- (b) promote and facilitate this expansion and diversification through the elimination of tariff and non-tariff barriers to trade between the Parties in a gradual and progressive manner, under an agreed timetable, and with a minimum of disruption;
- (c) develop trade between the Parties under conditions of fair competition;
- (d) promote and facilitate commercial, industrial, agricultural and technical cooperation between the Parties;
- (e) further the development and use of the resources of the Pacific region with a view to the eventual creation of a single regional market among the Pacific Island economies in accordance with the respective social and economic objectives of the Parties, including the advancement of indigenous peoples; and
- (f) contribute to the harmonious development and expansion of world trade in goods and services and to the progressive removal of barriers to it.

## PART II: TRADE IN GOODS

## Article 3

#### Free Trade Area

- The Parties shall gradually establish a free trade area in accordance with the provisions of this Agreement, with the understanding that Least Developed Countries and Small Island States may be integrated in accordance with different structures and by different time frames than other Parties. The Area shall consist of the territories of the Parties to this Agreement.
- The Parties may agree to extend the Area to include any other State, Territory or Self-Governing Entity, subject to terms consistent with this Agreement which shall be negotiated between the Parties and the other State, Territory or Self-Governing Entity.

#### Article 4

## Coverage of the Agreement

This Agreement shall apply to trade in originating goods exported from one Party to another Party, in accordance with the terms of this Agreement.

## Rules of Origin

- Goods shall be treated as originating in a Party if they comply with the Rules of Origin set out in Annex I of this Agreement, hereinafter "the Rules".
- Each Party shall establish a mechanism to provide on request a binding ruling on the originating status of goods to be imported, available at least six months in advance of shipment of such goods, and valid for a period of at least six months after the arrival of the first shipment.
- The Parties shall establish a Rules of Origin Committee which shall consist of representatives, whether from the public or private sector, from five Parties, including at least one representative from a Least Developed Country or Small Island State. The Committee members:
  - (a) shall initially be the representatives appointed by each of the first five Parties to ratify this Agreement that are willing to provide such a representative, and shall meet within 60 days of the entry into force of this Agreement;
  - (b) shall thereafter be the representatives of the five Parties which have been decided by the consensus agreement of the Parties biannually; and
  - (c) may serve more than one term.
- The Committee may act with a quorum of three, and where appropriate employ the services of expert advisers.
- 5 The Forum Secretariat shall provide secretariat services to the Committee.
- The functions of the Rules of Origin Committee shall be to:
  - (a) regularly review the implementation of the Rules to ensure that they are applied effectively, uniformly and in accordance with this Agreement, and report its findings and make appropriate recommendations to the Parties;
  - (b) regularly review the Rules to ensure that:
    - (i) they are fully supportive of the objectives of this Agreement; and
    - (ii) if appropriate, they conform to the guidelines produced by bodies such as the World Customs Organisation and the World Trade Organisation;
    - and report its findings and recommend any desirable amendments to the Parties;
  - (c) in consultation with the Parties, make recommendations on the adoption of standardised operating and documentation procedures;

- (d) provide technical and investigative assistance to the Parties in respect of the interpretation, implementation and operation of the Rules;
- (e) receive from the parties requests for derogation, and approve as appropriate those requests in accordance with Paragraph 7;
- (f) provide, as appropriate, training to Parties on the application and operation of the Rules;
- (g) provide, if requested by the Parties, assistance, consultation or mediation to assist in the resolution of disputes arising from, or related to the Rules;
- (h) provide binding rulings on disputes related to the Rules or derogation from them, if requested by the relevant Parties;
- (i) notify the Parties of any disputes between the Parties and the results of any consultation, mediation or rulings, pursuant to sub-paragraphs (g) and (h);
- (j) develop guidelines and procedures, consistent with international best practices, to be used in determining "substantial transformation" for the purposes of Paragraph 7 (c) (i), and notify these guidelines and procedures and any subsequent changes to the Parties, which may make amendments as appropriate;
- (k) ensure that the Committee's operation is functional, transparent and within the resources of the Parties;
- (l) establish operating procedures for carrying out its functions, including by means of remote communications where desirable, and notify these procedures and any subsequent changes to the Parties, which may make amendments as appropriate; and
- (m) when making recommendations for future co-operation, have regard to the resource and capacity constraints of the Parties, in particular the Small Island States and Least Developed Countries.
- Where origin cannot be achieved under the normal criteria, the Rules of Origin Committee may permit the Rules to be derogated from where their operation in specific cases is considered unduly restrictive of trade. Derogation from the Rules shall be permitted where it has been established on the basis of objective evidence that the derogation sought:
  - (a) will not have significant adverse effects, including arbitrary or unjustifiable discrimination on any Parties; and
  - (b) relates to goods, which are not ordinarily produced or obtained in any Party affected by the derogation; and
  - (c) relates to goods which,

