications services)

Type of Reservation: National Treatment (Articles 58 and 98)

Most-Favored-Nation Treatment (Articles 59 and 99)

Local Presence (Article 100)

Description: Investment and Cross-Border Services

Mexico reserves the right to adopt or maintain any measure relating to investment in, or the supply of, maritime telecommunications services.

Existing Measures:

8 Sector: Energy

Sub-Sector: Petroleum and Other Hydrocarbons

Basic Petrochemicals

Electricity

Nuclear Power

Treatment of Radioactive Minerals

Industry
Classification:

Type of
Reservation: National Treatment (Article 98)

Most-Favored-Nation Treatment
(Article 99)

Local Presence (Article 100)

Description: Cross-Border Services

Mexico reserves the right to adopt or
maintain any measure related to
services associated with energy and
basic petrochemical goods.

Existing
Measures: United Mexican States Political
Constitution (Constitución Política
de los Estados Unidos Mexicanos),
Articles 27 and 28

Regulatory Law of the Constitutional
Article 27 on Nuclear Matters (Ley
Reglamentaria del Artículo 27
Constitucional en Materia Nuclear)

Regulatory Law of the Constitutional
Article 27 on Oil Matters and its
Regulations (Ley Reglamentaria del
Artículo 27 Constitucional en el Ramo
del Petróleo y sus Reglamentos)

Mexican Petroleum (PEMEX) and its
Subsidiary Bodies Organizational Law
(Ley Orgánica de Petróleos Mexicanos
y Organismos Subsidiarios)

9 Sector: Entertainment Services

Sub-Sector: Recreational and Leisure Services

Industry Classification: CMAP 949104 Other Private Recreational and Leisure Services

Type of Reservation: National Treatment (Articles 58 and 98)

Most-Favored-Nation Treatment (Articles 59 and 99)

Senior Management and Boards of Directors (Article 64)

Local Presence (Article 100)

Description: Investment and Cross-Border Services

Mexico reserves the right to adopt or maintain any measure relating to investment in, or the supply of, recreational services, including gambling and betting.

Existing Measures:

10 Sector: Minority Affairs

Sub-Sector:

Industry
Classification:

Type of
Reservation: National Treatment (Article 98)
Local Presence (Article 100)

Description: Cross-Border Services

Mexico reserves the right to adopt or maintain any measure according rights or preferences to socially or economically disadvantaged groups.

Existing
Measures: United Mexican States Political
Constitution (Constitución Política
de los Estados Unidos Mexicanos),
Article 4

11 Sector: Professional, Technical and Specialized Services

Sub-Sector: Professional Services

Industry Classification: CMAP 951002 Services of Lawyer's Offices (including foreign legal consultancy)

Type of Reservation: National Treatment (Articles 58 and 98)

Most-Favored-Nation Treatment (Articles 59 and 99)

Senior Management and Boards of Directors (Article 64)

Local Presence (Article 100)

Description: Investment and Cross-Border Services

Mexico reserves the right to adopt or maintain any measure relating to investment in, or the supply of, legal services and foreign legal consultancy services by persons of Japan.

Existing Measures: Regulatory Law of the Constitutional Article 5 relating to the Practice of the Professions in the Federal District (Ley Reglamentaria del Artículo 5° Constitucional, relativo al Ejercicio de las Profesiones en el Distrito Federal)

Regulations to the Regulatory Law of the Constitutional Article 5 relating to the Practice of the Professions in the Federal District (Reglamento de la Ley Reglamentaria del Artículo 5° Constitucional, relativo al Ejercicio de las Profesiones en el Distrito Federal)

Foreign Investment Law (Ley de Inversión Extranjera)

Population General Law (Ley General de Población)

Regulations to the Foreign Investment
Law and the National Registry for
Foreign Investment (Reglamento de la
Ley de Inversión Extranjera y del
Registro Nacional de Inversiones
Extranjeras)

Federal Labor Law (Ley Federal del
Trabajo)

12 Sector: Social Services

Sub-Sector:

Industry
Classification:

Type of
Reservation: National Treatment (Articles 58 and
98)

Senior Management and Boards of
Directors (Article 64)

Local Presence (Article 100)

Description: Investment and Cross-Border Services

Mexico reserves the right to adopt or
maintain any measure with respect to
the supply of public law enforcement
and correctional services, and the
following services to the extent they
are social services established or
maintained for a public purpose:
income security or insurance, social
security or insurance, social
welfare, public education, public
training, health, and child care.

