

EURO-MEDITERRANEAN INTERIM ASSOCIATION AGREEMENT on trade and cooperation between the European Community, of the one part, and the Palestine Liberation Organization (PLO) for the benefit of the Palestinian Authority of the West Bank and the Gaza Strip, of the other part

The EUROPEAN COMMUNITY, hereinafter referred to as 'the Community', of the one part, and the PALESTINE LIBERATION ORGANIZATION (PLO) FOR THE BENEFIT OF THE PALESTINIAN AUTHORITY OF THE WEST BANK AND THE GAZA STRIP, hereinafter referred to as 'the Palestinian Authority', of the other part,

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

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

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

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

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

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

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

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

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

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

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

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

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

HAVE AGREED AS FOLLOWS:

Article 1

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

2. The objectives of this Agreement are:

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

Article 2

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

TITLE I FREE MOVEMENT OF GOODS

BASIC PRINCIPLES

Article 3

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

CHAPTER 1 INDUSTRIAL PRODUCTS

Article 4

The provisions of this Chapter shall apply to products originating in the Community and in the West Bank and the Gaza Strip other than those listed in Annex II to the Treaty establishing the European Community.

Article 5

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

Article 6

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

Article 7

1. The provisions of this Chapter do not preclude the retention by the Community of an agricultural component in respect of goods originating in the West Bank and the Gaza Strip and listed in Annex 1.

The provisions of Chapter 2 applicable to agricultural products shall apply *mutatis mutandis* to the agricultural component.

2. For the products listed in Annex 2 originating in the Community, the Palestinian Authority may retain for the duration of the Agreement customs duties on import and charges having equivalent effect not higher than those in force on 1 July 1996.

3. The Joint Committee established under Article 63 may decide on further concessions which the parties grant each other on a mutual basis.

Article 8

1. Customs duties and charges having equivalent effect applicable on import into the West Bank and the Gaza Strip of products originating in the Community, other than those listed in Annexes 2 and 3, shall be abolished when the Agreement enters into force.

2. From the entry into force of the Agreement, for the products originating in the Community listed in Annex 3 imported into the West Bank and the Gaza Strip, the Palestinian Authority may levy fiscal charges not exceeding 25 % by value. These charges shall be gradually abolished in accordance with the following schedule:

one year after the date of entry into force of this Agreement, each charge shall be reduced to 90 % of the basic charge;

two years after the date of entry into force of this Agreement, each charge shall be reduced to 80 % of the basic charge;

three years after the date of entry into force of this Agreement, each charge shall be reduced

to 70 % of the basic charge;
four years after the date of entry into force of this Agreement, each charge shall be reduced to 60 % of the basic charge;
five years after the date of entry into force of this Agreement, each remaining charge shall be abolished.

3. In the event of serious difficulties for a given product, the schedule referred to in paragraph

2 may be reviewed by the Joint Committee by common accord, on the understanding that it may not be suspended beyond the maximum transitional period of five years. If the Joint Committee has not taken a decision within 30 days of its application to review the schedule, the Palestinian Authority may suspend the schedule provisionally for a period which may not exceed one year.

4. If the charge is reduced erga omnes, the reduced charge shall replace the basic charge described in paragraph 2 from the date on which the reduction is applied.

5. The Palestinian Authority shall notify the Community of its basic duties and charges.

Article 9

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

Article 10

1. By way of derogation from Articles 5 and 8, the Palestinian Authority may take exceptional measures of limited duration to introduce, increase or re-introduce customs duties.

2. Such measures may only apply to infant industries and to sectors undergoing restructuring or experiencing serious difficulties, particularly where those difficulties entail severe social problems.

3. Customs duties on imports into the West Bank and the Gaza Strip of products originating in the Community that are introduced by such exceptional measures may not exceed 25 % by value, and must retain a preferential margin for products originating in the Community. The total value of imports of the products subjected to such measures may not exceed 15 % of total imports of industrial products originating in the Community during the last year for which statistics are available.

4. Such measures shall be applied for no longer than five years, except where a longer duration is authorized by the Joint Committee.

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

different schedule.

CHAPTER 2 AGRICULTURAL AND FISHERY PRODUCTS

Article 11

The provisions of this Chapter shall apply to products originating in the Community and the West Bank and the Gaza Strip and listed in Annex II to the Treaty establishing the European Community.

Article 12

The Community and the Palestinian Authority shall progressively establish a greater liberalization of their trade in agricultural and fishery products of interest to both Parties.

Article 13

1. Agricultural products originating in the West Bank and the Gaza Strip listed in Protocol 1 on importation into the Community shall be subject to the arrangements set out in that Protocol.
2. Agricultural products originating in the Community listed in Protocol 2 on importation into the West Bank and the Gaza Strip shall be subject to the arrangements set out in that Protocol.

Article 14

1. From 1 January 1999, the Community and the Palestinian Authority shall examine the situation in order to determine the measures to be applied by the Community and the Palestinian Authority from 1 January 2000, in accordance with the objective set out in Article 12.
2. Without prejudice to paragraph 1 and taking account of the volume of trade in agricultural products between the Parties and of the particular sensitivity of such products, the Community and the Palestinian Authority shall examine in the Joint Committee, product by product and on an orderly and reciprocal basis, the possibility of granting each other further concessions.

CHAPTER 3 COMMON PROVISIONS

Article 15

1. No new quantitative restriction on imports or measures having equivalent effect shall be introduced in trade between the Community and the West Bank and Gaza Strip.
2. Quantitative restrictions on imports and measures having equivalent effect in trade between the Community and the West Bank and Gaza Strip shall be abolished from the entry into force of this Agreement.
3. The Community and the Palestinian Authority shall not apply to exports between themselves either customs duties or charges having equivalent effect, or quantitative restrictions or measures having equivalent effect.

Article 16

1. Products originating in the West Bank and the Gaza Strip shall not, on importation into the Community, be accorded a treatment more favourable than that which the Member States apply among themselves.
2. Application of the provisions of this Agreement shall be without prejudice to Council Regulation (EEC) No 1911/91 of 26 June 1991 on the application of the provision of Community law to the Canary Islands.

Article 17

1. In the event of specific rules being introduced as a result of the implementation of its agricultural policy or of any alteration of the current rules or in the event of any alteration or extension of the provisions relating to the implementation of its agricultural policy, the Party concerned may amend the arrangements resulting from the Agreement in respect of the products concerned.
2. In such cases the Party concerned shall inform the Joint Committee. At the request of the other Party, the Joint Committee shall meet to take due account of the interests of the other Party.
3. If the Community or the Palestinian Authority, in applying paragraph 1, modifies the arrangements made by this Agreement for agricultural products, they shall accord imports originating in the other Party an advantage comparable to that provided for in this Agreement.
4. The application of this Article may be the subject of consultations in the Joint Committee.

Article 18

1. The Parties shall refrain from any measure or practice of an internal fiscal nature establishing, whether directly or indirectly, discrimination between the products of one Party and like products originating in the territory of the other Party.
2. Products exported to the territory of one of the Parties may not benefit from repayment of indirect internal taxation in excess of the amount of indirect taxation imposed on them either directly or indirectly.

Article 19

1. The Agreement shall not preclude the maintenance or establishment of customs unions, free trade areas or arrangements for frontier trade, except insofar as they alter the trade arrangements provided for in this Agreement.
2. Consultation between the Parties shall take place within the Joint Committee concerning agreements establishing customs unions or free trade areas and, where requested, on other major issues related to their respective trade policy with third countries. In particular, in the event of a third country acceding to the European Union, such consultation shall take place so as to ensure that account can be taken of the mutual interests of this Parties.

Article 20

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

Article 21

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

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

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

Article 22

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

- (i) re-export towards a third country against which the exporting Party maintains, for the product concerned, quantitative export restrictions, export duties, or measures having equivalent effect, or
 - (ii) a serious shortage, or threat thereof, of a product essential to the exporting Party;
- and where the situations referred to above give rise, or are likely to give rise to major difficulties for the exporting Party, that Party may take appropriate measures under the conditions and in accordance with the procedures laid down in Article 23. The measures shall be non-discriminatory and be eliminated when conditions no longer justify their maintenance.

Article 23

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

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

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

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

abolition as soon as circumstances permit.

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

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

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

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

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

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

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

Article 24

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

Article 25

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

Article 26

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

TITLE II PAYMENTS, CAPITAL, COMPETITION, INTELLECTUAL PROPERTY AND PUBLIC PROCUREMENT

CHAPTER 1 CURRENT PAYMENTS AND MOVEMENT OF CAPITAL

Article 27

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

Article 28

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

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

Article 29

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

CHAPTER 2 COMPETITION, INTELLECTUAL PROPERTY AND PUBLIC PROCUREMENT

Article 30

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

- (i) all agreements between undertakings, decisions by associations of undertakings and concerted practices between undertakings which have as their object or effect the prevention, restriction or distortion of competition;
- (ii) abuse by one or more undertakings of a dominant position in the territories of the Community or the West Bank and the Gaza Strip as a whole or in a substantial part thereof;
- (iii) any public aid which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods.

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

3. The Joint Committee shall, before 31 December 2001, adopt by decision the necessary rules for the implementation of paragraphs 1 and 2.

Until these rules are adopted, the provisions of the Agreement on Subsidies and Countervailing Measures shall be applied as the rules for the implementation of paragraph 1 (iii) and the relevant parts of paragraph 2.

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

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

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

- paragraph 1 (iii) does not apply,

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

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

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

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

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

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

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

Article 31

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

Article 32

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

Article 33

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

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

Article 34

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

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

TITLE III ECONOMIC COOPERATION AND SOCIAL DEVELOPMENT

Article 35

Objectives

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

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

Article 36

Scope

1. Cooperation shall focus primarily on sectors suffering from internal difficulties or affected by the overall process of liberalization of the economy of the West Bank and the Gaza Strip, and in particular by the liberalization of trade between the West Bank and the Gaza Strip and the Community.