- (i) have undergone substantial transformation in the territory of the exporting Party; or
- (ii) are temporarily unable to qualify as originating goods due to exceptional circumstances.

## Most Favoured Nation Treatment

- Each Party shall accord treatment to the other Parties which is no less favourable than that accorded to any other State, Territory or Self-Governing Entity in respect of all matters concerning:
  - (a) tariffs imposed on, or in connection with, importing or exporting goods, or imposed on the international transfer of payments for imports or exports;
  - (b) the method of levying tariffs;
  - (c) the rules and formalities connected with importing or exporting goods;
  - (d) any internal taxes or charges imposed on, or in connection with, imported goods;
  - (e) internal sale, offering for sale, purchase, distribution or use of imported goods within its territory;
  - (f) restrictions or prohibitions on importing or exporting goods;
  - (g) the allocation of foreign exchange; and
  - (h) the administration of foreign exchange restrictions affecting transactions involving the importing or exporting of any goods.
- 2 Paragraph 1 shall not apply to:
  - (a) advantages accorded by a Party to any State, Territory or Self-Governing Entity to facilitate frontier traffic;
  - (b) tariff preferences or other advantages granted by a Party to another Party by virtue of its membership in another free trade area or customs union, or an interim agreement leading to the formation of another free trade area or customs union; or
  - (c) any measures that a Party may take pursuant to a multilateral international commodity agreement or arrangement.
- 3 If any Party commences negotiations for free trade arrangements with one or more State, Territory or Self-Governing Entity which are not party to this Agreement,

then that Party shall notify the Forum Secretariat and be prepared to undertake consultations with the other Parties to this Agreement as soon as practicable.

#### Article 7

#### **Tariffs**

- Each Party shall notify the other Parties of that Party's most-favoured nation tariff rate on all goods in effect on the date of entry into force of this Agreement. The notified tariffs shall be the base tariffs.
- Originating goods which were free of tariffs on the date of entry into force of this Agreement, or which subsequently become free of tariffs pursuant to the obligations imposed by this Agreement on each Party, shall remain free of tariffs.
- 3 Tariffs on originating goods shall not be increased above the levels permitted by this Agreement.
- All ad valorem tariffs on originating goods, other than those on the Parties' respective list of excepted imports, shall without further notice be reduced and eliminated in accordance with the timetables set out in Paragraphs 1 and 2 of Annex II.
- Specific tariffs and fixed tariffs on originating goods may be converted to ad valorem equivalent tariffs at the time this Agreement enters into force, at the option of each Party. All tariffs so converted to ad valorem tariffs, other than those on the Parties' respective lists of excepted imports, shall without further notice be reduced and eliminated in accordance with the timetables set out in Paragraphs 1 and 2 of Annex II.
- All specific and fixed tariffs on originating goods not converted to ad valorem equivalents, other than those on goods on the Parties' respective list of excepted imports, shall without further notice be reduced and eliminated, in accordance with the timetables set out in Paragraphs 3 and 4 of Annex II.
- Each Party undertakes to identify goods which are not ordinarily produced or obtained in its own territory and eliminate tariffs on such goods as soon as possible, consistent with the objectives to this Agreement relating to fair competition. Each Party shall notify the other Parties of any tariffs reduced or eliminated in accordance with this Paragraph.
- 8 Each Party may reduce or eliminate tariffs with respect to the other Parties on a non-discriminatory basis more rapidly than is provided for in this Article.
- 9 Unless the contrary intention appears, any reference to tariffs rates or levels in Article 9 and Annexes II to IV are to ad valorem tariffs.

