

AGREE TO:

CHAPTER I GENERAL PROVISIONS

SECTION I INITIAL PROVISIONS

Article 1 - Contracting and Signatory Parties

For the purposes of this Agreement, the "Contracting Parties" (hereinafter referred to as "Parties") are MERCOSUR and Egypt. The "Signatory Parties" are the Argentine Republic, the Federative Republic of Brazil, the Republic of Paraguay, and the Oriental Republic of Uruguay, Member States of MERCOSUR, and Egypt.

Article 2 - Definitions

1. "Customs duties" include duties and charges of any kind imposed in connection with the importation of a good, including any form of surtaxes or surcharges in connection with such importation, but do not include any:

- a) charges equivalent to internal taxes imposed consistently with Article III: 2 of the General Agreement on Tariffs and Trade (hereinafter referred to as "GATT") 1994 and its interpretative notes in respect of like, directly competitive or substitutable goods of the Party or the Signatory Party, or in respect of goods from which imported goods have been manufactured or produced in whole or in part;
- b) anti-dumping or countervailing duties imposed in accordance with Articles VI and XVI of GATT 1994, the WTO Agreement on Implementation of Article VI of GATT 1994 and the WTO Agreement on Subsidies and Countervailing Measures;
- c) safeguard duties or levies imposed in accordance with Article XIX of GATT 1994, the WTO Agreement on Safeguards and Article 17 of this Chapter; and,
- d) other fees or charges imposed consistently with Article VIII of GATT 1994.

2. "Charges having equivalent effect" are charges imposed on imported goods, and not imposed on domestic goods of the Party or the Signatory Party. They do not include internal taxes, fees or tariffs.

3. "Fee" means any payment for a service supplied by a government authority or in the exercise of governmental authority in connection with the importation of a good consistent with the provisions of Article VIII of GATT 1994 and its interpretative notes.

4. "Good" means a domestic good as this is understood in GATT 1994 or such a good as the Parties or the Signatory Parties may agree, and includes an originating good of these Signatory Parties. A good includes a good being manufactured even if it is intended for later use in another manufacturing production.
5. "Harmonized System" means the Harmonized Commodity Description and Coding System, and its General Rules of Interpretation, Section notes and Chapter notes, as adopted and implemented by the Parties.
6. "Measure" includes any law, regulation, procedure, requirement or practice.
7. "Originating good or material" means a good or material that qualifies as originating under the provisions of Chapter II.
8. "Territory" means for a Signatory Party the territory of that Signatory Party.

Article 3 - Establishment of the Free Trade Area

The Parties and Signatory Parties to this Agreement, consistent with Article XXIV of the GATT 1994 and the Decision on Differential and More Favorable Treatment, Reciprocity and Fuller Participation of Developing Countries of 1979, hereby establish a free trade area.

Article 4 - Relations to Multilateral Agreements

The Parties and Signatory Parties affirm their rights and obligations with respect to each other in accordance with the WTO Agreement.

Article 5 - Trade Relations Governed by other Agreements

This Agreement shall not prevent the maintenance or establishment of customs unions, free trade areas or any other arrangements for cross-border trade of the Parties with third countries.

Article 6 - Internal Taxation

1. The Parties and Signatory Parties shall apply any internal taxes and other charges and regulations in accordance with Article III of the GATT 1994 and other relevant WTO Agreements.
2. Nothing in this Agreement shall affect the rights and obligations of any Party or Signatory Party under any tax convention and/or agreement to which they are party to avoid double taxation. In the event of any inconsistency between this Agreement and that convention and/or agreement, that convention and/or agreement shall prevail to the extent of the inconsistency.

SECTION II TRADE IN GOODS

Article 7 - Trade Liberalization

The provisions of this Section shall apply to originating goods in the Signatory Parties except as otherwise provided in this Agreement.