2. Similarly, cooperation shall focus on areas likely to bring the economies of the Community and the West Bank and Gaza Strip closer together, particularly those which will generate sustainable growth and employment.

3. Cooperation shall encourage the implementation of measures designed to develop intra-regional cooperation.

4. Conservation of the environment and ecological balance shall be taken into account in the implementation of the various sectors of economic cooperation to which it is relevant.

5. The Parties may agree to extend economic cooperation to other sectors not covered by the provisions of this Title.

Article 37

Methods and modalities

Economic cooperation shall be implemented in particular by:

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

Article 38

Industrial cooperation

The main aim will be to:

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

Article 39

Investment promotion and investment

The objective of cooperation will be the creation of a favourable and stable environment for investment in the West Bank and Gaza Strip.

Cooperation will take the form of promotion of investment. This will entail the development of:

- harmonized and simplified administrative procedures,
- co-investment machinery, especially for small and medium-sized enterprises (SMEs) of both Parties,
- information channels and means of identifying investment opportunities,

- an environment conducive to investment in the West Bank and the Gaza Strip.
Cooperation may also extend to the conception and implementation of projects demonstrating the effective acquisition and use of basic technologies, the use of standards, the development of human resources (e.g. in technologies and management) and the creation of jobs.

Article 40 **Standardization and conformity assessment**

The objective of cooperation will be to narrow the gap in standards and certification.

In practical terms cooperation will take the form of:

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

Article 41 **Approximation of laws**

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

Article 42 Small and medium-sized enterprises

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

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

Article 43 **Financial services**

The objective of cooperation will be the improvement and development of financial services.

It will take the form of:

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

Article 44 **Agriculture and fisheries**

The objective of cooperation under this heading will mainly be the modernization and restructuring, where necessary, of agriculture and fisheries.

This includes modernization of infrastructures and of equipment; the development of packaging, storage and marketing techniques; and the improvement of distribution channels. It will be geared more especially to:

- the development of stable markets,
- support for policies to diversify production and exports and external outlets,
- reduction of food dependency,
- promotion of environment-friendly agriculture and fisheries, taking particular account of the need for conservation and rational management of fisheries,
- closer relations on a voluntary basis between business groups and organizations representing trades and professions,
- technical assistance and training,
- harmonization of phytosanitary and veterinary standards,
- integrated rural development including improvement of basic services and the development of associated economic activities, and
- cooperation among rural regions and exchange of experience and know-how concerning rural development.

Article 45

Social development

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

The Parties will give priority to measures aimed at:

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

Article 46

Transport

The objectives of cooperation will be:

- aid for restructuring and modernizing roads, ports and airports,
- improved passenger and freight services both at bilateral and regional level, and
- the establishment and enforcement of operating standards comparable to those prevailing in the Community.

The priority areas of cooperation will be:

- road transport including a gradual easing of transit requirements,
- management of railways, ports and airports including navigation systems and cooperation between the relevant national bodies,
- modernization of road, rail, port and airport infrastructure on major routes of common interest,
- trans-European links and routes of regional interest, and
- upgrading of technical equipment to bring it up to Community standards for road/rail transport, container traffic and transshipment.

Article 47

Information infrastructure and telecommunications

Cooperation shall aim at stimulating economic and social development as well as developing an information society.

The priority areas of cooperation will be:

- to facilitate collaboration in the field of telecommunications policy, network development and infrastructures for an information society,
- to develop a dialogue on issues related to the information society and to promote the exchange of information and the organization of seminars and conferences in this area,
- to promote and implement joint projects aimed at the introduction of new telecommunications services and applications related to the information society,
- to allow for information exchange on standardization, conformance testing, and certification in information and communications technologies,
- interconnection and interoperability of networks and telematics services.

Article 48

Energy

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

The priority areas of cooperation will be:

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

Article 49

Scientific and technological cooperation

The Parties will endeavour to promote cooperation on scientific and technological development.

The aim of cooperation shall be to:

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

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

(b) improve Palestinian research capabilities;

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

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

Article 50

Environment

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

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

Article 51

Tourism

Priorities for cooperation shall be:

- promoting investments in tourism,
- improving the knowledge of the tourist industry and ensuring greater consistency of policies affecting tourism,
- promoting a good seasonal spread of tourism,
- promoting cooperation between regions and cities of neighbouring countries,
- highlighting the importance of the cultural heritage for tourism,
- making tourism more competitive through support for increased professionalism ensuring the balanced and sustainable development of tourism.

Article 52

Customs cooperation

Customs cooperation is intended to ensure that the provisions on trade are observed and to guarantee fair trading.

It could give rise to the following types of cooperation:

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

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

Article 53

Cooperation on statistics

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

Article 54

Cooperation on economic policy

Cooperation is aimed at:

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

Article 55

Regional cooperation

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

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

Priority will be given to operations aimed at:

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

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

To this end the following measures may be taken:

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

TITLE IV COOPERATION ON AUDIO-VISUAL AND CULTURAL MATTERS, INFORMATION AND COMMUNICATION

Article 56

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

Article 57

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

Article 58

The Parties will undertake to determine how to improve significantly the education and vocational training situation. To this end, the access of women to education, including technical courses, higher education and vocational training, will receive special attention. In order to develop the level of expertise of senior staff in the public and private sectors, the Parties will step up their cooperation on education and vocational training and cooperation between universities and firms.

Preparing young people to become active citizens in democratic civil society should be actively promoted. Youth cooperation, including training of youth workers and youth leaders, youth exchanges and voluntary service activities, could therefore be supported and developed. Special attention will be paid to operations and programmes which will enable permanent links (MED-CAMPUS, for instance) to be established between specialized bodies in the Community and in the West Bank and Gaza Strip, such as will encourage the pooling and exchange of experience and technical resources.

Article 59

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

Article 60

Cooperation shall be implemented in particular through:

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

TITLE V FINANCIAL COOPERATION

Article 61

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

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

Financial cooperation shall focus on:

- responding to the economic repercussions for the West Bank and the Gaza Strip of the gradual introduction of a free trade area, notably by upgrading and restructuring industry,
- trade institutions which promote trading links with foreign markets,
- accompanying measures for policies implemented in the social sector,
- upgrading economic and social infrastructure,
- promoting private investment and job-creating activities in the productive sectors,

- promoting reforms designed to modernize the economy,
- services,
- urban and rural development,
- the environment,
- the setting-up and improvement of institutions necessary for the proper working of the Palestinian public administration and the advancement of democracy and human rights.

Article 62

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

TITLE VI INSTITUTIONAL, GENERAL AND FINAL PROVISIONS

Article 63

1. A Joint Committee for European Community-Palestinian Authority trade and cooperation, referred to in this Agreement as 'the Joint Committee', is hereby established. It shall have the power to take decisions in the cases provided for in the Agreement as well as in other cases necessary for the purpose of attaining the objectives set out in the Agreement.

The decisions taken shall be binding on the Parties, which shall take such measures as are required to implement them.

2. The Joint Committee may also formulate any resolutions, recommendations or opinions which it considers desirable for the attainment of the common objectives and the smooth functioning of the Agreement.

3. The Joint Committee shall adopt its own rules of procedure.

Article 64

1. The Joint Committee shall be composed of representatives of the Community and of the Palestinian Authority.

2. The Joint Committee shall act by mutual agreement between the Community and the Palestinian Authority.

Article 65

1. The office of Chairman of the Joint Committee shall be held alternately by the Community and the Palestinian Authority in accordance with the conditions laid down in the rules of procedure.

2. The Joint Committee shall meet once a year and when circumstances require, on the initiative of its Chairman.

Article 66

1. The Joint Committee may decide to set up any other committee that can assist it in carrying out its duties.

2. The Joint Committee shall determine the composition and duties of such committees and how they shall function.

Article 67

1. Either Party may refer to the Joint Committee any dispute relating to the application or interpretation of this Agreement.

2. The Joint Committee may settle the dispute by means of a decision.

3. Each Party shall be bound to take measures involved in carrying out the decision referred to in paragraph 2.

4. In the event of it not being possible to settle the dispute in accordance with paragraph 2, either Party may notify the other of the appointment of an arbitrator; the other Party must then appoint a second arbitrator within two months.

The Joint Committee shall appoint a third arbitrator.

The arbitrators' decisions shall be taken by majority vote.

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

Article 68

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

(a) which it considers necessary to prevent the disclosure of information contrary to its essential security interests;

(b) which relate to the production of, or trade in, arms, munitions or war materials or to research, development or production indispensable for defence purposes, provided that such measures do not impair the conditions of competition in respect of products not intended for specifically military purposes;

(c) which it considers essential to its own security in the event of serious internal disturbances affecting the maintenance of law and order, in time of war or serious international tension constituting threat of war, or in order to carry out obligations it has accepted for the purpose of maintaining peace and international security.

Article 69

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

- the arrangements applied by the Palestinian Authority in respect of the Community shall not give rise to any discrimination between the Member States, their nationals or their companies or firms,

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

Article 70

1. The Parties shall take any general or specific measures required to fulfil their obligations under the Agreement. They shall see to it that the objectives set out in the Agreement are

attained.

2. If either Party considers that the other Party has failed to fulfil an obligation under the Agreement, it may take appropriate measures. Before so doing, except in cases of special urgency, it shall supply the Joint Committee with all relevant information required for a thorough examination of the situation with a view to seeking a solution acceptable to the Parties.

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

Article 71

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

Article 72

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

Article 73

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

Article 74

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

Article 75

1. This Agreement will be approved by the Parties in accordance with their own procedures. This Agreement shall enter into force on the first day of the month following the date on which the Parties notify each other that the procedures referred to in the first paragraph have been completed.

