

Respect for the democratic principles and fundamental human rights established by the Universal Declaration of Human Rights shall inspire the domestic and international policies of the Parties and shall constitute an essential element of this Agreement.

TITLE I POLITICAL DIALOGUE

ARTICLE 3

1. A regular political and security dialogue shall be established between the Parties. It shall help build lasting links of solidarity between the partners which will contribute to the prosperity, stability and security of the Mediterranean region and bring about a climate of understanding and tolerance between cultures.
2. Political dialogue and cooperation are intended in particular to:
 - (a) facilitate rapprochement between the Parties through the development of better mutual understanding and regular coordination on international issues of common interest;
 - (b) enable each party to consider the position and interests of the other;
 - (c) contribute to consolidating security and stability in the Euro-Mediterranean region;
 - (d) help develop joint initiatives.

ARTICLE 4

Political dialogue shall cover all issues of common interest to the Parties, in particular the conditions required to ensure peace, security and regional development through support for cooperation.

ARTICLE 5

Political dialogue shall be established at regular intervals and whenever necessary notably:

- (a) at ministerial level, mainly in the framework of the Association Council;
- (b) at the level of senior officials representing Algeria, on the one hand, and the Council Presidency and the Commission on the other;
- (c) taking full advantage of all diplomatic channels including regular briefings, consultations on the occasion of international meetings and contacts between diplomatic representatives in third countries;
- (d) where appropriate, by any other means which would contribute to consolidating dialogue and increasing its effectiveness.

TITLE II FREE MOVEMENT OF GOODS

ARTICLE 6

The Community and Algeria shall gradually establish a free-trade area over a transitional period lasting a maximum of twelve years starting from the date of the entry into force of this Agreement in accordance with the following provisions and in conformity with those of the 1994 General Agreement on Tariffs and Trade and the other multilateral agreements on trade in goods annexed to the Agreement establishing the World Trade Organisation (WTO), hereinafter referred to as "GATT".

CHAPTER 1 INDUSTRIAL PRODUCTS

ARTICLE 7

The provisions of this Chapter shall apply to products originating in the Community and Algeria falling within Chapters 25 to 97 of the Combined Nomenclature and of the Algerian Customs tariff with the exception of the products listed in Annex 1.

ARTICLE 8

Products originating in Algeria shall be imported into the Community free of customs duties and charges having equivalent effect.

ARTICLE 9

1. Customs duties and charges having equivalent effect applicable on import into Algeria of products originating in the Community listed in Annex 2 shall be abolished upon the entry into force of this Agreement.

2. Customs duties and charges having equivalent effect applicable on import into Algeria of the products originating in the Community listed in Annex 3 shall be progressively abolished in accordance with the following timetable:

- two years after the date of entry into force of this Agreement each duty and charge shall be reduced to 80% of the basic duty;
- three years after the date of entry into force of this Agreement each duty and charge shall be reduced to 70% of the basic duty;
- four years after the date of entry into force of this Agreement each duty and charge shall be reduced to 60% of the basic duty;
- five years after the date of entry into force of this Agreement each duty and charge shall be reduced to 40% of the basic duty;
- six years after the date of entry into force of this Agreement each duty and charge shall be reduced to 20% of the basic duty;
- seven years after the date of entry into force of this Agreement the remaining duties shall be abolished.

3. Customs duties and charges having equivalent effect applicable on import into Algeria of the products originating in the Community other than those listed in Annexes 2 and 3 shall be progressively abolished in accordance with the following timetable:

- two years after the date of entry into force of this Agreement each duty and charge shall be reduced to 90% of the basic duty;
- three years after the date of entry into force of this Agreement each duty and charge shall be reduced to 80% of the basic duty;
- four years after the date of entry into force of this Agreement each duty and charge shall be reduced to 70% of the basic duty;
- five years after the date of entry into force of this Agreement each duty and charge shall be reduced to 60% of the basic duty;
- six years after the date of entry into force of this Agreement each duty and charge shall be reduced to 50% of the basic duty;
- seven years after the date of entry into force of this Agreement each duty and charge shall be reduced to 40% of the basic duty;
- eight years after the date of entry into force of this Agreement each duty and charge shall be reduced to 30% of the basic duty;
- nine years after the date of entry into force of this Agreement each duty and charge shall be reduced to 20% of the basic duty;

- ten years after the date of entry into force of this Agreement each duty and charge shall be reduced to 10% of the basic duty;
- eleven years after the date of entry into force of this Agreement each duty and charge shall be reduced to 5% of the basic duty;
- twelve years after the date of entry into force of this Agreement the remaining duties shall be abolished.