## Excepted Imports

- Upon signature, or deposit of instrument of accession, a Party may provide a list of goods to be excepted from the operation of Paragraphs 4, 5 and 6 of Article 7.
- The Parties' lists of excepted imports and the tariffs applicable to such imports shall be attached to this Agreement as Annex III. The tariff applicable to any excepted import shall not exceed the base tariff as defined in Paragraph 1 of Article 7.
- 3 No Party shall list any of the following goods as excepted imports:
  - (a) goods exported from that Party in the usual and ordinary course of its trade;
  - (b) goods not ordinarily produced or obtained in that Party; or
  - (c) goods not ordinarily produced or obtained in any other Party.
- When listing any goods as excepted imports, each Party shall have due regard to the objectives of this Agreement, in particular the desirability of developing fair competition in trade between the Parties.
- Upon entry into force of this Agreement each Party shall notify the other Parties in writing of its reasons for including specific goods in its list and offer to undertake consultations with the other Parties with a view to reducing or eliminating the proposed lists of excepted imports.
- The Parties shall reduce all tariffs on their excepted imports, as contained in Annex III, in accordance with the timetables set out in Annex IV.
- Where goods on the lists of excepted imports are subject to ad valorem tariffs, these tariffs shall be reduced in accordance with the timetables set out in Paragraphs 1 and 2 of Annex IV.
- Where goods on the lists of excepted imports are subject to specific tariffs or fixed tariffs, these tariffs shall be reduced in accordance with the timetables set out in Paragraphs 3 and 4 of Annex IV.
- 9 Each Party may reduce the tariffs on its excepted imports more rapidly than is required under this Article.
- Where a good listed as an excepted import becomes an impermissible excepted import in accordance with Paragraph 3, that good shall immediately be removed from the list of excepted imports.
- 11 Each Party shall notify the other Parties when any goods are removed from that Party's list of excepted imports in Annex III.

- Goods which have been removed from a Party's list of excepted imports in Annex III shall be treated as goods that were never listed in Annex III, and the tariffs on such goods shall be reduced and eliminated in accordance with Annex II.
- With the exception of Paragraph 1, the provisions of Article 7 do not apply to goods covered by Chapters 22 and 24 of the Harmonized Commodity Description and Coding System. Within two years of this Agreement entering into force the Parties shall consider at the Forum Trade Ministers' Meeting or otherwise as appropriate rules to govern trade in such goods within the Area. These rules shall be contained in Annex VI.

# Trade Distorting Measures

- All import or export prohibitions or restrictions on trade in originating goods, other than tariffs, customs duties and taxes, whether effected through quotas, import or export licences or other similar measures, shall be eliminated upon the entry into force of this Agreement. No new such measures shall be introduced.
- 2 No Party shall seek, take or maintain any voluntary export restraints, orderly marketing arrangements or any other similar measures on any trade in originating goods.
- Originating goods imported into the territory of any Party shall not be subject, either directly or indirectly, to internal taxes or other internal charges of any kind in excess of those applied, directly or indirectly, to like domestic products.
- 4 Originating goods imported into the territory of any Party shall be accorded treatment no less favourable than that accorded to like domestic products in respect of all laws, regulations and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution or use.
- Notwithstanding Paragraphs 1 and 2, where any measures prohibited by Paragraphs 1 and 2 restricting imports into any Party are identified that Party may within six months from the day on which this Agreement comes into force convert such measures into the equivalent tariffs. Where any Party converts import restrictions into tariffs pursuant to this Paragraph that Party shall immediately notify the other Parties of the import restriction, the equivalent tariff, and the method by which the equivalent tariff was calculated. Such tariffs shall be reduced and eliminated in accordance with the timetables set out in Annex II to this Agreement. The time periods within which such tariffs shall be reduced and eliminated shall be calculated on the basis of the dates provided in Annex II to this Agreement.
- If any Party considers that another Party has failed to carry out its obligations under Paragraphs 1 to 5 and that failure has nullified or impaired any benefit accruing directly or indirectly to the first Party that Party may initiate consultations under Article 21.

- 7 The provisions of this Article shall not prevent the payment of subsidies not prohibited or countervailable under Article 12.
- The provisions of this Article shall not apply to measures pertaining to government procurement, which shall be subject exclusively to the provisions of Article 15.
- 9 The Parties shall periodically review the implementation of this Article in accordance with Article 23, with a view to ensuring that all trade distorting measures in the Area have been eliminated.