2. No later than 4 May 1999 negotiations shall commence with a view to concluding a Euro-Mediterranean Association Agreement. Until such an Agreement is concluded, this Agreement shall remain in force, subject to any amendments agreed between the Parties.

3. Each of the Parties may denounce this Agreement by notifying the other Party. The Agreement shall cease to apply six months after the date of such notification.

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

and ninety-seven.

For the European Community

PROTOCOL 1 on the arrangements applying to imports into the Community of agricultural products originating in the West Bank and the Gaza Strip

Article 1

1. The products listed in the Annex, originating in the West Bank and the Gaza Strip, shall be admitted for import into the Community in accordance with the conditions set out below and in the Annex.

2. Import duties shall be either eliminated or reduced by the percentage indicated in respect of each product in column A.

Where the Common Customs Tariff provides for the application of ad valorem customs duties and a specific customs duty in respect of certain products, the rates of reduction shown in column A and in column C, as referred to in paragraph 3, shall apply only to the ad valorem customs duty.

3. The customs duties shall be eliminated in respect of certain products within the limits of the tariff quotas shown against them in column B.

The Common Customs Tariff duties in respect of the quantities imported in excess of the quotas shall be reduced by the percentage indicated in column C.

4. The reference quantities fixed in respect of certain other products exempt from customs duties are shown in column D.

Where imports of a product exceed the reference quantities, the Community may, having regard to an annual review of trade flows which it shall carry out, make the product concerned subject to a Community tariff quota the volume of which shall be equal to the reference quantity. In such a case, for quantities imported in excess of the quota, the common customs tariff duty shall, according to the product concerned, be applied in full or reduced, as indicated in column C.

5. For some of the products other than those referred to in paragraphs 3 and 4, the Community may fix a reference quantity as provided for in paragraph 4 if, in the light of the annual review of trade which it shall carry out, it establishes that the volume of imports may cause difficulties on the Community market. If, subsequently, the product is subject to a tariff quota under the conditions set out in paragraph 4, the Common Customs Tariff duty shall be applied in full or reduced, depending on the product concerned, by the percentage shown in column C in respect of the quantities imported in excess of the quota.

PROTOCOL 2 on the arrangements applying to imports into the West Bank and the Gaza Strip of agricultural products originating in the Community

1. The products listed in the Annex originating in the Community shall be admitted for importation into the West Bank and the Gaza strip according to the conditions contained herein and in the Annex.
2. Import duties on imports shall be either eliminated or reduced to the level indicated in column 'A', within the limit of the tariff quota listed in column 'B', and subject to the specific provisions indicated in column 'C'.
3. For the quantities imported in excess of the tariff quotas, the general customs duties applied to third countries will apply, subject to the specific provisions indicated in column 'C'.
4. For cheese and curd, the tariff quota shall be increased from 1 January 1997 to 1 January 2000 on the basis of four equal instalments, each corresponding to 10 % of this amount.

PROTOCOL 3 concerning the definition of the concept of 'originating products' and methods of administrative cooperation

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TITLE I GENERAL PROVISIONS

Article 1 Definitions

For the purposes of this Protocol:

(a) 'manufacture` means any kind of working or processing including assembly or specific

operations;

(b) 'material` means any ingredient, raw material, component or part, etc., used in the manufacture of the product;

(c) 'product` means the product being manufactured, even if it is intended for later use in another manufacturing operation;

(d) 'goods` means both materials and products;

(e) 'customs value` means the value as determined in accordance with the 1994 Agreement on implementation of Article VII of the General Agreement on Tariffs and Trade (WTO Agreement on customs valuation);

(f) 'ex-works price` means the price paid for the product ex works to the manufacturer in the Community or the West Bank and Gaza Strip in whose undertaking the last working or processing is carried out, provided the price includes the value of all the materials used, minus any internal taxes which are, or may be, repaid when the product obtained is exported;

(g) 'value of materials` means the customs value at the time of importation of the non-originating materials used, or, if this is not known and cannot be ascertained, the first ascertainable price paid for the materials in the Community or the West Bank and Gaza Strip;

(h) 'value of originating materials` means the value of such materials as defined in subparagraph (g) applied mutatis mutandis;

(i) 'added value` shall be taken to be the ex-works price minus the customs value of each of the products incorporated which did not originate in the country in which those products were obtained;

(j) 'chapters` and 'headings` mean the chapters and the headings (four-digit codes) used in the nomenclature which makes up the Harmonized Community Description and Coding System, referred to in this Protocol as 'the Harmonized System` or 'HS` ;

(k) 'classified` refers to the classification of a product or material under a particular heading;

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

(m) 'territories` includes territorial waters.

TITLE II DEFINITION OF THE CONCEPT OF 'ORIGINATING PRODUCTS`

Article 2 General requirements

1. For the purpose of implementing this Agreement, the following products shall be considered as originating in the Community:

(a) products wholly obtained in the Community within the meaning of Article 4 of this Protocol;

(b) products obtained in the Community incorporating materials which have not been wholly obtained there, provided that such materials have undergone sufficient working or processing in the Community within the meaning of Article 5 of this Protocol.

2. For the purpose of implementing this Agreement, the following products shall be considered as originating in the West Bank and Gaza Strip:

(a) products wholly obtained in the West Bank and Gaza Strip within the meaning of Article 4 of this Protocol;

(b) products obtained in the West Bank and Gaza Strip incorporating materials which have not been wholly obtained there, provided that such materials have undergone sufficient working or processing in the West Bank and Gaza Strip within the meaning of Article 5 of this Protocol.

Article 3 Bilateral cumulation of origin

1. Materials originating in the Community shall be considered as materials originating in the West Bank and Gaza Strip when incorporated into a product obtained there. It shall not be necessary that such materials have undergone sufficient working or processing, provided they have undergone working or processing going beyond that referred to in Article 6 (1) of this Protocol.

2. Materials originating in the West Bank and Gaza Strip shall be considered as materials originating in the Community when incorporated into a product obtained there. It shall not be necessary that such materials have undergone sufficient working or processing, provided they have undergone working or processing going beyond that referred to in Article 6 (1) of this Protocol.

Article 4 Wholly obtained products

1. The following shall be considered as wholly obtained in the Community or the West Bank and Gaza Strip:

- (a) mineral products extracted from their soil or from their seabed;
- (b) vegetable products harvested there;
- (c) live animals born and raised there;
- (d) products from live animals raised there;
- (e) products obtained by hunting or fishing conducted there;
- (f) products of sea fishing and other products taken from the sea outside the territorial waters of the Community or the West Bank and Gaza Strip by their vessels;
- (g) products made aboard their factory ships exclusively from products referred to in subparagraph (f);
- (h) used articles collected there fit only for the recovery of raw materials, including used tyres fit only for retreading or for use as waste;
- (i) waste and scrap resulting from manufacturing operations conducted there;
- (j) products extracted from marine soil or subsoil outside their territorial waters provided that they have sole rights to work that soil or subsoil;
- (k) goods produced there exclusively from the products specified in subparagraphs (a) to (j).

2. The terms 'their vessels` and 'their factory ships` in paragraph 1 (f) and (g) shall apply only to vessels and factory ships:

- (a) which are registered or recorded in an EC Member State or in the West Bank and Gaza Strip;
- (b) which sail under the flag of an EC Member State or of the West Bank and Gaza Strip;
- (c) which are owned to an extent of at least 50 % by nationals of EC Member States or of the West Bank and Gaza Strip, or by a company with its head office in one of these States, of which the manager or managers, Chairman of the Board of Directors or the Supervisory Board, and the majority of the members of such boards are nationals of EC Member States or of the West Bank and Gaza Strip and of which, in addition, in the case of partnerships or limited companies, at least half the capital belongs to those States or to public bodies or nationals of the said States;
- (d) of which the master and officers are nationals of EC Member States or of the West Bank and Gaza Strip; and
- (e) of which at least 75 % of the crew are nationals of EC Member States or of the West Bank and Gaza Strip.

Article 5 Sufficiently worked or processed products

1. For the purposes of Article 2, products which are not wholly obtained are considered to be sufficiently worked or processed when the conditions set out in the list in Annex II are fulfilled.

The conditions referred to above indicate, for all products covered by this Agreement, the working or processing which must be carried out on non-originating materials used in manufacturing and apply only in relation to such materials. Accordingly, it follows that if a product, which has acquired originating status by fulfilling the conditions set out in the list is used in the manufacture of another product, the conditions applicable to the product in which it is incorporated do not apply to it, and no account shall be taken of the non-originating materials which may have been used in its manufacture.

2. Notwithstanding paragraph 1, non-originating materials which, according to the conditions set out in the list, should not be used in the manufacture of a product may nevertheless be used, provided that:

- (a) their total value does not exceed 10 % of the ex-works price of the product;
- (b) any of the percentages given in the list for the maximum value of non-originating materials are not exceeded through the application of this paragraph.

This paragraph shall not apply to products falling within Chapters 50 to 63 of the Harmonized System.

3. Paragraphs 1 and 2 shall apply except as provided in Article 6.

Article 6 Insufficient working or processing operations

1. Without prejudice to paragraph 2, the following operations shall be considered as insufficient working or processing to confer the status of originating products, whether or not the requirements of Article 5 are satisfied:

- (a) operations to ensure the preservation of products in good condition during transport and storage (ventilation, spreading out, drying, chilling, placing in salt, sulphur dioxide or other aqueous solutions, removal of damaged parts, and like operations);
- (b) simple operations consisting of removal of dust, sifting or screening, sorting, classifying, matching (including the making-up of sets of articles), washing, painting, cutting up;
- (c) (i) changes of packaging and breaking up and assembly of packages;
- (ii) simple placing in bottles, flasks, bags, cases, boxes, fixing on cards or boards, etc., and all other simple packaging operations;
- (d) affixing marks, labels and other like distinguishing signs on products or their packaging;
- (e) simple mixing of products, whether or not of different kinds, where one or more components of the mixtures do not meet the conditions laid down in this Protocol to enable them to be considered as originating in the Community or the West Bank and Gaza Strip;
- (f) simple assembly of parts to constitute a complete product;
- (g) a combination of two or more operations specified in subparagraphs (a) to (f);
- (h) slaughter of animals.