Existing
Measures: United Mexican States Political
Constitution (Constitución Política
de los Estados Unidos Mexicanos),
Articles 4, 17, 18, 25, 26, 28 and
123

13	Sector	Transportation
	Sub-Sector:	Air Transportation
	Industry Classification:	CMAP 973301 Aeronautical Navigation Services
		CMAP 973302 Airport and Heliport Management Services
	Type of Reservation:	National Treatment (Article 98)
		Local Presence (Article 100)
	Description:	Cross-Border Services
		Mexico reserves the right to adopt or maintain any measure relating to management, operation, exploitation and construction of airports and civil airfields other than airports.
	Existing Measures:	United Mexican States Political Constitution (Constitución Política de los Estados Unidos Mexicanos), Article 32
		General Means of Communication Law (Ley de Vías Generales de Comunicación)
		Civil Aviation Law (Ley de Aviación Civil)
		Airports Law (Ley de Aeropuertos)
		Regulations to the Airports Law (Reglamento de la Ley de Aeropuertos)

14 Sector: Transportation

Sub-Sector: Specialized Personnel

Industry Classification: CMAP 951023 Other Professional, Technical and Specialized Services not mentioned above (limited to ship captains; aircraft pilots; ship masters; ship machinists; ship mechanics; airport administrators ("comandantes de aeródromos"); harbor masters; harbor pilots; crew on Mexican flagged vessels or aircrafts)

Type of Reservation: National Treatment (Article 98)
Most-Favored-Nation Treatment (Article 99)
Local Presence (Article 100)

Description: Cross-Border Services

Only Mexican nationals by birth may serve as:

- (a) captains, pilots, ship masters, machinists, mechanics and crew members manning vessels or aircraft under the Mexican flag; and
- (b) harbor pilots, harbor masters and airport administrators.

Existing Measures: United Mexican States Political Constitution (Constitución Política de los Estados Unidos Mexicanos), Article 32

Annex 8 referred to in Chapter 7
Activities Reserved to the State

Schedule of Mexico

Section 1
Activities Reserved to the Mexican State

Mexico reserves the right to perform exclusively, and to refuse to permit the establishment of investments in, the following activities:

1. Petroleum, Other Hydrocarbons and Basic Petrochemicals

(a) Description of activities:

- (i) exploration and exploitation of crude oil and natural gas; refining or processing of crude oil and natural gas; and production of artificial gas, basic petrochemicals and their feedstocks and pipelines;
- (ii) transportation, storage and distribution up to and including first hand sales of the following goods: crude oil; artificial gas; energy goods and basic petrochemicals obtained from the refining or processing of crude oil; and basic petrochemicals; and
- (iii) foreign trade up to and including first hand sales of the following goods: crude oil; artificial gas; energy goods and basic petrochemicals obtained from the refining or processing of crude oil.

(b) Measures:

United Mexican States Political Constitution (Constitución Política de los Estados Unidos Mexicanos), Articles 25, 27 and 28

Regulatory Law of the Constitutional Article 27 on Oil Matters (Ley Reglamentaria del Artículo 27 Constitucional en el Ramo del Petróleo)

Mexican Petroleum (PEMEX) and its Subsidiary Bodies Organizational Law (Ley Orgánica de Petróleos Mexicanos y Organismos Subsidiarios)

Foreign Investment Law (Ley de Inversión Extranjera)

2. Electricity

(a) Description of activities: the supply of electricity as a public service in Mexico, including the generation, transmission, transformation, distribution and sale of electricity.

(b) Measures:

United Mexican States Political Constitution (Constitución Política de los Estados Unidos Mexicanos), Articles 25, 27 and 28

Electricity Public Utility Law (Ley del Servicio Público de Energía Eléctrica)

Foreign Investment Law (Ley de Inversión Extranjera)

3. Nuclear Power and Treatment of Radioactive Minerals

(a) Description of activities: exploration, exploitation and processing of radioactive minerals, the nuclear fuel cycle, the generation of nuclear energy, the transportation and storage of nuclear waste, the use and reprocessing of nuclear fuel and the regulation of their applications for other purposes and the production of heavy water.