4. In the event of serious difficulties for a given product, the timetables established in accordance with paragraphs 2 and 3 may be reviewed by the Association Committee by common accord on the understanding that the schedule for which the review has been requested may not be extended in respect of the product concerned beyond the maximum transitional period referred to in Article 6. If the Association Committee has not taken a decision within 30 days of its application to review the timetable, Algeria may suspend the timetable provisionally for a period which may not exceed one year.

5. For each product concerned, the basic duty to be gradually reduced as provided in paragraphs 2 and 3 shall be the rates referred to in Article 18.

ARTICLE 10

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

ARTICLE 11

1. Exceptional measures of limited duration which derogate from the provisions of Article 9 may be taken by Algeria in the form of an increase or reintroduction of customs duties. These measures may concern only infant industries, or certain sectors undergoing restructuring or facing serious difficulties, particularly where these difficulties produce major social problems. Customs duties on imports applicable in Algeria to products originating in the Community introduced by these measures may not exceed 25% ad valorem and shall maintain an element of preference 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 from the Community during the last year for which statistics are available. These measures shall be applied for a period not exceeding five years unless a longer duration is authorised by the Association Committee. They shall cease to apply at the latest on expiry of the maximum transitional period referred to in Article 6. No such measures may be introduced in respect of a product if more than three years have elapsed since the elimination of all duties and quantitative restrictions or charges or measures having equivalent effect concerning that product. Algeria shall inform the Association Committee of any exceptional measures it intends to take and, at the request of the Community, consultations shall be held on such measures and the sectors to which they apply before they are implemented. When adopting such measures, Algeria shall provide the Association Committee with a schedule for the abolition of the customs duties introduced pursuant to this Article. Such schedule 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 Association Committee may decide on a different schedule.

2. By way of derogation from the fourth subparagraph of paragraph 1, the Association Committee may exceptionally, in order to take account of the difficulties involved in setting up a new industry, authorise Algeria to maintain the measures already taken pursuant to paragraph 1 for a maximum period of three years beyond the transitional period referred to in Article 6.

CHAPTER 2

AGRICULTURAL, FISHERY AND PROCESSED AGRICULTURAL PRODUCTS

ARTICLE 12

The provisions of this Chapter shall apply to products originating in the Community and Algeria falling within Chapters 1 to 24 of the Combined Nomenclature and of the Algerian Customs tariff and to the products listed in Annex 1.

ARTICLE 13

The Community and Algeria shall progressively establish a greater liberalisation of their reciprocal trade in agricultural, fisheries and processed agricultural products of interest to both Parties.

ARTICLE 14

1. Agricultural products originating in Algeria listed in Protocol No 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 No 2 on importation into Algeria shall be subject to the arrangements set out in that Protocol.
3. Fishery products originating in Algeria listed in Protocol No 3 on importation into the Community shall be subject to the arrangements set out in that Protocol.
4. Fishery products originating in the Community listed in Protocol No 4 on importation into Algeria shall be subject to the arrangements set out in that Protocol.
5. Trade in processed agricultural products falling under this Chapter shall be subject to the arrangements set out in Protocol No 5.

ARTICLE 15

1. Five years after the entry into force of this Agreement, the Community and Algeria shall assess the situation in order to determine the liberalisation measures to be applied by the Community and Algeria six years after the entry into force of the Agreement, in accordance with the objective set out in Article 13.
2. Without prejudice to the provisions of paragraph 1 and taking account of the patterns of trade in agricultural products, fishery products and processed agricultural products between the Parties and the particular sensitivity of such products, the Community and Algeria shall examine in the Association Council, product by product and on a reciprocal basis, the possibilities of granting each other further concessions.