2. All the operations carried out in either the Community or the West Bank and Gaza Strip on a given product shall be considered together when determining whether the working or processing undergone by that product is to be regarded as insufficient within the meaning of paragraph 1.

Article 7 Unit of qualification

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

Accordingly, it follows that:

- (a) when a product composed of a group or assembly of articles is classified under the terms of the Harmonized System in a single heading, the whole constitutes the unit of qualification;
- (b) when a consignment consists of a number of identical products classified under the same heading of the Harmonized System, each product must be taken individually when applying

the provisions of this Protocol.

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

Article 8 Accessories, spare parts and tools

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

Article 9 Sets

Sets, as defined in General Rule 3 of the Harmonized System, shall be regarded as originating when all component products are originating. Nevertheless, when a set is composed of originating and non-originating products, the set as a whole shall be regarded as originating, provided that the value of the non-originating products does not exceed 15 % of the ex-works price of the set.

Article 10 Neutral elements

In order to determine whether a product originates, it shall not be necessary to determine the origin of the following which might be used in its manufacture:

- (a) energy and fuel;
- (b) plant and equipment;
- (c) machines and tools;
- (d) goods which do not enter and which are not intended to enter into the final composition of the product.

TITLE III TERRITORIAL REQUIREMENTS

Article 11 Principle of territoriality

1. The conditions set out in Title II relative to the acquisition of originating status must be fulfilled without interruption in the Community or the West Bank and Gaza Strip.

2. If originating goods exported from the Community or the West Bank and Gaza Strip to another country are returned, they must be considered as non-originating, unless it can be demonstrated to the satisfaction of the customs authorities that:

- (a) the goods returned are the same goods as those exported; and
- (b) they have not undergone any operation beyond that necessary to preserve them in good condition while in that country or while being exported.

Article 12 Direct transport

1. The preferential treatment provided for under the Agreement applies only to products, satisfying the requirements of this Protocol, which are transported directly between the Community and the West Bank and Gaza Strip. However, products constituting one single consignment may be transported through other territories with, should the occasion arise, transshipment or temporary warehousing in such territories, provided that they remain under the surveillance of the customs authorities in the country of transit or warehousing and do not undergo operations other than unloading, reloading or any operation designed to preserve them in good condition.

Originating products may be transported by pipeline across territory other than that of the Community or the West Bank and Gaza Strip.

2. Evidence that the conditions set out in paragraph 1 have been fulfilled shall be supplied to

the customs authorities of the importing country by the production of:

- (a) a single transport document covering the passage from the exporting country through the country of transit; or
- (b) a certificate issued by the customs authorities of the country of transit:
 - (i) giving an exact description of the products;
 - (ii) stating the dates of unloading and reloading of the products and, where applicable, the names of the ships, or the other means of transport used; and
 - (iii) certifying the conditions under which the products remained in the transit country; or
- (c) failing these, any substantiating documents.

Article 13 Exhibitions

1. Originating products, sent for exhibition in another country and sold after the exhibition for importation in the Community or the West Bank and Gaza Strip shall benefit on importation from the provisions of the Agreement provided it is shown to the satisfaction of the customs authorities that:

- (a) an exporter has consigned these products from the Community or the West Bank and Gaza Strip to the country in which the exhibition is held and has exhibited them there;
- (b) the products have been sold or otherwise disposed of by that exporter to a person in the Community or the West Bank and Gaza Strip;
- (c) the products have been consigned during the exhibition or immediately thereafter in the state in which they were sent for exhibition; and
- (d) the products have not, since they were consigned for exhibition, been used for any purpose other than demonstration at the exhibition.

2. A proof of origin must be issued or made out in accordance with the provisions of Title V and submitted to the customs authorities of the importing country in the normal manner. The name and address of the exhibition must be indicated thereon. Where necessary, additional documentary evidence of the conditions under which they have been exhibited may be required.

3. Paragraph 1 shall apply to any trade, industrial, agricultural or crafts exhibition, fair or similar public show or display which is not organized for private purposes in shops or business premises with a view to the sale of foreign products, and during which the products remain under customs control.

TITLE IV DRAWBACK OR EXEMPTION

Article 14

Prohibition of drawback of, or exemption from, customs duties

1. Non-originating materials used in the manufacture of products originating in the Community or in the West Bank and Gaza Strip for which a proof of origin is issued or made out in accordance with the provisions of Title V shall not be subject in the Community or the West Bank and Gaza Strip to drawback of, or exemption from, customs duties of whatever kind.

2. The prohibition in paragraph 1 shall apply to any arrangement for refund, remission or non-payment, partial or complete, of customs duties or charges having an equivalent effect, applicable in the Community or the West Bank and Gaza Strip to materials used in the manufacture, where such refund, remission or non-payment applies, expressly or in effect, when products obtained from the said materials are exported and not when they are retained

for home use there.

3. The exporter of products covered by a proof of origin shall be prepared to submit at any time, upon request from the customs authorities, all appropriate documents proving that no drawback has been obtained in respect of the non-originating materials used in the manufacture of the products concerned and that all customs duties or charges having equivalent effect applicable to such materials have actually been paid.

4. The provisions of paragraphs 1 to 3 shall also apply in respect of packaging within the meaning of Article 7 (2), accessories, spare parts and tools within the meaning of Article 8 and products in a set within the meaning of Article 9 when such items are non-originating.

5. The provisions of paragraphs 1 to 4 shall apply only in respect of materials which are of the kind to which the Agreement applies. Furthermore, they shall not preclude the application of an export refund system for agricultural products, applicable upon export in accordance with the provisions of the Agreement.

6. The provisions of this Article shall apply from 1 January 2000 and may be reviewed by common accord.

TITLE V PROOF OF ORIGIN

Article 15

General requirements

1. Products originating in the Community shall, on importation into the West Bank and Gaza Strip and products originating in the West Bank and Gaza Strip shall, on importation into the Community benefit from this Agreement upon submission of either:

- (a) a movement certificate EUR.1, a specimen of which appears in Annex III; or
- (b) in the cases specified in Article 20 (1), a declaration, the text of which appears in Annex IV, given by the exporter on an invoice, a delivery note or any other commercial document which describes the products concerned in sufficient detail to enable them to be identified (hereinafter referred to as the 'invoice declaration').

2. Notwithstanding paragraph 1, originating products within the meaning of this Protocol shall, in the cases specified in Article 25, benefit from this Agreement without it being necessary to submit any of the documents referred to above.

Article 16

Procedure for the issue of a movement certificate EUR.1

1. A movement certificate EUR.1 shall be issued by the customs authorities of the exporting country on application having been made in writing by the exporter or, under the exporter's responsibility, by his authorized representative.

2. For this purpose, the exporter or his authorized representative shall fill out both the movement certificate EUR.1 and the application form, specimens of which appear in Annex III. These forms shall be completed in one of the languages in which this Agreement is drawn up and in accordance with the provisions of the domestic law of the exporting country. If they are handwritten, they shall be completed in ink in printed characters. The description of the

products must be given in the box reserved for this purpose without leaving any blank lines. Where the box is not completely filled, a horizontal line must be drawn below the last line of the description, the empty space being crossed through.

3. The exporter applying for the issue of a movement certificate EUR.1 shall be prepared to submit at any time, at the request of the customs authorities of the exporting country where the movement certificate EUR.1 is issued, all appropriate documents proving the originating status of the products concerned as well as the fulfilment of the other requirements of this Protocol.

4. A movement certificate EUR.1 shall be issued by the customs authorities of an EC Member State or the West Bank and Gaza Strip if the products concerned can be considered as products originating in the Community, the West Bank and Gaza Strip or in one of the other countries referred to in Article 4 and fulfil the other requirements of this Protocol.

5. The issuing customs authorities shall take any steps necessary to verify the originating status of the products and the fulfilment of the other requirements of this Protocol. For this purpose, they shall have the right to call for any evidence and to carry out any inspection of the exporter's accounts or any other check considered appropriate. The issuing customs authorities shall also ensure that the forms referred to in paragraph 2 are duly completed. In particular, they shall check whether the space reserved for the description of the products has been completed in such a manner as to exclude all possibility of fraudulent additions.

6. The date of issue of the movement certificate EUR.1 shall be indicated in Box 11 of the certificate.

7. A movement certificate EUR.1 shall be issued by the customs authorities and made available to the exporter as soon as actual exportation has been effected or ensured.

Article 17

Movement certificates EUR.1 issued retrospectively

1. Notwithstanding Article 16 (7), a movement certificate EUR.1 may exceptionally be issued after exportation of the products to which it relates if:

(a) it was not issued at the time of exportation because of errors or involuntary omissions or special circumstances; or

(b) it is demonstrated to the satisfaction of the customs authorities that a movement certificate EUR.1 was issued but was not accepted at importation for technical reasons.

2. For the implementation of paragraph 1, the exporter must indicate in his application the place and date of exportation of the products to which the movement certificate EUR.1 relates, and state the reasons for his request.

3. The customs authorities may issue a movement certificate EUR.1 retrospectively only after verifying that the information supplied in the exporter's application agrees with that in the corresponding file.

