

ANNEX 1

CONCERNING THE SETTLEMENT OF DISPUTES BETWEEN THE STATE PARTIES

PREAMBLE

The State Parties

HAVING UNDERTAKEN to progressively liberalise intra-regional trade in services on the basis of fair, mutually equitable and beneficial arrangements;

AND HAVING REGARD to the provisions of Article 25 of this Protocol on the settlement of disputes;

HEREBY AGREE as follows;

ARTICLE 1

Scope and Application

The Rules and Procedures of this Annex shall apply to the settlement of disputes between State Parties concerning their rights and obligations under this Protocol.

ARTICLE 2

Forum Shopping

If a State Party has invoked the Rules and Procedures of this Annex or any other applicable international dispute settlement mechanism with respect to any matter, that State Party shall not invoke another dispute settlement mechanism on the matter.

ARTICLE 3

Cooperation

The State Parties shall:

- (a) at all times endeavour to agree on the interpretation and application of this Protocol;
- (b) make every attempt through cooperation to arrive at a mutually satisfactory resolution of any matter that may affect the operation of this Protocol; and
- (c) make use of the rules and procedures of this Annex to resolve disputes in a speedy, cost effective and equitable manner.

ARTICLE 4

Consultations

1. A State Party may request in writing consultations with any other State Party regarding any measure that it considers might affect its rights and obligations under the provisions of this Protocol.
2. The requesting State Party shall notify the other State Parties and the CMT of the request, through the Registrar of the Tribunal. Any request for consultations shall give the reasons for the request, including identification of the measures at issue and an indication of the legal basis of the complaint.
3. The requested State Party shall accord reasonable consideration to and afford adequate opportunity for consultations regarding any representations made by another State Party.
4. The requested State Party shall, unless otherwise mutually agreed, reply to the request within 10 days after the date of its receipt and shall enter into consultations in good faith within a period of no more than 30 days after the date of receipt of the request, with a view to reaching a mutually satisfactory solution. If the requested State Party does not respond within 10 days after the date of receipt of the request, or does not enter into consultations within a period of no more than 30 days, or a period otherwise mutually agreed, after the date of receipt of the request, then the requesting State Party may proceed directly to request the establishment of a panel.
5. Whenever a State Party other than the consulting State Parties considers that it has a substantial interest in consultations being held pursuant to a request made under paragraph 1, such State Party may notify the consulting State Parties and the Registrar of the Tribunal, within 10 days after the date of circulation of the request for consultations, of its desire to be joined in the consultations. Such State Party shall be joined in the consultations, provided that the requested State Party agrees that the claim of substantial interest is well founded. In that event, the consulting State Parties shall also inform the CMT through the Registrar of the Tribunal. If the request to be joined in the consultations is not accepted, the applicant State Party shall be free to request consultations under this Article.
6. The consulting State Parties shall make every attempt to arrive at a mutually satisfactory resolution of any matter and, to this end, they shall
 - (a) provide sufficient information to enable a full examination of how the actual or proposed measure or other matter may affect the operation of this Protocol;

- (b) treat any confidential or proprietary information exchanged in the course of consultations on the same basis as the State Party providing the information; and
 - (c) seek to avoid any resolution that adversely affects the interests of any other State Party under this Protocol.
- 7. If the consulting State Parties fail to resolve a matter pursuant to this Article within:
 - (a) 60 days after the date of receipt of the request for consultations; or
 - (b) such other period as they may agree,any such State Party may request in writing the establishment of a panel. The requesting State Party shall notify the other State Parties and the CMT of the request through the Registrar of the Tribunal.
- 8. In cases of urgency, State Parties shall enter into consultations within a period of no more than 10 days after the date of receipt of the request. If the consultations have failed to settle the dispute within a period of 20 days after the date of receipt of the request, the requesting State Party may request the establishment of a panel.

ARTICLE 5

Good Offices, Conciliation and Mediation

- 1. Good offices, conciliation and mediation are procedures that are undertaken voluntarily if the disputing State Parties so agree.
- 2. Procedures involving good offices, conciliation and mediation shall be confidential, and may be requested at any time by a disputing State Party. These procedures may begin at any time and be terminated at any time.
- 3. The Chairperson of the CMT, or any other Member of the CMT designated by the Chairperson who is not a national of a disputing State Party, may offer good offices, conciliation or mediation with a view to assisting the disputing State Parties.