Article 8 - Scope

The provisions of this Section shall apply to the following goods:

- a) Originating goods in Egypt imported into MERCOSUR Member States, as provided for in Annex I.1;
- b) Originating goods in MERCOSUR Member States imported into Egypt, as provided for in Annex I.2.

Article 9 - Classification of Goods

1. For the purpose of this Agreement, the Parties shall apply their respective customs classification systems for imported goods, which shall be based on the Harmonized System in its 2007 version or any subsequent amendment thereto approved by the Parties.
2. A Party may introduce new tariff splits, provided that the preferential conditions applied in the new tariff splits are not less than those applied originally.

Article 10 - Free movement of Egyptian goods among the Signatory Parties

The double payment of customs duties will be eliminated for Egyptian goods under the same schedule negotiated for MERCOSUR Signatory Parties among themselves.

Article 11 - Customs Duties on Imports and Charges Having Equivalent Effect

1. Customs duties and charges having equivalent effect imposed by each Party on imports of originating goods in the other Party listed in Annexes I.1 and I.2 shall be gradually eliminated as follows:

- a) category A – upon entry into force of this Agreement;
- b) category B – in four (4) equal stages, the first one taking place on the date of entry into force of this Agreement and the three (3) following stages at 12-month intervals;

- c) category C – in eight (8) equal stages, the first one taking place on the date of entry into force of this Agreement and the seven (7) following stages at 12-month intervals;
- d) category D – in ten (10) equal stages, the first one taking place on the date of entry into force of this Agreement and the nine (9) following stages at 12-month intervals; and,
- e) category E - custom duties and charges having equivalent effect shall be eliminated as will be determined by the Joint Committee.

2. The applicable customs duties and charges having equivalent effect for imports between the Parties or Signatory Parties, to which the successive reductions set out in paragraph 1 are to be applied are the most-favored-nation (hereinafter referred to as “MFN”) tariffs in force in January 2010. After the entry into force of this Agreement, any tariff reductions applied by the Parties or Signatory Parties on a MFN basis will serve as the new base for the tariff reductions provided for in this Agreement.

3. Except as otherwise provided in this Agreement, no Party or Signatory Party shall adopt or increase any customs duties or charges having equivalent effect, on an originating good of the other party referred to in Article 8 of this Chapter.

4. Used goods, identified or not identified as such in the Harmonized System, shall not benefit from the trade liberalization scheduled in this Agreement.

Article 12 – Quantitative Restrictions and Measures Having Equivalent Effect on Imports and Exports

Except as otherwise provided in this Agreement, no Party or Signatory Party may adopt or maintain any prohibition or restriction on the importation of any good of the other Party or Signatory Party or on the exportation or sale for export of any good destined for the territory of the other Signatory Parties, whether applied by quotas, licenses or other measures, except in accordance with Article XI of GATT 1994, including its interpretative notes. To this end, Article XI of GATT 1994 and its interpretative notes, or any equivalent provision of a successor agreement to which the Parties or Signatory Parties are party, are incorporated into and made a part of this Agreement.

Article 13 - National Treatment

On matters relating to taxes, fees or any other domestic charges/duties, the goods originating from the territory of any of the Parties or Signatory Parties shall receive in the territory of the other Party or Signatory Parties the same treatment as applied to the domestic goods, in accordance with Article III of GATT 1994, including its interpretative notes.

Article 14 - Rules of Origin

The goods listed in Annexes I.1 and I.2 shall meet the requirements of rules of origin, including the requirements and procedures for issuing a Certificate of Origin as provided in Chapter II in order to qualify for tariff preferences.

Article 15 - Technical Barriers to Trade

1. The Parties or Signatory Parties shall apply technical regulations, standards and conformity assessment procedures in accordance with the provisions of the WTO Agreement on Technical Barriers to Trade.
2. The Parties or Signatory Parties shall cooperate in the fields of technical regulations, standardization and conformity assessment procedures, with the aim of facilitating trade.