4. Movement certificates EUR.1 issued retrospectively must be endorsed with one of the following phrases:

'NACHTRÄGLICH AUSGESTELLT', 'DELIVRE A POSTERIORI', 'RILASCIATO A POSTERIORI', 'AFGEGEVEN A POSTERIORI', 'ISSUED RETROSPECTIVELY', 'UDSTEDT EFTERFØLGENDE', 'ÄÄÄÄÄÄ ÄÄ ÖÜÍ ÖÓÖÄÑÛÍ', 'EXPEDIDO A POSTERIORI', 'EMITIDO A POSTERIORI', 'ANNETTU JÄLKIKÄTEEN', 'UTFÄRDAT I

EFTERHAND`, '>REFERENCE TO A GRAPHIC>

`.

5. The endorsement referred to in paragraph 4 shall be inserted in the 'Remarks` box of the movement certificate EUR.1.

Article 18 Issue of a duplicate movement certificate EUR.1

1. In the event of theft, loss or destruction of a movement certificate EUR.1, the exporter may apply to the customs authorities which issued it for a duplicate made out on the basis of the export documents in their possession.

2. The duplicate issued in this way must be endorsed with one of the following words:

'DUPLIKAT`, 'DUPLICATA`, 'DUPLICATO`, 'DUPLICAAT`, 'DUPLICATE`, 'ÁÍÔÉÃÑÁÖÏ`, 'DUPLICADO`, 'SEGUNDA VIA`, 'KAKSOISKAPPALE`, '>REFERENCE TO A GRAPHIC>

`.

3. The endorsement referred to in paragraph 2 shall be inserted in the 'Remarks` box of the duplicate movement certificate EUR.1.

4. The duplicate, which must bear the date of issue of the original movement certificate EUR.1, shall take effect as from that date.

Article 19

Issue of movement certificates EUR.1 on the basis of a proof of origin issued or made out previously

When originating products are placed under the control of a customs office in the Community or the West Bank and Gaza Strip, it shall be possible to replace the original proof of origin by one or more movement certificates EUR.1 for the purpose of sending all or some of these products elsewhere within the Community or the West Bank and Gaza Strip. The replacement movement certificate(s) EUR.1 shall be issued by the customs office under whose control the products are placed.

Article 20

Conditions for making out an invoice declaration

1. An invoice declaration as referred to in Article 15 (1) (b) may be made out:

(a) by an approved exporter within the meaning of Article 21, or

(b) by any exporter for any consignment consisting of one or more packages containing originating products whose total value does not exceed ECU 6 000.

2. An invoice declaration may be made out if the products concerned can be considered as products originating in the Community, the West Bank and Gaza Strip or in one of the other countries referred to in Article 4 and fulfil the other requirements of this Protocol.

3. The exporter making out an invoice declaration shall be prepared to submit at any time, at the request of the customs authorities of the exporting country, all appropriate documents proving the originating status of the products concerned as well as the fulfilment of the other requirements of this Protocol.

4. An invoice declaration shall be made out by the exporter by typing, stamping or printing on the invoice, the delivery note or another commercial document, the declaration, the text of which appears in Annex IV, using one of the linguistic versions set out in that Annex and in accordance with the provisions of the domestic law of the exporting country. If the declaration

is handwritten, it shall be written in ink in printed characters.

5. Invoice declarations shall bear the original signature of the exporter in manuscript. However, an approved exporter within the meaning of Article 21 shall not be required to sign such declarations provided that he gives the customs authorities of the exporting country a written undertaking that he accepts full responsibility for any invoice declaration which identifies him as if it had been signed in manuscript by him.

6. An invoice declaration may be made out by the exporter when the products to which it relates are exported, or after exportation on condition that it is presented in the importing country no longer than two years after the importation of the products to which it relates.

Article 21

Approved exporter

1. The customs authorities of the exporting country may authorize any exporter who makes frequent shipments of products under this Agreement to make out invoice declarations irrespective of the value of the products concerned. An exporter seeking such authorization must offer to the satisfaction of the customs authorities all guarantees necessary to verify the originating status of the products as well as the fulfilment of the other requirements of this Protocol.

2. The customs authorities may grant the status of approved exporter subject to any conditions which they consider appropriate.

3. The customs authorities shall grant to the approved exporter a customs authorization number which shall appear on the invoice declaration.

4. The customs authorities shall monitor the use of the authorization by the approved exporter.

5. The customs authorities may withdraw the authorization at any time. They shall do so where the approved exporter no longer offers the guarantees referred to in paragraph 1, does not fulfil the conditions referred to in paragraph 2 or otherwise makes an incorrect use of the authorization.

Article 22

Validity of proof of origin

1. A proof of origin shall be valid for four months from the date of issue in the exporting country, and must be submitted within the said period to the customs authorities of the importing country.

2. Proofs of origin which are submitted to the customs authorities of the importing country after the final date for presentation specified in paragraph 1 may be accepted for the purpose of applying preferential treatment, where the failure to submit these documents by the final date set is due to exceptional circumstances.

3. In other cases of belated presentation, the customs authorities of the importing country may accept the proofs of origin where the products have been submitted before the said final date.

Article 23

Submission of proof of origin

Proofs of origin shall be submitted to the customs authorities of the importing country in accordance with the procedures applicable in that country. The said authorities may require a translation of a proof of origin and may also require the import declaration to be accompanied by a statement from the importer to the effect that the products meet the conditions required for the implementation of the Agreement.

Article 24 Importation by instalments

Where, at the request of the importer and on the conditions laid down by the customs authorities of the importing country, dismantled or non-assembled products within the meaning of General Rule 2 (a) of the Harmonized System falling within Sections XVI and XVII or heading Nos 7308 and 9406 of the Harmonized System are imported by instalments, a single proof of origin for such products shall be submitted to the customs authorities upon importation of the first instalment.

Article 25

Exemptions from proof of origin

1. Products sent as small packages from private persons to private persons or forming part of travellers' personal luggage shall be admitted as originating products without requiring the submission of a proof of origin, provided that such products are not imported by way of trade and have been declared as meeting the requirements of this Protocol and where there is no doubt as to the veracity of such a declaration. In the case of products sent by post, this declaration can be made on the customs declaration C2/CP3 or on a sheet of paper annexed to that document.
2. Imports which are occasional and consist solely of products for the personal use of the recipients or travellers or their families shall not be considered as imports by way of trade if it is evident from the nature and quantity of the products that no commercial purpose is in view.
3. Furthermore, the total value of these products shall not exceed ECU 500 in the case of small packages or ECU 1 200 in the case of products forming part of travellers' personal luggage.

Article 26

Supporting documents

The documents referred to in Articles 16 (3) and 20 (3), used for the purpose of proving that products covered by a movement certificate EUR.1 or an invoice declaration can be considered as products originating in the Community, or in the West Bank and Gaza Strip and fulfil the other requirements of this Protocol, may consist inter alia of the following:

- (a) direct evidence of the processes carried out by the exporter or supplier to obtain the goods concerned, contained for example in his accounts or internal bookkeeping;
- (b) documents proving the originating status of materials used, issued or made out in the Community or the West Bank and Gaza Strip where these documents are used in accordance with domestic law;
- (c) documents proving the working or processing of materials in the Community or the West

Bank and Gaza Strip, issued or made out in the Community or the West Bank and Gaza Strip, where these documents are used in accordance with domestic law;
(d) movement certificates EUR.1 or invoice declarations proving the originating status of materials used, issued or made out in the Community or the West Bank and Gaza Strip in accordance with this Protocol.

Article 27

Preservation of proof of origin and supporting documents

1. The exporter applying for the issue of a movement certificate EUR.1 shall keep for at least three years the documents referred to in Article 16 (3).
2. The exporter making out an invoice declaration shall keep for at least three years a copy of this invoice declaration as well as the documents referred to in Article 20 (3).
3. The customs authorities of the exporting country issuing a movement certificate EUR.1 shall keep for at least three years the application form referred to in Article 16 (2).
4. The customs authorities of the importing country shall keep for at least three years the movement certificates EUR.1 and the invoice declarations submitted to them.

Article 28

Discrepancies and formal errors

1. The discovery of slight discrepancies between the statements made in the proof of origin and those made in the documents submitted to the customs office for the purpose of carrying out the formalities for importing the products shall not ipso facto render the proof of origin null and void if it is duly established that this document does correspond to the products submitted.
2. Obvious formal errors such as typing errors on a proof of origin should not cause this document to be rejected if these errors are not such as to create doubts concerning the correctness of the statements made in this document.

Article 29

Amounts expressed in ecu

1. Amounts in the national currency of the exporting country equivalent to the amounts expressed in ecu shall be fixed by the exporting country and communicated to the importing countries through the European Commission.
2. When the amounts exceed the corresponding amounts fixed by the importing country, the latter shall accept them if the products are invoiced in the currency of the exporting country. When the products are invoiced in the currency of another EC Member State, the importing country shall recognize the amount notified by the country concerned.
3. The amounts to be used in any given national currency shall be the equivalent in that national currency of the amounts expressed in ecu as at the first working day in October 1996.
4. The amounts expressed in ecu and their equivalents in the currencies of the EC Member States and the West Bank and Gaza Strip shall be reviewed by the Joint Committee at the request of the Community or the Palestinian Authority. When carrying out this review, the Joint Committee shall ensure that there will be no decrease in the amounts to be used in any

national currency and shall furthermore consider the desirability of preserving the effects of the limits concerned in real terms. For this purpose, it may decide to modify the amounts expressed in ecu.

TITLE VI ARRANGEMENTS FOR ADMINISTRATIVE COOPERATION

Article 30

Mutual assistance

1. The customs authorities of the EC Member States and of the West Bank and Gaza Strip shall provide each other, through the European Commission, with specimen impressions of stamps used in their customs offices for the issue of movement certificates EUR.1 and with the addresses of the customs authorities responsible for verifying those certificates and invoice declarations.

2. In order to ensure the proper application of this Protocol, the Community and the Palestinian Authority shall assist each other, through the competent customs administrations, in checking the authenticity of the movement certificates EUR.1 or the invoice declarations and the correctness of the information given in these documents.