ARTICLE 6

Establishment of Panel

- 1. The Registrar of the Tribunal shall establish a panel within 20 days from the date of receipt of a request made pursuant to paragraph 4, 7 or 8 of Article 4.
- 2. The request for the establishment of a panel shall be made in writing to the Registrar of the Tribunal and shall indicate whether consultations were held, indicate the specific measures at issue and provide a brief

summary of the legal basis of the complaint in the light of the relevant provisions of this Protocol sufficient to present the problem clearly.

ARTICLE 7

Roster of Panellists

The Registrar of the Tribunal shall maintain an indicative roster of panellists nominated by State Parties on the basis of their relevant expertise and qualifications as stipulated in Article 8. The roster, as well as any modifications thereto, shall be made known by the Secretariat to the State Parties.

ARTICLE 8

Qualifications of Panellists

All panellists shall:

- (a) have expertise or experience in international trade or international law, or international economics and other matters covered by this Protocol or the resolution of disputes arising under international trade agreements, and shall be chosen strictly on the basis of objectivity, reliability and sound judgment;
- (b) be composed of governmental and/or non-governmental individuals;
- (c) serve in their individual capacities and not as government representatives, nor as representatives of any organization. State Parties shall therefore not give them instructions nor seek to influence them as individuals with regard to matters before a panel; and
- (d) comply with a code of conduct and rules of procedures to be established by the CMT.

ARTICLE 9

Panel Selection

1. A panel shall be composed of three panellists.
2. The following procedures shall apply in the selection of panellists:
 - (a) The disputing State Parties shall endeavour to agree on the chair of the panel within 15 days of the delivery of the request for the establishment of a panel.
 - (b) Within 10 days of selection of the chair, each disputing State Party shall select one Panellist who is not a citizen of such State Party.

- (c) Where there are more than two disputing State Parties, the State Party complained against shall select one panellist who is not a citizen of such State Party. The complaining State Parties shall jointly select one panellist who is not a citizen of such State Parties. This shall take place within 10 days of the selection of the chair.
- 3. When a State Party or Parties, in the selection of panellists pursuant to paragraph 2 fails to agree on the chair of the panel or to select a panellist in the prescribed time, the Registrar of the Tribunal shall refer the matter to the Executive Secretary of SADC. Such chair or panellist shall be selected by lot by the Executive Secretary of SADC from a list of panellists nominated in the roster referred to in Article 7 who are not citizens of the disputing State Parties. The Executive Secretary shall select the chair or panellist, as the case may be, within 5 days after the expiry of the prescribed time referred to in paragraph 2.
- 4. When a disputing State Party is of the opinion that a panellist does not comply with the requirements set out in Article 8, the disputing State Parties shall consult and, if they agree, the panellist shall be removed and another panellist shall be selected in accordance with this Article.
- 5. Panellists shall, as far as possible, be selected from the roster contemplated in Article 7.

ARTICLE 10

Terms of Reference of the Panel

Unless the disputing State Parties otherwise agree within 20 days from the date of establishment of the panel, the terms of reference for the panel shall be:

- (a) To examine, in the light of the relevant provisions of this Protocol, the matter referred to the Registrar of the Tribunal and to make findings, determinations and recommendations.
- (b) To determine whether the matter under dispute has nullified or impaired benefits of the disputing State Parties according to the provisions of this Protocol.
- (c) To make findings as and when appropriate on the degree of adverse effects on any State Party of any measure found not to conform to the provisions of this Protocol or to have caused nullification or impairment of the complaining State Party.
- (d) To recommend that the State Party complained against brings a measure into conformity with this Protocol where such a measure is found to be inconsistent with this Protocol.

ARTICLE 11
Panel Procedures

Unless the disputing State Parties otherwise agree, the Panel shall conduct its proceedings in accordance with the following rules of procedure:

- (a) the disputing State Parties shall have a right to at least one hearing before the panel as well as the opportunity to provide initial and rebuttal written submissions;
- (b) the Panel's hearings, deliberations and initial report, and all written submissions to and communications with the Panel shall be confidential; and
- (c) the disputing State Parties may be represented during the Panel procedures by legal representatives or other experts.