(b) Measures:

United Mexican States Political Constitution (Constitución Política de los Estados Unidos Mexicanos), Articles 25, 27 and 28

Regulatory Law of the Constitutional Article 27 on Nuclear Matters (Ley Reglamentaria del Artículo 27 Constitucional en Materia Nuclear)

Foreign Investment Law (Ley de Inversión Extranjera)

4. Telegraph Services

Measures:

United Mexican States Political Constitution (Constitución Política de los Estados Unidos Mexicanos), Articles 25 and 28

General Means of Communication Law (Ley de Vías Generales de Comunicación)

Foreign Investment Law (Ley de Inversión Extranjera)

5. Radiotelegraph Services

Measures:

United Mexican States Political Constitution (Constitución Política de los Estados Unidos Mexicanos), Articles 25 and 28

General Means of Communication Law (Ley de Vías Generales de Comunicación)

Foreign Investment Law (Ley de Inversión Extranjera)

6. Postal Services

(a) Description of activities: operation, administration and organization of first class mail.

(b) Measures:

United Mexican States Political Constitution (Constitución Política de los Estados Unidos Mexicanos), Articles 25 and 28

Postal Service Law (Ley del Servicio Postal Mexicano)

Foreign Investment Law (Ley de Inversión Extranjera)

7. Issuance of Bills (currency) and Minting of Coinage

Measures:

United Mexican States Political Constitution (Constitución Política de los Estados Unidos Mexicanos), Articles 25 and 28

Bank of Mexico Law (Ley del Banco de México)

Mexico Mint Law (Ley de la Casa de Moneda de México)

United Mexican States Monetary Law (Ley Monetaria de los Estados Unidos Mexicanos)

Foreign Investment Law (Ley de Inversión Extranjera)

8. Control, Inspection and Surveillance of Maritime and Inland Ports

Measures:

Navigation Law (Ley de Navegación)

Ports Law (Ley de Puertos)

General Means of Communication Law (Ley de Vías Generales de Comunicación)

Foreign Investment Law (Ley de Inversión Extranjera)

9. Control, Inspection and Surveillance of Airports and Heliports

Measures:

General Means of Communication Law (Ley de Vías Generales de Comunicación)

Airports Law (Ley de Aeropuertos)

Foreign Investment Law (Ley de Inversión Extranjera)

The measures referred to are provided for transparency purposes and include any subordinate measure adopted or maintained under the authority of and consistent with such measures.

Section 2

Deregulation of Activities Reserved to the State

1. The activities set out in Section 1 are reserved to the Mexican State, and private equity investment is prohibited under Mexican Law. Where Mexico allows private investment to participate in such activities through service contracts, concessions, lending arrangements or any other type of contractual arrangement, such participation shall not be construed to affect the State's reservation of those activities.

2. If Mexican law is amended to allow private equity investment in an activity set out in Section 1, Mexico may impose restrictions on foreign investment participation notwithstanding Article 58, and describe them in Annex 6. Mexico may also impose derogations from Article 58 on foreign equity investment participation when selling an asset or ownership interest in an enterprise engaged in activities set out in Section 1, and describe them in Annex 6.

Section 3 Activities Formerly Reserved to the Mexican State

Where an activity was reserved to the Mexican State on January 1, 1992 and was no longer reserved to the Mexican State on January 1, 1994, Mexico may restrict the initial sale of a state-owned asset or an ownership interest in a state enterprise that performs that activity to enterprises with majority ownership by Mexican nationals, as defined by the Mexican Constitution. For a period not to exceed three years from the initial sale, Mexico may restrict the transfer of such asset or ownership interest to other enterprises with majority ownership by Mexican nationals, as defined by the Mexican Constitution. On expiration of the three-year period, the obligations of national treatment set out in Article 58 apply. This provision is subject to Article 66.

Annex 9 referred to in Chapter 7
Exceptions from Most-Favored-Nation Treatment

Schedule of Japan

Japan takes an exception to Article 59 for treatment accorded under all international agreements in force prior to January 1, 1994.

For international agreements in force or signed after January 1, 1994, Japan takes an exception to Article 59 for treatment accorded under those agreements involving:

- (a) aviation;
- (b) fisheries; or
- (c) maritime matters, including salvage.

Schedule of Mexico

Mexico takes an exception to Article 59 for treatment accorded under all international agreements in force prior to January 1, 1994.

For international agreements in force or signed after January 1, 1994, Mexico takes an exception to Article 59 for treatment accorded under those agreements involving:

- (a) aviation;
- (b) fisheries; or
- (c) maritime matters, including salvage.

For greater certainty, Article 59 does not apply to any current or future foreign aid programs to promote economic development, such as those governed by the Energy Economic Cooperation Program with Central America and the Caribbean (Acuerdo de San José) and the different OECD instruments on Export Credits.