ARTICLE 16

1. Should specific rules be introduced as a result of implementation of their agricultural policies or modification of their existing rules, or should the provisions on the implementation of their agricultural policies be modified or developed, the Community and Algeria may modify the arrangements laid down in this Agreement in respect of the products concerned.
2. The Party carrying out such modification shall inform the Association Committee thereof. At the request of the other Party, the Association Committee shall meet to take due account of the interests of the other Party.
3. If the Community or Algeria, 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. Any modification of the arrangements made by this Agreement shall be the subject, at the request of the other Contracting Party, of consultations within the Association Council.

CHAPTER 3 COMMON PROVISIONS

ARTICLE 17

1. No new customs duties on imports or exports or charges having equivalent effect shall be introduced in trade between the Community and Algeria, nor shall those already applied upon entry into force of this Agreement be increased.
2. No new quantitative restriction on imports or exports or measure having equivalent effect shall be introduced in trade between the Community and Algeria.
3. Quantitative restrictions on imports or exports and measures having equivalent effect in trade between Algeria and the Community shall be abolished upon the entry into force of this Agreement.
4. Algeria shall abolish by 1 January 2006 at the latest the provisional additional duty applied to the products listed in Annex 4. That duty shall be reduced on a linear basis by 12 points per year starting on 1 January 2002. If Algeria's commitments in respect of its accession to the WTO provide for a shorter period for the abolition of the provisional additional duty, that shorter period shall be applicable.

ARTICLE 18

1. For each product concerned, the basic duty to be reduced as provided in Article 9(2) and (3) and in Article 14 shall be the rate actually applied vis-à-vis the Community on 1 January 2002.
2. In the event of Algerian accession to the WTO, the applicable rates for imports between the Parties shall be the WTO bound rate or lower applied rate enforced as of accession. If, after accession to the WTO, a tariff reduction is applied on an *erga omnes* basis, the reduced rate shall apply.
3. The provisions of paragraph 2 shall apply to any tariff reduction applied *erga omnes* introduced after the date on which the negotiations are concluded.
4. The Parties shall communicate to each other their respective basic rates applied on 1 January 2002.

ARTICLE 19

Products originating in Algeria shall not enjoy more favourable treatment when imported into the Community than that applied by Member States among themselves.

The provisions of this Agreement shall apply without prejudice to the provisions of Council Regulation (EEC) No 1911/91 of 26 June 1991 on the application of the provisions of Community law to the Canary Islands (OJ L 171, 29.6.1991, p. 1), as last amended by Regulation (EC)

No 1105/2001 (OJ L 151, 7.6.2001, p. 1).

ARTICLE 20

1. Both 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 directly or indirectly.

ARTICLE 21

1. This Agreement shall not preclude the maintenance or establishment of customs unions, free trade areas or arrangements for frontier trade insofar as they do not have the effect of altering the trade arrangements provided for in this Agreement.

2. Consultation between the Parties shall take place within the Association Committee concerning agreements establishing customs unions or free trade areas and, where requested, on other major issues related to their respective trade policies with third countries. In particular in the event of a third country acceding to the Community, such consultations shall take place so as to ensure that account is taken of the mutual interests of the Community and Algeria stated in this Agreement.

ARTICLE 22

If one of the Parties finds that dumping is taking place in trade with the other Party within the meaning of Article VI GATT 1994, it may take appropriate measures against this practice in accordance with the WTO Agreement on the Implementation of Article VI of GATT 1994, related internal legislation and the procedures laid down in Article 26.

ARTICLE 23

The WTO Agreement on Subsidies and Countervailing Measures shall be applicable between the Parties. If one of the Parties finds that subsidies are being used in trade with the other Party within the meaning of Articles VI and XVI GATT 1994, it may take appropriate measures against this practice in accordance with the WTO Agreement on Subsidies and Countervailing Measures and its own legislation on the matter.

ARTICLE 24

1. Except where otherwise stated in this Article, the provisions of Article XIX GATT 1994 and of the WTO Agreement on Safeguards are applicable between the Parties.

2. Each Party shall inform the Association Committee forthwith of any step that it takes or intends to take with regard to the application of safeguard measures. Each Party shall send the Association Committee, immediately or at least one week in advance, a communication in writing containing all information pertinent to:

- the opening of a safeguard investigation;
- the outcome of the investigation.