ARTICLE 12
Procedures for Multiple Complaints

- 1. Where more than one State Party requests the establishment of a panel related to the same matter, a single panel may be established to examine these complaints taking into account the rights of all State Parties concerned. A single panel should be established to examine such complaints whenever feasible.
- 2. The single panel shall organize its examination and present its findings to the CMT in such a manner that the rights which the disputing State Parties would have enjoyed, had separate panels examined the complaints, are in no way impaired. If one of the disputing State Parties so requests, the panel shall submit separate reports on the dispute concerned. The written submissions by each of the complaining State Parties shall be made available to the other complaining State Parties and each complaining State Parties shall have the right to be present when any one of the other complaining State Parties presents its views to the panel.
- 3. If more than one panel is established to examine the complaints related to the same matter, to the greatest extent possible, the same persons shall serve as panellists on each of the separate panels and the timetable for the panel process in such disputes shall be harmonised.

ARTICLE 13
Third Party Participation

A State Party that is not a disputing State Party having a substantial trade interest in a matter before a panel and having notified its interest in writing to the CMT, through the Registrar of the Tribunal, shall have an opportunity to attend all hearings, to make written and oral submissions to the panel and to receive the written submissions of the disputing State Parties.

ARTICLE 14
Role of Experts

On request of a disputing State Party, or on its own initiative, the panel may seek information and technical advice from any person or body that it deems appropriate.

ARTICLE 15
Initial Report

1. Unless the disputing State Parties otherwise agree, the panel shall base its initial report on the submissions of the participating State Parties and on any information before it pursuant to Article 14.
2. Unless the disputing State Parties otherwise agree, the panel shall, within 90 days after the last panellist is selected or 45 days in the case of urgency, present to the disputing State Parties an initial report containing:
 - (a) findings of fact;
 - (b) its determination as to whether the measure at issue is or would be inconsistent with the obligations of this Protocol or cause nullification or impairment, or any other determination requested in the terms of reference; and
 - (c) its recommendations for resolution of the dispute.
3. The disputing State Parties may submit written comments to the panel on its initial report within 15 days of presentation of the initial report. In such an event, and after considering such written comments, the panel, on its own initiative or on the request of any disputing State Party, may:
 - (a) request the views of any participating State Party;
 - (b) reconsider its initial report; and
 - (c) make any further examination that it considers appropriate.

ARTICLE 16
Final Report

1. A panel shall present to the disputing State Parties a final report within 30 days of presentation of the initial report, unless the disputing State Parties otherwise agree.
2. No panel shall, either in its initial report or its final report, disclose which panellists are associated with majority or minority opinions.

3. A panel shall transmit to the CMT, through the Registrar of the Tribunal, its final report.
4. Unless the CMT decides by consensus not to adopt the report, or a disputing State Party notifies the CMT of its decision to appeal, the final report of the panel shall be adopted by the CMT within 15 days after it is transmitted to the CMT and shall promptly be made public thereafter by the Registrar of the Tribunal. If a disputing State Party has notified the CMT of its decision to appeal, the report of the panel shall not be considered for adoption by the CMT until after completion of the appeal.

ARTICLE 17

Appellate Review of Panel Report

1. Only disputing State Parties may appeal a panel report. Third parties which have notified the CMT of a substantial interest in the matter pursuant to Article 13 may make written submissions to, and be given an opportunity to be heard, by the Tribunal.
2. Subject to Paragraph 4, the length of the appeal shall not exceed 90 days.
3. An appeal shall be limited to issues of law covered in the Panel Report and legal interpretations developed by the panel.
4. Working procedures for appellate review provided for under this Article shall be drawn up by the Tribunal in consultation with the Executive Secretary of SADC and shall not be less restrictive than the Working Procedures of the Appellate Body under the WTO "Understanding on the Rules and Procedures Governing the Settlement of Disputes".