Article 31

Verification of proofs of origin

1. Subsequent verifications of proofs of origin shall be carried out at random or whenever the customs authorities of the importing country have reasonable doubts as to the authenticity of such documents, the originating status of the products concerned or the fulfilment of the other requirements of this Protocol.

2. For the purposes of implementing the provisions of paragraph 1, the customs authorities of the importing country shall return the movement certificate EUR.1 and the invoice, if it has been submitted, the invoice declaration, or a copy of these documents, to the customs authorities of the exporting country giving, where appropriate, the reasons for the enquiry. Any documents and information obtained suggesting that the information given on the proof of origin is incorrect shall be forwarded in support of the request for verification.

3. The verification shall be carried out by the customs authorities of the exporting country. For this purpose, they shall have the right to call for any evidence and to carry out any inspection of the exporter's accounts or any other check considered appropriate.

4. If the customs authorities of the importing country decide to suspend the granting of preferential treatment to the products concerned while awaiting the results of the verification, release of the products shall be offered to the importer subject to any precautionary measures judged necessary.

5. The customs authorities requesting the verification shall be informed of the results of this verification as soon as possible. These results must indicate clearly whether the documents are authentic and whether the products concerned can be considered as products originating in the Community or the West Bank and Gaza Strip, and fulfil the other requirements of this Protocol.

6. If in cases of reasonable doubt there is no reply within 10 months of the date of the verification request or if the reply does not contain sufficient information to determine the authenticity of the document in question or the real origin of the products, the requesting customs authorities shall, except in exceptional circumstances, refuse entitlement to the preferences.

Article 32

Dispute settlement

Where disputes arise in relation to the verification procedures of Article 31 which cannot be settled between the customs authorities requesting a verification and the customs authorities responsible for carrying out this verification or where they raise a question as to the interpretation of this Protocol, they shall be submitted to the Joint Committee. In all cases the settlement of disputes between the importer and the customs authorities of the importing country shall be under the legislation of the said country.

Article 33

Penalties

Penalties shall be imposed on any person who draws up, or causes to be drawn up, a document which contains incorrect information for the purpose of obtaining a preferential treatment for products.

Article 34

Free zones

1. The Community and the Palestinian Authority shall take all necessary steps to ensure that products traded under cover of a proof of origin which in the course of transport use a free zone situated in their territory, are not substituted by other goods and do not undergo handling other than normal operations designed to prevent their deterioration.

2. By means of an exemption to the provisions contained in paragraph 1, when products originating in the Community or the West Bank and Gaza Strip are imported into a free zone under cover of a proof of origin and undergo treatment or processing, the authorities concerned shall issue a new EUR.1 certificate at the exporter's request, if the treatment or processing undergone is in conformity with the provisions of this Protocol.

TITLE VII CEUTA AND MELILLA

Article 35

Application of the Protocol

1. The term 'Community' used in Article 2 does not cover Ceuta and Melilla.

2. Products originating in the West Bank and Gaza Strip, when imported into Ceuta or Melilla, shall enjoy in all respects the same customs regime as that which is applied to products originating in the customs territory of the Community under Protocol 2 of the Act of Accession of the Kingdom of Spain and the Portuguese Republic to the European Communities. The Palestinian Authority shall grant to imports of products covered by the Agreement and originating in Ceuta and Melilla the same customs regime as that which is

granted to products imported from and originating in the Community.

3. For the purpose of the application of paragraph 2 concerning products originating in Ceuta and Melilla, this Protocol shall apply mutatis mutandis subject to the special conditions set out in Article 36.

Article 36

Special conditions

1. Providing they have been transported directly in accordance with the provisions of Article 12, the following shall be considered as:

(1) products originating in Ceuta and Melilla:

(a) products wholly obtained in Ceuta and Melilla;

(b) products obtained in Ceuta and Melilla in the manufacture of which products other than those referred to in (a) are used, provided that:

(i) the said products have undergone sufficient working or processing within the meaning of Article 5 of this Protocol; or that

(ii) those products are originating in the West Bank and Gaza Strip or the Community within the meaning of this Protocol, provided that they have been submitted to working or processing which goes beyond the insufficient working or processing referred to in Article 6 (1).

(2) products originating in the West Bank and Gaza Strip:

(a) products wholly obtained in the West Bank and Gaza Strip;

(b) products obtained in the West Bank and Gaza Strip, in the manufacture of which products other than those referred to in (a) are used, provided that:

(i) the said products have undergone sufficient working or processing within the meaning of Article 5 of this Protocol; or that

(ii) those products are originating in Ceuta and Melilla or the Community within the meaning of this Protocol, provided that they have been submitted to working or processing which goes beyond the insufficient working or processing referred to in Article 6 (1).

2. Ceuta and Melilla shall be considered as a single territory.

3. The exporter or his authorized representative shall enter 'The West Bank and Gaza Strip` and 'Ceuta and Melilla` in Box 2 of movement certificates EUR.1 or on invoice declarations. In addition, in the case of products originating in Ceuta and Melilla, this shall be indicated in Box 4 of movement certificates EUR.1 or on invoice declarations.

4. The Spanish customs authorities shall be responsible for the application of this Protocol in Ceuta and Melilla.

TITLE VIII FINAL PROVISIONS

Article 37

Amendments to the Protocol

The Joint Committee may decide to amend the provisions of this Protocol.

Article 38

Implementation of the Protocol

The Community and the Palestinian Authority shall each take the steps necessary to implement this Protocol.

Article 39

Goods in transit or storage

The provisions of the Agreement may be applied to goods which comply with the provisions of this Protocol and which on the date of entry into force of the Agreement are either in transit or are in the Community or in the West Bank and Gaza Strip or, in temporary storage in bonded warehouses or in free zones, subject to the submission to the customs authorities of the importing State, within four months of that date, of a certificate EUR.1 endorsed retrospectively by the competent authorities of the exporting State together with the documents showing that the goods have been transported directly.

ANNEX I

INTRODUCTORY NOTES TO THE LIST IN ANNEX II

Note 1:

The list sets out the conditions required for all products to be considered as sufficiently worked or processed within the meaning of Article 5 of the Protocol.

Note 2:

2.1. The first two columns in the list describe the product obtained. The first column gives the heading number or chapter number used in the Harmonized System and the second column gives the description of goods used in that system for that heading or chapter. For each entry in the first two columns a rule is specified in columns 3 or 4. Where, in some cases, the entry in the first column is preceded by an 'ex', this signifies that the rules in columns 3 or 4 apply only to the part of that heading as described in column 2.

2.2. Where several heading numbers are grouped together in column 1 or a chapter number is given and the description of products in column 2 is therefore given in general terms, the adjacent rules in columns 3 or 4 apply to all products which, under the Harmonized System, are classified in headings of the chapter or in any of the headings grouped together in column 1.

2.3. Where there are different rules in the list applying to different products within a heading, each indent contains the description of that part of the heading covered by the adjacent rules in columns 3 or 4.

2.4. Where, for an entry in the first two columns, a rule is specified in both columns 3 and 4, the exporter may opt, as an alternative, to apply either the rule set out in column 3 or that set out in column 4. If no origin rule is given in column 4, the rule set out in column 3 has to be applied.

Note 3:

3.1. The provisions of Article 5 of the Protocol concerning products having acquired originating status which are used in the manufacture of other products apply regardless of whether this status has been acquired inside the factory where these products are used or in another factory in the Community or in the West Bank and Gaza Strip.

Example:

An engine of heading No 8407, for which the rule states that the value of the non-originating materials which may be incorporated may not exceed 40 per cent of the ex-works price, is made from 'other alloy steel roughly shaped by forging' of heading No ex 7224.

If this forging has been forged in the Community from a non-originating ingot, it has already acquired originating status by virtue of the rule for heading No ex 7224 in the list. The forging can then count as originating in the value calculation for the engine regardless of whether it was produced in the same factory or in another factory in the Community. The value of the non-originating ingot is thus not taken into account when adding up the value of the non-originating materials used.

3.2. The rule in the list represents the minimum amount of working or processing required and the carrying out of more working or processing also confers originating status; conversely, the carrying out of less working or processing cannot confer originating status. Thus if a rule provides that non-originating material at a certain level of manufacture may be used, the use of such material at an earlier stage of manufacture is allowed and the use of such material at a later stage is not.

3.3. Without prejudice to Note 3.2 where a rule states that 'materials of any heading' may be used, materials of the same heading as the product may also be used, subject, however, to any specific limitations which may also be contained in the rule. However, the expression 'manufacture from materials of any heading, including other materials of heading No . . .' means that only materials classified in the same heading as the product of a different description than that of the product as given in column 2 of the list may be used.

3.4. When a rule in the list specifies that a product may be manufactured from more than one material, this means that any one or more materials may be used. It does not require that all be used.

Example:

The rule for fabrics of heading Nos 5208 to 5212 provides that natural fibres may be used and that chemical materials, among other materials, may also be used. This does not mean that both have to be used; it is possible to use one or the other or both.

3.5. Where a rule in the list specifies that a product must be manufactured from a particular material, the condition obviously does not prevent the use of other materials which, because of their inherent nature, cannot satisfy the rule. (See also Note 6.2 below in relation to textiles).

Example:

The rule for prepared foods of heading No 1904 which specifically excludes the use of cereals and their derivatives does not prevent the use of mineral salts, chemicals and other additives which are not products from cereals.

However, this does not apply to products which, although they cannot be manufactured from the particular materials specified in the list, can be produced from a material of the same nature at an earlier stage of manufacture.

Example:

In the case of an article of apparel of ex Chapter 62 made from non-woven materials, if the use of only non-originating yarn is allowed for this class of article, it is not possible to start from non-woven cloth - even if non-woven cloths cannot normally be made from yarn. In such cases, the starting material would normally be at the stage before yarn - that is the fibre stage.