## Emergency Action

1 For the purposes of Articles 10 to 13:

"domestic industry" means:

- (a) the producers of a given product, or like or directly competitive products, operating within the territory of a Party, or
- (b) those whose collective output of relevant products constitutes a major proportion of the total domestic production of those products;

"emergency action" means any measures taken by a Party pursuant to Articles 11, 12 or 13, and includes provisional emergency action;

"serious injury" means a significant overall impairment in the position of a domestic industry;

"threat of serious injury" means serious injury that is clearly imminent.

- 2 Consistent with the objectives of this Agreement, the Parties shall endeavour to avoid taking emergency action unless all other reasonable courses of action have been exhausted. No Party shall take emergency action unless it has fully complied with:
  - (a) the requirements set out in this Article;
  - (b) the requirements set out in Articles 11, 12 or 13 of this Agreement, as relevant; and
  - (c) any other requirements imposed on a Party by virtue of being a member of the World Trade Organization.
- A Party shall immediately notify the other Parties upon:
  - (a) initiating an investigation in relation to the taking of emergency action;
  - (b) making a finding that emergency action is justified;

- (c) deciding to take provisional emergency action; and
- (d) deciding to take or extend emergency action.
- A notification under Paragraph 3 shall include, as appropriate, the proposed action, the proposed date of introduction, expected duration, timetable for progressive liberalisation of the action, and all other relevant information. The Parties may, in accordance with Article 20, request any additional information they consider necessary.
- A Party proposing to take or extend emergency action shall provide adequate opportunity for prior consultations with other Parties, with a view to reviewing the information provided under Paragraph 4, exchanging views on the emergency action, and reaching a mutually satisfactory resolution of the situation. Where prior consultations cannot be held in cases of provisional emergency action, the Party shall enter into consultations immediately after taking provisional emergency action.
- A Party wishing to take emergency action pursuant to Articles 11, 12 or 13 shall first conduct a public investigation to determine whether such action is justified under this Agreement. The investigation shall include reasonable public notice to all interested persons, and an inquiry where importers, exporters and other interested persons can present evidence and make submissions, respond to the presentations of other persons, and submit their views as to whether the proposed emergency action would be in the public interest.
- In its investigation to determine whether emergency action is justified, the Party shall evaluate all relevant factors of an objective and quantifiable nature having a bearing on the situation of that industry.
- 8 The Party shall promptly publish a detailed report setting out its findings, the evidence on which its findings are based, and reasoned conclusions reached on all pertinent issues of fact and law.
- In critical circumstances where delay would cause the adverse effects that justify emergency action under Article 11, 12 or 13, a Party may take provisional emergency action pursuant to a preliminary determination that there is clear evidence that emergency action is justified. The duration of such action shall not exceed 200 days, during which period the procedures set out in this Article shall be met. The duration of such action shall be counted as a part of the initial period of the emergency action and any extensions referred to in Articles 10 to 13.
- A Party shall take emergency action only for such period of time and to the extent necessary to prevent the adverse effects that justify emergency action under Article 11, 12 or 13. In so doing, Parties shall take emergency action that minimises restriction or distortion of trade and that is, as far as possible, consistent with the objectives of this Agreement.
- A Party may extend emergency action, provided that it has conducted a further investigation and determined, in accordance with the procedures set out in this Article, that the emergency action continues to be justified under Article 11, 12 or 13.

In the case of action under Articles 11 or 13, where the expected duration of emergency action is over one year, the Party taking the action shall progressively liberalise it at regular intervals during the period of application. If the duration of the action exceeds three years, the Party taking such action shall review the situation not later than the mid-term of the action and, if appropriate, withdraw it or increase the pace of liberalisation. Action extended under Paragraph 11 shall not be more restrictive than it was at the end of the initial period, and shall continue to be liberalised.