Article 16 - Sanitary and Phytosanitary Measures

1. The Parties or Signatory Parties shall apply sanitary and phytosanitary measures in accordance with the provisions of the WTO Agreement on the Application of Sanitary and Phytosanitary Measures.
2. The Parties or Signatory Parties shall cooperate in the fields of sanitary and phytosanitary measures, with the aim of facilitating trade.

Article 17 - Safeguards

1. The Parties or Signatory Parties may apply preferential safeguards in accordance with Chapter III.
2. The Parties or Signatory Parties shall apply safeguard measures in accordance with the provisions of Article XIX of GATT 1994 and the WTO Agreement on Safeguards.

Article 18 - Anti-dumping and Countervailing Measures

The rights and obligations of the Parties or Signatory Parties with respect to anti-dumping and countervailing measures shall be governed by their respective legislation, which shall be consistent with Article VI and XVI of GATT 1994, the Agreement on Implementation of Article VI of GATT 1994 and the WTO Agreement on Subsidies and Countervailing Measures.

Article 19 - Restrictions to Safeguard the Balance of Payments

1. Nothing in this Section shall be construed to prevent a Signatory Party from taking any measure for balance-of-payments purposes. The Signatory Parties shall apply restrictions to safeguard the balance of payments in accordance with the provisions of Articles XII and XIV of GATT 1994 and the WTO Understanding on Balance-of-Payments Provisions of GATT 1994.

2. The Signatory Party concerned shall promptly notify the other party of the measures applied pursuant to paragraph 1.

3. In applying temporary trade measures as described in paragraph 1, the Signatory Party in question shall accord treatment no less favorable to imports originating in the other Signatory Parties than to imports originating in any third country.

Article 20 - Customs Cooperation

The Parties or Signatory Parties shall cooperate in the field of customs matters, with the aim of facilitating trade. For this purpose they shall establish a dialogue and provide mutual assistance on customs matters.

Article 21 - Customs Valuation

As regards customs valuation, the Parties or Signatory Parties shall be bound by Article VII of GATT 1994 and the WTO Agreement on the Implementation of Article VII of GATT 1994.

Article 22 - General Exceptions

Nothing in this Agreement shall prevent any Party or Signatory Party from taking actions and adopting measures consistent with Articles XX and XXI of the GATT 1994.

SECTION III INVESTMENT AND SERVICES

Article 23 - Investment Promotion

1. The Parties recognize the importance of promoting cross-border investment flows and technology transfers as means for achieving economic growth and development. In order to increase investment flows, the Parties or Signatory Parties may cooperate through:

- a) exchanging information, including potential sectors and investment opportunities, laws, regulations, and policies, so as to increase awareness on their investment environments;
- b) encouraging and supporting investment promotion activities such as investment conferences, fairs, exhibitions and investment promotion missions;
- c) discussing the possibility of negotiating bilateral investment promotion agreements with a view to furthering investment flows and technology transfer; and,
- d) developing mechanisms for joint investments, in particular with small and medium enterprises.

2. The Parties recognize that the objective of investment promotion shall be in conformity with their domestic regulations.

Article 24 – Trade in Services

1. The Parties and Signatory Parties shall aim at achieving gradual liberalization and the opening of their markets for trade in services in accordance with the provisions of the WTO General Agreement on Trade in Services (hereinafter referred to as “GATS”).

2. In their efforts to gradually deepen and broaden their economic relations, the Parties will consider, in the Joint Committee, the possible modalities for opening negotiations on market access on trade in services, on the basis of the GATS framework.

SECTION IV INSTITUTIONAL PROVISIONS

Article 25 - Joint Committee

1. A Joint Committee is hereby established, in which each Party shall be represented.

2. The Joint Committee shall be responsible for:

- a) administering this Agreement and ensuring its proper implementation;
- b) reviewing and monitoring the implementation of this Agreement, its Annexes and additional Protocols; and,
- c) determining means of deepening cooperation between the Parties.