3.6. Where, in a rule in the list, two percentages are given for the maximum value of non-originating materials that can be used, then these percentages may not be added together. In other words, the maximum value of all the non-originating materials used may never exceed the highest of the percentages given. Furthermore, the individual percentages must not be exceeded in relation to the particular materials they apply to.

Note 4:

4.1. The term 'natural fibres` is used in the list to refer to fibres other than artificial or synthetic fibres. It is restricted to the stages before spinning takes place, including waste, and, unless otherwise specified, includes fibres that have been carded, combed or otherwise processed but not spun.

4.2. The term 'natural fibres` includes horsehair of heading No 0503, silk of heading Nos 5002 and 5003 as well as the wool fibres, fine or coarse animal hair of heading Nos 5101 to 5105, the cotton fibres of heading Nos 5201 to 5203 and the other vegetable fibres of heading Nos 5301 to 5305.

4.3. The terms 'textile pulp`, 'chemical materials` and 'paper-making materials` are used in the list to describe the materials not classified in Chapters 50 to 63, which can be used to manufacture artificial, synthetic or paper fibres or yarns.

4.4. The term 'man-made staple fibres` is used in the list to refer to synthetic or artificial filament tow, staple fibres or waste, of heading Nos 5501 to 5507.

Note 5:

5.1. Where for a given product in the list a reference is made to this note, the conditions set out in column 3 shall not be applied to any basic textile materials, used in the manufacture of this product, which, taken together, represent 10 per cent or less of the total weight of all the basic textile materials used. (See also Notes 5.3 and 5.4 below).

5.2. However, the tolerance mentioned in Note 5.1 may only be applied to mixed products which have been made from two or more basic textile materials.

The following are the basic textile materials:

- silk,
- wool,
- coarse animal hair,
- fine animal hair,
- horsehair,
- cotton,
- paper-making materials and paper,
- flax,
- true hemp,
- jute and other textile bast fibres,
- sisal and other textile fibres of the genus Agave,
- coconut, abaca, ramie and other vegetable textile fibres,
- synthetic man-made filaments,
- artificial man-made filaments,
- synthetic man-made staple fibres of polypropylene,
- synthetic man-made staple fibres of polyester,
- synthetic man-made staple fibres of polyamide,
- synthetic man-made staple fibres of polyacrylonitrile,
- synthetic man-made staple fibres of polyimide,
- synthetic man-made staple fibres of polytetrafluoroethylene,
- synthetic man-made staple fibres of polyphenylene sulphide,
- synthetic man-made staple fibres of polyvinyl chloride,
- other synthetic man-made staple fibres,
- artificial man-made staple fibres of viscose,

- other artificial man-made staple fibres,
- yarn made of polyurethane segmented with flexible segments of polyether whether or not gimped,
- yarn made of polyurethane segmented with flexible segments of polyester whether or not gimped,
- products of heading No 5605 (metallized yarn) incorporating strip consisting of a core of aluminium foil or of a core of plastic film whether or not coated with aluminium powder, of a width not exceeding 5 mm, sandwiched by means of a transparent or coloured adhesive between two layers of plastic film,
- other products of heading No 5605.

Example:

A yarn of heading No 5205 made from cotton fibres of heading No 5203 and synthetic staple fibres of heading No 5506 is a mixed yarn. Therefore, non-originating synthetic staple fibres that do not satisfy the origin rules (which require manufacture from chemical materials or textile pulp) may be used up to a weight of 10 per cent of the yarn.

Example:

A woollen fabric of heading No 5112 made from woollen yarn of heading No 5107 and synthetic yarn of staple fibres of heading No 5509 is a mixed fabric. Therefore synthetic yarn which does not satisfy the origin rules (which require manufacture from chemical materials or textile pulp) or woollen yarn that does not satisfy the origin rules (which require manufacture from natural fibres, not carded or combed or otherwise prepared for spinning) or a combination of the two may be used provided their total weight does not exceed 10 per cent of the weight of the fabric.

Example:

Tufted textile fabric of heading No 5802 made from cotton yarn of heading No 5205 and cotton fabric of heading No 5210 is only a mixed product if the cotton fabric is itself a mixed fabric being made from yarns classified in two separate headings or if the cotton yarns used are themselves mixtures.

Example:

If the tufted textile fabric concerned had been made from cotton yarn of heading No 5205 and synthetic fabric of heading No 5407, then, obviously, the yarns used are two separate basic textile materials and the tufted textile fabric is accordingly a mixed product.

Example:

A carpet with tufts made from both artificial yarns and cotton yarns and with a jute backing is a mixed product because three basic textile materials are used. Thus, any non-originating materials that are at a later stage of manufacture than the rule allows may be used, provided their total weight does not exceed 10 per cent of the weight of the textile materials of the carpet. Thus, both the jute backing and/or the artificial yarns could be imported at that stage of manufacture, provided the weight conditions are met.

5.3. In the case of products incorporating 'yarn made of polyurethane segmented with flexible segments of polyether whether or not gimped' this tolerance is 20 per cent in respect of this yarn.

5.4. In the case of products incorporating 'strip consisting of a core of aluminium foil or of a core of plastic film whether or not coated with aluminium powder, of a width not exceeding 5 mm, sandwiched by means of an adhesive between two layers of plastic film', this tolerance is 30 per cent in respect of this strip.

Note 6:

6.1. In the case of those textile products which are marked in the list by a footnote referring to

this note, textile materials, with the exception of linings and interlinings, which do not satisfy the rule set out in the list in column 3 for the made-up product concerned may be used provided that they are classified in a heading other than that of the product and that their value does not exceed 8 per cent of the ex-works price of the product.

6.2. Without prejudice to Note 6.3, materials which are not classified within Chapters 50 to 63 may be used freely in the manufacture of textile products, whether or not they contain textiles.

Example:

If a rule in the list provides that for a particular textile item, such as trousers, yarn must be used, this does not prevent the use of metal items, such as buttons, because buttons are not classified within Chapters 50 to 63. For the same reason, it does not prevent the use of slide-fasteners even though slide-fasteners normally contain textiles.

6.3. Where a percentage rule applies, the value of materials which are not classified within Chapters 50 to 63 must be taken into account when calculating the value of the non-originating materials incorporated.

Note 7:

7.1. For the purposes of heading Nos ex 2707, 2713 to 2715, ex 2901, ex 2902 and ex 3403, the 'specific processes' are the following:

- (a) vacuum distillation;
- (b) redistillation by a very thorough fractionation process (1);
- (c) cracking;
- (d) reforming;
- (e) extraction by means of selective solvents;
- (f) the process comprising all the following operations: processing with concentrated sulphuric acid, oleum or sulphuric anhydride; neutralization with alkaline agents; decolorization and purification with naturally active earth, activated earth, activated charcoal or bauxite;
- (g) polymerization;
- (h) alkylation;
- (i) isomerization.

7.2. For the purposes of heading Nos 2710, 2711 and 2712, the 'specific processes' are the following:

- (a) vacuum distillation;
- (b) redistillation by a very thorough fractionation process (2);
- (c) cracking;
- (d) reforming;
- (e) extraction by means of selective solvents;
- (f) the process comprising all the following operations: processing with concentrated sulphuric acid, oleum or sulphuric anhydride; neutralization with alkaline agents; decolorization and purification with naturally active earth, activated earth, activated charcoal or bauxite;
- (g) polymerization;
- (h) alkylation;
- (ij) isomerization;
- (k) in respect of heavy oils falling within heading No ex 2710 only, desulphurization with hydrogen resulting in a reduction of at least 85 per cent of the sulphur content of the products processed (ASTM D 1266-59 T method);
- (l) in respect of products falling within heading No 2710 only, deparaffining by a process other than filtering;

(m) in respect of heavy oils falling within heading No ex 2710 only, treatment with hydrogen at a pressure of more than 20 bar and a temperature of more than 250 °C with the use of a catalyst, other than to effect desulphurization, when the hydrogen constitutes an active element in a chemical reaction. The further treatment with hydrogen of lubricating oils of heading No ex 2710 (e.g. hydrofinishing or decolorization) in order, more especially, to improve colour or stability shall not, however, be deemed to be a specific process;

(n) in respect of fuel oils falling within heading No ex 2710 only, atmospheric distillation, on condition that less than 30 per cent of these products distil, by volume, including losses, at 300 °C by the ASTM D 86 method;

(o) in respect of heavy oils other than gas oils and fuel oils falling within heading No ex 2710 only, treatment by means of a high-frequency electrical brush-discharge.

7.3. For the purposes of heading Nos ex 2707, 2713 to 2715, ex 2901, ex 2902 and ex 3403, simple operations such as cleaning, decanting, desalting, water separation, filtering, colouring, marking, obtaining a sulphur content as a result of mixing products with different sulphur contents, any combination of these operations or like operations do not confer origin.

(1) See Additional Explanatory Note 4 (b) to Chapter 27 of the Combined Nomenclature.

(2) See Additional Explanatory Note 4 (b) to Chapter 27 of the Combined Nomenclature.

ANNEX II

LIST OF WORKING OR PROCESSING REQUIRED TO BE CARRIED OUT ON NON-ORIGINATING MATERIALS IN ORDER THAT THE PRODUCT MANUFACTURED CAN OBTAIN ORIGINATING STATUS

The products mentioned in the list may not all be covered by the Agreement. It is therefore necessary to consult the other parts of the Agreement

ANNEX III

MOVEMENT CERTIFICATE EUR.1 AND APPLICATION FOR A MOVEMENT CERTIFICATE EUR.1

Printing instructions

1. Each form shall measure 210 × 297 mm; a tolerance of up to minus 5 mm or plus 8 mm in the length may be allowed. The paper used must be white, sized for writing, not containing mechanical pulp and weighing not less than 25 g/m². It shall have a printed green guilloche pattern background making any falsification by mechanical or chemical means apparent to the eye.