## Article 11

## Safeguard Measures

- Where a Party has conducted an investigation under Article 10 and has determined that a product is being imported into its territory from another Party in such quantities, absolute or relative to domestic production, and under such conditions as to cause or threaten to cause serious injury to the domestic industry which produces like or directly competitive products, the first Party may apply a safeguard measure to that product.
- No Party shall apply a safeguard measure unless its investigation under Article 10 demonstrates, on the basis of objective evidence, the existence of the causal link between imports of the product concerned and serious injury or threat of serious injury. When factors other than imports are causing injury to the domestic industry at the same time, the safeguard measure may only be taken proportionate to the injury caused by the imports.
- Any provisional safeguard measures shall take the form of tariff increases. If the investigation required by Article 10 does not determine that increased imports have caused or threaten to cause serious injury to a domestic industry provisional safeguard measures shall be promptly rescinded and any increased tariffs paid shall be promptly refunded or, where agreed to by the importer, credited.
- A Party may apply a safeguard measure to a product by imposing or increasing tariffs for the minimum period and to the minimum extent necessary to prevent the serious injury caused by imports, provided that where the Party has goods listed as excepted imports in Annex III the Party at the same time removes sufficient goods from its list of excepted imports to compensate for the increased restriction on trade provided by the safeguard measure.
- The initial period of application of a safeguard measure shall not exceed four years. The total period of application of a safeguard measure, including any extensions, shall not exceed eight years. Safeguard measures may not be extended unless there is evidence that they continue to be necessary to prevent or remedy serious injury and the domestic industry is continuing to adjust to the situation.
- No safeguard measure shall be applied to the import of a product before the greater of:

- (a) two years; or
- (b) the total period of time, including any extension, during which the safeguard measure was applied

has elapsed since a safeguard measure was in effect in relation to the same or like products.

- Notwithstanding the provisions of Paragraph 6, a safeguard measure with a duration of 180 days or less may be applied again to the import of a product if:
  - (a) at least one year has elapsed since the date of introduction of a safeguard measure on the import of that product; and
  - (b) a safeguard measure has not been applied on the same product more than twice in the five year period immediately preceding the introduction of the measure.
- 8 No Party shall apply a safeguard measure to the import of a product until two years have elapsed following the completion or termination of measures taken to protect the domestic industry of that Party producing like or directly competitive goods under Article 14.
- 9 No Party shall apply a safeguard measure to the import of a product listed in that Party's list of excepted imports or a product removed from that Party's list of excepted imports less than two years ago.

## Article 12

### Dumped or subsidised imports

- Where a Party has conducted an investigation under Article 10 and has determined that goods being imported into it from another Party, or other Parties, are being dumped, as defined in Article VI of the General Agreement on Tariffs and Trade and the World Trade Organization Agreement on Implementation of Article VI, so as to cause or threaten to cause serious injury to a domestic industry producing like or directly competitive goods or to materially retard the establishment of a domestic industry to produce like or directly competitive goods, it shall enter into consultations with the other Party or Parties, in accordance with Article 21, with a view to agreeing on measures to reduce or prevent injury or retardation which are consistent with the objectives of this Agreement.
- Where a Party has conducted an investigation under Article 10 and has determined that goods being imported into it from another Party, or other Parties, are subsidised by the Party or Parties so as to cause or threaten to cause serious injury to a domestic industry producing like or directly competitive goods or to materially retard the establishment of a domestic industry to produce like or directly competitive goods, it shall enter into consultations with the other Party or Parties, in accordance with Article 21, with a view to agreeing on measures to reduce or

prevent injury or retardation which are consistent with the objectives of this Agreement.

- Where a mutually acceptable solution to the problem is not achieved within 60 days of the commencement of consultations under Paragraph 1 or 2, the first Party shall give notice to the other Party, or Parties, of its intention to levy anti-dumping or countervailing duties on the goods.
- 4 No agreed solution shall be inconsistent with the provisions of Paragraph 2 of Article 9.
- If further consultations between the Parties fail to resolve the issue, the first Party may, pursuant to Paragraph 10 of Article 10, no earlier than 60 days after notice was given to the other Party or Parties, levy anti-dumping or countervailing duties on the dumped or subsidised products. Such duties shall not exceed the rate of dumping or subsidisation.
- Duties levied pursuant to Paragraph 5 shall be reviewed by the Party imposing the duties, after one year, and annually thereafter, to determine whether the conditions necessary for the imposition of anti-dumping or countervailing duties under this Article, still apply. If the review determines that dumping or subsidisation has ceased, the duties shall be immediately eliminated. If the review determines otherwise the duties may continue to be applied, but shall not exceed the rate of dumping or subsidisation found to exist at the time of the review.
- The Parties agree to eliminate any subsidies that cause or threaten to cause serious injury to a domestic industry producing like or directly competitive goods, or to materially retard the establishment of a domestic industry to produce like or directly competitive goods, in another Party. Such Parties shall enter into consultations, in accordance with Article 21, with a view to agreeing on measures to reduce or prevent injury or retardation which are consistent with the objectives of this Agreement.