Article 26 - Procedures of the Joint Committee

1. The Joint Committee shall meet at an appropriate level whenever necessary and, in any case, at least once a year. Special meetings may also be convened at the request of either Party.

2. The Joint Committee shall hold its first meeting within sixty (60) days of the entry into force of this Agreement. It shall then establish its working procedures.

3. The Joint Committee shall be co-chaired by a representative appointed by Egypt and a representative appointed by MERCOSUR.

4. The Joint Committee shall take decisions. These decisions shall be taken by consensus. The Joint Committee may also make recommendations on matters related to this Agreement.

5. The decisions of the Joint Committee shall be binding.

6. In the case a decision taken by the Joint Committee is subject to the fulfillment of internal legal requirements by the Parties or Signatory Parties, it shall enter into force, if no later date is contained therein, on the date of the receipt of the last diplomatic note confirming that all internal procedures have been fulfilled.

7. The Joint Committee may decide to set up sub-committees and working groups as it considers necessary to assist it in accomplishing its responsibilities.

Article 27 - Functions of the Joint Committee

The Joint Committee shall have the following functions, *inter alia*:

- a) to ensure the proper functioning and implementation of this Agreement, its Annexes and additional Protocols, and continuation of the dialogue between the Parties;
- b) to consider examine, and approve any modifications and amendments to this Agreement, its Annexes and additional Protocols;
- c) to amend Annex IV.1 (Code of Conduct for Arbitrators of the Arbitration Tribunal) and Annex IV.2 (Rules of Procedure);
- d) to examine the process of trade liberalization established under this Agreement, its Annexes and additional Protocols, including *inter alia* studying the development of trade between the Parties, reviewing the categorization of goods in Article 11 of this Chapter, assessing the need for changes in the rules of origin, and recommending further steps for cooperation in the fields of trade in services, investment promotion and other areas not covered by the Agreement;
- e) to perform other functions that may arise from the implementation of the provisions of this Agreement, its Annexes and any additional Protocols;
- f) to establish mechanisms to encourage the active participation of the private sectors in areas covered by this Agreement between the Parties; and,
- g) to exchange opinions and make suggestions on any issue of mutual interest relating to areas covered by this Agreement, including future actions.

Article 28 - Language for Chapters III and IV

1. In the case of any investigation in Egypt, all notifications, written and oral submissions, shall be made in Arabic language, with their respective translations into English.

2. In the case of any investigation in MERCOSUR, all notifications, written and oral submissions, shall be made in Spanish (the Argentine Republic, the Republic of Paraguay and the Oriental Republic of Uruguay) or Portuguese (the Federative Republic of Brazil), with their respective translations into English.

3. Awards, decisions and notifications of the Arbitration Tribunal shall be in English.

CHAPTER II

DEFINITION OF THE CONCEPT OF "ORIGINATING GOODS"

SECTION I

GENERAL PROVISIONS

Article 1 - Definitions¹

For the purposes of this Chapter:

- a) "chapters", "headings" and "subheadings" mean the chapters, the headings and the subheadings (two, four and six digit codes respectively) used in the nomenclature which makes up the Harmonized System or HS;
- b) "CIF price" means the price paid to the exporter for the good when the goods pass the ship's rail at the port of importation. The exporter pays the costs of freight and insurance necessary to deliver the goods to the named port of destination;
- c) "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 Signatory Party;
- d) "tariff classification" refers to the numeric code which corresponds to a good that is subject of international trade, in a nomenclature based on the Harmonized System;
- e) "customs value" means the value as determined in accordance with the WTO Agreement on implementation of Article VII of GATT 1994;
- f) "goods" means both materials and goods;
- g) "manufacture" means any kind of working or processing including assembly or specific operations;

¹ The present list of definitions is not exhaustive. New definitions will be included as and when the need arises.