2. The competent authorities of the Member States of the Community and of the West Bank and Gaza Strip may reserve the right to print the forms themselves or may have them printed by approved printers. In the latter case, each form must include a reference to such approval. Each form must bear the name and address of the printer or a mark by which the printer can be identified. It shall also bear a serial number, either printed or not, by which it can be

identified.

ANNEX IV

INVOICE DECLARATION

The invoice declaration, the text of which is given below, must be made out in accordance with the footnotes. However, the footnotes do not have to be reproduced.

English version

The exporter of the products covered by this document (customs authorization No . . . (1)) declares that, except where otherwise clearly indicated, these products are of . . . preferential origin (2).

(1) When the invoice declaration is made out by an approved exporter within the meaning of Article 21 of the Protocol, the authorization number of the approved exporter must be entered in this space. When the invoice declaration is not made out by an approved exporter, the words in brackets shall be omitted or the space left blank.(2) Origin of products to be indicated. When the invoice declaration relates in whole or in part, to products originating in Ceuta and Melilla within the meaning of Article 36 of the Protocol, the exporter must clearly indicate them in the document on which the declaration is made out by means of the symbol 'CM'.

(1) When the invoice declaration is made out by an approved exporter within the meaning of Article 21 of the Protocol, the authorization number of the approved exporter must be entered in this space. When the invoice declaration is not made out by an approved exporter, the words in brackets shall be omitted or the space left blank.(2) Origin of products to be indicated. When the invoice declaration relates in whole or in part, to products originating in Ceuta and Melilla within the meaning of Article 36 of the Protocol, the exporter must clearly indicate them in the document on which the declaration is made out by means of the symbol

. (3)
(Place and date)

. (4)
(Signature of the exporter; in addition the name of the person signing the declaration has to be indicated in clear script)

(3) These indications may be omitted if the information is contained on the document itself.(4) See Article 20 (5) of the Protocol. In cases where the exporter is not required to sign, the exemption of signature also implies the exemption of the name of the signatory.

FINAL ACT

The plenipotentiaries of the EUROPEAN COMMUNITY, hereinafter referred to as 'the Community', of the one part, and the plenipotentiaries of the PALESTINE LIBERATION ORGANIZATION (PLO) FOR THE BENEFIT OF THE PALESTINIAN AUTHORITY OF THE WEST BANK AND THE GAZA STRIP,

hereinafter referred to as 'the Palestinian Authority',
of the other part,

meeting at Brussels on 24 February 1997 for the signature of the Euro-Mediterranean Interim Association Agreement on trade and cooperation between the European Community, of the one part and the Palestine Liberation Organization (PLO) for the benefit of the Palestinian Authority of the West Bank and the Gaza Strip, of the other part, hereinafter referred to as 'Euro-Mediterranean Interim Association Agreement' have adopted the following texts: the Euro-Mediterranean Interim Association Agreement, the Annexes thereto and the following Protocols:

Protocol 1 on the arrangements applying to imports into the Community of agricultural products originating in the West Bank and the Gaza Strip,

Protocol 2 on the arrangements applying to imports into the West Bank and the Gaza Strip of agricultural products originating in the Community,

Protocol 3 concerning the definition of the concept of 'originating products' and methods of administrative cooperation.

The plenipotentiaries of the Community and the plenipotentiaries of the Palestinian Authority have adopted the texts of the Declarations listed below and annexed to this Final Act:

Joint Declaration on intellectual, industrial and commercial property (Article 33 of the Agreement),

Joint Declaration on Article 55 of the Agreement,

Joint Declaration on Article 58 of the Agreement,

Joint Declaration on decentralized cooperation,

Joint Declaration on Article 67 of the Agreement,

Joint Declaration on Article 70 of the Agreement,

Joint Declaration on data protection,

Joint Declaration on a programme of support for Palestinian industry,

and, as regards Protocol 3 concerning the definition of the concept of 'originating products' and methods of administrative cooperation, the following Joint Declarations:

1. Joint Declaration concerning the Principality of Andorra;

2. Joint Declaration concerning the Republic of San Marino.

The plenipotentiaries of the Community and the plenipotentiaries of the Palestinian Authority have also taken note of the Agreement in the form of an exchange of letters mentioned below and attached to this Final Act:

Agreement in the form of an exchange of letters between the Community and the Palestinian Authority relating to Article 1 of Protocol 1 and concerning imports into the Community of fresh cut flowers and flower buds falling within subheading 0603 10 of the Common Customs Tariff.

The plenipotentiaries of the Palestinian Authority have taken note of the Declaration by the European Community mentioned below and annexed to this Final Act:
Declaration on cumulation of origin.

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

For the European Community

JOINT DECLARATIONS Joint Declaration on intellectual, industrial and commercial property (Article 33 of the Agreement)

For the purpose of the Agreement, intellectual, industrial and commercial property includes in particular copyright, including the copyright in computer programmes, and neighbouring rights, patents, industrial designs, geographical indications, including appellations of origin, trademarks and service marks, topographies of integrated circuits, as well as protection against unfair competition as referred to in Article 10a of the Paris Convention for the Protection of Industrial Property (Stockholm Act, 1967) and protection of undisclosed information on 'know-how`.

Joint Declaration on Article 55 of the Agreement

The Parties reaffirm their commitment to the Middle East Peace Process and their belief that peace should be consolidated through regional cooperation. The Community is prepared to support joint development projects submitted by the Palestinian Authority and other regional parties, subject to relevant Community technical and budgetary procedures.

The Parties reaffirm that the Agreement forms part of the process launched at the Barcelona Conference of 27 November 1995 and that the bilateral cooperation between the European Community and the Palestinian Authority is complementary to the regional cooperation taking place in the context of the Euro-Mediterranean Partnership.

Joint Declaration on Article 58 of the Agreement

The Parties agree that access to employment will not be included in the framework of youth exchange programmes.

Joint Declaration on decentralized cooperation

The Parties reaffirm the importance they attach to decentralized cooperation programmes as a means of encouraging exchanges of experience and transfer of knowledge in the Mediterranean region and between the European Community and its Mediterranean partners.

Joint Declaration on Article 67 of the Agreement

When the arbitration procedure is applied, the Parties will endeavour to ensure that the Joint Committee appoints a third arbitrator within two months of the appointment of the second arbitrator.

Joint Declaration on Article 70 of the Agreement

1. The Parties agree, for the purposes of the interpretation and the application of the Agreement, that the cases of special urgency referred to in Article 70 of the Agreement mean cases of substantial violation of the Agreement by one of the two Parties. A substantial violation of the Agreement consists of:

- the rejection of the Agreement when such rejection is not authorized by the general rules of international law,
- the violation of the essential elements of the Agreement set out in Article 2 thereof.

2. The Parties agree that the appropriate measures referred to in Article 70 are measures taken in accordance with international law. If one Party takes a measure in a case of special urgency in application of Article 70 the other Party may invoke the dispute settlement procedure.

Joint Declaration on data protection

The Parties agree that the protection of data will be guaranteed in all areas where the exchange of personal data is envisaged.

Joint Declaration on a programme of support for Palestinian industry

The Parties agree that a programme of support will be put at the disposal of Palestinian industry, designed to nurture and develop the capacity of the Palestinian industrial sector. The Community extends access to start-up funding and to capital to Palestinian businesses in the West Bank and the Gaza Strip. This includes the European Community Investment Partners programme (ECIP), which provides assistance for business start-up costs, such as feasibility studies and technical assistance, and in some cases, access to funding for joint ventures. Loan funding, particularly for small and medium-sized enterprises, through a revolving fund administered by the Palestinian Development Fund, is also available on the basis of grants provided by the Community. The European Investment Bank extends loan funding and risk capital to Palestinian business through local banks.

The Community has established the Centre for Private Development in the West Bank and the Gaza Strip, in order to provide support, training and advice to Palestinian industry, in business start-up and planning, business management, strategy and marketing.

The Community recognizes that Palestinian industry must seek markets abroad. The present Agreement therefore permits duty-free access of Palestinian industrial products to European Community markets. The Palestinian Enterprise Centre, and, within it, the Euro-Info Centre, are therefore available to promote and facilitate contacts and joint ventures between European

and Palestinian industry, through partnership events (the Euro-Partenariat, Med-Partenariat and Med-Enterprise schemes) and a variety of other means (such as the BC Net and BRE networks), which from time to time become available.

The Community also recognizes that Palestinian industry has suffered from a lack of basic economic infrastructure. Noting that, in the context of the assistance provided by the Community for the development of the West Bank and the Gaza Strip, part of this assistance may be provided in support of Palestinian industry, the Community will consider requests from the Palestinian Authority that a proportion of these funds, as grants or loans, may be devoted to the rehabilitation of vital economic infrastructures.

In the framework of the economic cooperation provided for under the current Agreement, the two Parties will have regular exchanges of views in order to establish how the range of support mechanisms described in this Declaration, as well as any others which may become available, may most effectively be combined to provide the most appropriate support to Palestinian industry.

Joint Declaration concerning the Principality of Andorra

1. Products originating in the Principality of Andorra falling within Chapters 25 to 97 of the Harmonized System shall be accepted by the Palestinian Authority as originating in the Community within the meaning of this Agreement.
2. Protocol 3 shall apply *mutatis mutandis* for the purpose of defining the originating status of the abovementioned products.

Joint Declaration concerning the Republic of San Marino

1. Products originating in the Republic of San Marino shall be accepted by the Palestinian Authority as originating in the Community within the meaning of this Agreement.
2. Protocol 3 shall apply *mutatis mutandis* for the purpose of defining the originating status of the abovementioned products.