ARTICLE 18

Panel Recommendations

Where a panel concludes that a measure is not consistent with this Protocol, it shall recommend that the State Party complained against brings the measure into conformity with this Protocol. In addition, the panel may suggest ways in which the State Party complained against may implement the recommendations.

ARTICLE 19

Implementation of Panel Recommendations

1. The State Party complained against shall inform the Registrar of the tribunal of its intentions in respect of implementation of the recommendations of the panel. If it is impracticable to comply immediately with the recommendations, the State Party complained against shall have a reasonable period of time in which to do so. The reasonable period of time shall be the period of time proposed by the State Party complained against or a period mutually agreed by the

disputing State Parties. In any case, the period shall not exceed 6 months from the date of adoption of the panel report.

2. The provisions of paragraph 1 and Article 21 shall apply *mutatis mutandis* to decisions taken by the Tribunal pursuant to Article 17.

ARTICLE 20

Compensation and Suspension of Concessions

1. Compensation and the suspension of concessions or other obligations are temporary measures available in the event that the recommendations of the panel, as adopted, or the decisions of the tribunal in terms of Article 17, as the case may be are not implemented within a reasonable period of time determined in accordance with Article 19. Full implementation of the panel recommendations or the decisions of the Tribunal in terms of Article 17, as the case may be, to bring a measure into conformity with this Protocol shall always be preferred.
2. If the State Party complained against fails to bring the measure found to be inconsistent with this Protocol into compliance within the reasonable period of time determined in accordance with Article 19, it shall enter into negotiations with the complaining State Party with a view to developing a mutually satisfactory solution. If no satisfactory solution has been agreed within 20 days after the expiry of the reasonable period of time determined in accordance with Article 19, the complaining State Party may request authorization from the CMT, through the Registrar of the Tribunal, to suspend concessions or other obligations of equivalent effect to the level of the nullification or impairment.
3. Unless the CMT decides by consensus otherwise within 20 days from the date of receipt of the request for authorization to suspend concessions or obligations, such authorization shall be granted.
4. In considering what benefits to suspend, a complaining State Party shall first seek to suspend benefits in the same sector or sectors as that affected by the measure or other matter that the panel has found to be inconsistent with the obligations of this Protocol. A complaining State Party that considers it is not practicable or effective to suspend benefits in the same sector or sectors may suspend benefits in other sectors.
5. If the State Party complained against objects to the level of suspension proposed, the matter shall as far as possible be referred for arbitration to the original panel. Should the original panel not be available, the Executive Secretary of the SADC shall appoint a panellist. The original panel or panellist, as the case may be, shall be appointed within 10 days from the date of receipt of the request for arbitration. The arbitration shall be completed within 30 days after the date of appointment of the original panel or panellist, as the case may be. Concessions or other obligations may not be suspended during the course of arbitration.

6. The panel or panellist acting pursuant to paragraph 5 shall determine whether the level of the proposed suspension is equivalent to the level of impairment as a result of a measure not complying with this Protocol. The CMT shall be informed, through the Registrar of the Tribunal, of the decision of the panel or panellist and shall within 20 days after the date of receipt of the decision of the panel or panellist, unless it decides by consensus otherwise, grant authorization to suspend concessions or other obligations where the request is consistent with the decision of the panel or panellist.

ARTICLE 21

Expenses

1. The CMT shall determine the amounts of remuneration and expenses that will be paid to panellists and experts appointed in terms of this Annex.
2. The remuneration of panellists and experts, their travel and lodging expenses and all other general expenses of panels shall be funded through the regular budget of the Community, in accordance with the criteria that the CMT may from time to time determine, and from such other sources as may be determined by the CMT.
3. Each panellist or expert shall keep a record and render a final account of his or her time and expenses and the panel shall keep a record and render an account of all general expenses. The Secretariat shall control such accounts and make all payments against the accounts of the disputing State Parties.
4. Each disputing State Party shall be responsible for payment of its own costs arising from litigation. Where the panel determines that a disputing State Party has abused the process of the panel, it may require from that disputing State Party to pay for the costs reasonably incurred under the circumstances of the particular case by the other disputing State Party arising from the litigation.

ARTICLE 22

Regulations

The CMT shall adopt Regulations to facilitate the implementation of this Annex.