### Article 13

## Balance of Payments

- Where a Party has conducted an investigation under Article 10 and has determined that:
  - (a) there is a serious decline or an imminent threat of serious decline in its monetary reserves; or
  - (b) in the case of a Party with very low monetary reserves, its monetary reserves have failed to achieve a reasonable rate of increase;

that Party may impose or increase tariffs for the minimum period necessary and to the minimum extent necessary to arrest or prevent the serious decline in reserves or to enable reserves to increase at a reasonable rate.

- 2 Parties applying restrictions under this Article may determine the incidence of the restrictions on imports of different products or classes of products in such a way as to give priority to the importation of those products which are more essential.
- 3 In applying restrictions under this Article, Parties shall:
  - (a) avoid unnecessary damage to the commercial or economic interests of any other Party;
  - (b) not prevent unreasonably the importing of any goods in minimum commercial quantities, the exclusion of which would impair regular channels of trade; and
  - (c) not prevent the importing of commercial samples or prevent compliance with patent, trade mark, copyright, or similar procedures.
- If there is a persistent and widespread application of restrictions under this Article, indicating the existence of a general disequilibrium which is restricting international trade, the Parties shall review the Agreement to consider whether other measures might be taken to remove the underlying causes of the disequilibrium.

# Protection of Developing Industries

- Notwithstanding Article 7, where a Party has determined that a product is being imported into its territory from another Party in such quantities and under such conditions as to materially retard the establishment of a domestic industry in like or directly competitive products in the first Party, the first Party may raise tariffs where permitted by Paragraph 2. Before raising tariffs, that Party shall notify the other Parties of its intention to do so, in accordance with Article 20.
- No Party shall raise tariffs under this Article unless it can demonstrate, on the basis of objective evidence, the existence of the causal link between imports of the good concerned and the material retardation of the establishment of the domestic industry. Tariffs shall not be raised further than necessary to prevent the material retardation caused by the imports.
- Subject to Paragraph 4, the initial period of action taken under this Article shall not exceed five years, or ten years in the case of measures taken by Small Island States or Least Developed Countries. This period shall not be extended unless the domestic industry has been established and there is evidence that the action continues to be necessary in order for it to adjust to competition. The total period of action taken under this Article shall not exceed ten years, or fifteen years in the case of measures taken by Small Island States or Least Developed Countries.
- Where the expected duration of action taken under this Article is over one year, the Party taking the action shall review the necessity of such action every two years and promptly notify all Parties of the results of this review.

- No tariffs shall be raised under this Article before the developing domestic industry has commenced production.
- The Parties shall, in accordance with Article 23, periodically review the operation of this Article and the time limits provided therein, with a view to preventing unjustifiable restrictions on trade between the Parties and ensuring that the objectives of this Agreement on fair competition in trade between the Parties are being achieved.

### PART III: GOVERNMENT PROCUREMENT

## Article 15

# Principles Governing Government Procurement

- 1 The Parties are committed to the objective of liberalising government procurement within the Area as soon as possible.
- 2 In order to achieve this objective, the Parties agree:
  - (a) to identify existing measures and practices which prohibit or restrict the achievement of the objective set out in Paragraph 1;
  - (b) to adopt transparent measures and practices in respect of contract valuations, technical specifications, qualification and performance requirements, tendering procedures, and invitation, selection and challenge processes;
  - (c) that each Party shall, as soon as possible, take appropriate measures needed to minimise and remove the measures and practices identified in Paragraph 2(a);
  - (d) within two years of the entry into force of this Agreement, to conclude arrangements for detailed rules on government procurement. Those rules shall be included as a protocol to this Agreement;
  - (e) in accordance with Article 23, to periodically review progress made in liberalising government procurement and shall endeavour to resolve any problems arising in respect of the implementation of this Article.