CHAPTER 1

GENERAL PROVISIONS

ARTICLE 1.1

Objectives

1. The EFTA States and Ecuador hereby establish a free trade area in accordance with the provisions of this Agreement, which is based on trade relations between market economies and on the respect for democratic principles and human rights, with a view to spurring prosperity and sustainable development.

2. The objectives of this Agreement are:

(a) to liberalise trade in goods, in conformity with Article XXIV of the General Agreement on Tariffs and Trade 1994 (GATT 1994);

(b) to liberalise trade in services, in conformity with Article V of the General Agreement on Trade in Services (GATS);

(c) to mutually enhance investment opportunities;

(d) to prevent, eliminate or reduce unnecessary technical barriers to trade and unnecessary sanitary and phytosanitary measures;

(e) to promote competition in their economies, particularly as it relates to the economic relations between the Parties;

(f) to achieve further liberalisation on a mutual basis of the government procurement markets of the Parties;

(g) to ensure adequate and effective protection of intellectual property rights, in accordance with the principles and objectives of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement);

(h) to develop international trade in such a way as to contribute to the objective of sustainable development and to ensure that this objective is integrated and reflected in the Parties' trade relations;

(i) to foster cooperation in order to contribute to the implementation of this Agreement, and to improve the benefits thereof; and

(j) to contribute to the harmonious development and expansion of world trade.

ARTICLE 1.2

Coverage and Application

1. This Agreement applies, except as otherwise specified in Annex I (Rules of Origin and Mutual Administrative Cooperation in Customs Matters), to:

(a) the land territory, internal waters and the territorial sea of a Party, and the air-space above the territory of a Party, in accordance with domestic and international law; and

(b) the exclusive economic zone and the continental shelf of a Party, in accordance with domestic and international law.

2. This Agreement shall not apply to the Norwegian territory of Svalbard, with the exception of trade in goods.

ARTICLE 1.3

Trade and Economic Relations Governed by this Agreement

1. This Agreement applies to the trade and economic relations between, on the one side, the individual EFTA States and, on the other side, Ecuador, but not to the trade and economic relations between individual EFTA States, unless otherwise provided in this Agreement.

2. In accordance with the Customs Treaty of 29 March 1923 between Switzerland and Liechtenstein, Switzerland shall represent Liechtenstein in matters covered thereby.

ARTICLE 1.4

Relation to Other International Agreements

1. The Parties confirm their rights and obligations under the WTO Agreement and the other agreements negotiated thereunder to which they are a party, and any other international agreement to which they are a party.

2. If a Party considers that the maintenance or establishment of a customs union, free trade area, arrangement for frontier trade or another preferential agreement by another Party has the effect of altering the trade regime provided for by this Agreement, it may request consultations. The Party concluding such agreement shall afford adequate opportunity for consultations with the requesting Party.

ARTICLE 1.5

Fulfilment of Obligations

1. Each Party shall take any general or specific measures required to fulfil its obligations under this Agreement.

2. Each Party shall ensure the observance of all obligations and commitments under this Agreement by its respective central, regional and local governments and authorities, and by non-governmental bodies in the exercise of governmental powers delegated to them by central, regional and local governments or authorities.

ARTICLE 1.6

Transparency

1. The Parties shall publish, or otherwise make publicly available, their laws, regulations, judicial decisions, administrative rulings of general application as well as their respective international agreements, that may affect the operation of this Agreement.

2. The Parties shall promptly respond to specific questions and provide, upon request, information to each other on matters referred to in paragraph 1.

3. Nothing in this Agreement shall require any Party to disclose confidential information, the disclosure of which would impede law enforcement, or otherwise be contrary to the public interest, or which would prejudice the legitimate commercial interests of any economic operator.

4. In case of any inconsistency between this Article and provisions relating to transparency in other parts of this Agreement, the latter shall prevail to the extent of the inconsistency.

ARTICLE 1.7

Taxation

1. This Agreement shall not restrict a Party's fiscal sovereignty to adopt measures related to taxes.

2. Notwithstanding paragraph 1:

a) Article 2.8 (National Treatment on Internal Taxation and Regulations) and such other provisions of this Agreement, as are necessary to give effect to that Article to the same extent as Article III of the GATT 1994, apply to taxation measures;

b) Articles 3.4 (Most-Favoured-Nation Treatment) and 3.6 (National Treatment) to the extent relevant for taxation according to Article 3.17 (Exceptions) apply to taxation measures;

c) Article 4.3 (National Treatment) to the extent relevant for taxation according to Article 4.10 (General Exceptions) applies to taxation measures; and

d) Article 6.4 (National Treatment and Non-Discrimination) applies to taxation measures.

3. Nothing in this Agreement shall affect the rights and obligations of a Party under a tax convention applicable between an EFTA State and Ecuador. In the event of an inconsistency between this Agreement and such tax convention, that convention shall prevail to the extent of the inconsistency. The competent authorities under that tax convention shall have the sole responsibility to determine whether an inconsistency exists between this Agreement and that tax convention. If a Party considers that a taxation measure pursuant to a tax convention adversely affects trade between the Parties, the Parties shall consult in the Joint Committee with a view to finding a mutually satisfactory solution, but shall not have recourse to dispute settlement.

4. For the purposes of this Article, taxation measures shall not include any import duties as defined in Article 2.2 (Import Duties) nor export duties as defined in Article 2.3 (Export Duties).