The information provided shall include an explanation of the procedure on which the investigation is based and details of the schedule of hearings and other suitable occasions for the parties concerned to submit their opinions. Each Party shall also give the Association Committee an advance written notification containing all relevant information about the decision to apply provisional safeguard measures; this notification must be received at least one week before the measures are applied.

3. On being notified of the final results of the investigation and before applying safeguard measures in accordance with Article XIX of GATT 1994 and the WTO Agreement on Safeguards, the Party intending to apply such measures shall refer the matter to the Association Committee for a thorough examination of the situation with a view to finding a mutually acceptable solution.

4. In order to find such a solution, the Parties shall immediately hold consultations within the Association Committee. If the Parties fail to reach an agreement within 30 days of the initiation of such consultations on a solution to avoid the application of the safeguard measures, the Party intending to apply safeguard measures may apply the provisions of Article XIX of GATT 1994 and of the WTO Agreement on Safeguards.

5. In the selection of safeguard measures pursuant to this Article, the Parties shall give priority to those which cause least disturbance to the achievement of the objectives of this Agreement. Such measures shall not go beyond what is necessary to remedy the difficulties arising and shall maintain the level or margin of preference granted pursuant to this Agreement.

6. The Party intending to apply safeguard measures pursuant to this Article shall offer the other Party compensation in the form of liberalisation of trade vis-à-vis imports from the latter; that compensation will be essentially equivalent to the adverse trade effects of the measures on the other Party with effect from the date of their implementation. The offer shall be made before the safeguard measure is adopted and concurrently with the notification of and referral to the Association Committee, in accordance with paragraph 3. If the Party whose product is the intended

subject of the safeguard measure considers the offer of compensation unsatisfactory, the two Parties may agree to other forms of trade compensation in the framework of the consultations referred to in paragraph 3.

7. If the Parties fail to agree on the matter of compensation within 30 days of the initiation of the above consultations, the Party whose product is the subject of safeguard measures may adopt compensatory tariff measures having trade effects essentially equivalent to the safeguard measure adopted pursuant to this Article.

ARTICLE 25

Where compliance with the provisions of Article 17(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 26. The measures shall be non-discriminatory and shall be abolished when conditions no longer justify their maintenance.

ARTICLE 26

1. In the event of the Community or Algeria subjecting imports of products liable to give rise to the difficulties referred to in Article 24 to an administrative procedure having as its purpose the rapid supply of information on trade flow trends, it shall inform the other Party. In the cases specified in Articles 22 and 25, before taking the measures provided for therein or, in cases to which paragraph 2(c) of this Article applies, as soon as possible, the Community or Algeria, as the case may be, shall supply the Association Committee with all relevant information with a view to seeking a solution acceptable to the two Parties. In the selection of measures, priority shall be given to those which least disturb the functioning of this Agreement.

2. For the implementation of the second subparagraph of paragraph 1, the following provisions shall apply:

(a) as regards Article 22, 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 1994 or no other satisfactory solution has been reached within 30 days of the matter being referred, the importing Party may adopt the appropriate measures;

(b) as regards Article 25, the difficulties arising from the situations referred to in that Article shall be referred for examination to the Association Committee. The Association 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;

(c) where exceptional circumstances requiring immediate action make prior information or examination, as the case may be, impossible, the Community or Algeria, whichever is concerned, may, in the situations specified in Articles 22 and 25, apply forthwith the precautionary measures strictly necessary to deal with the situation and shall inform the other Party immediately thereof.

ARTICLE 27

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 28

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 No 6.

ARTICLE 29

The Combined Nomenclature of goods shall be applied to the classification of goods for imports into the Community. The Algerian customs tariff shall be applied to the classification of goods for imports into Algeria.

TITLE III

TRADE IN SERVICES

ARTICLE 30

Reciprocal commitments

1. The European Community and its Member States shall extend to Algeria the treatment which they are obliged to grant under Article II.1 of the General Agreement on Trade in Services, hereinafter referred to as GATS.

2. The European Community and its Member States shall grant to Algerian service suppliers no less favourable treatment than that accorded to like service suppliers as specified in the schedule of specific commitments taken by the European Community and its Member States under the GATS to which it is annexed.

3. This treatment shall not apply to advantages accorded by either Party under the terms of an agreement of the type defined in Article V of the GATS or to measures taken on the basis of such an agreement and to other advantages granted in accordance with the list of most-