

- (e) to contribute by the removal of barriers to trade, to the harmonious development and expansion of world trade;
- (f) to create conditions for further encouragement of investments particularly for the development of joint investments in both countries;
- (g) to promote trade and cooperation between the Parties in third country markets.

CHAPTER II: FREE MOVEMENT OF GOODS

INDUSTRIAL PRODUCTS

Article 2

Scope

The provisions of this Chapter shall apply to products originating in the Parties falling within Chapters 25 to 97 of Harmonized Commodity Description and Coding System with the exception of the products listed in **Annex I** of this Agreement.

Article 3

Abolition Of Customs Duties On Imports And Charges Having Equivalent Effect

The Parties shall abolish on the date of entry into force of this Agreement all customs duties on imports and any charges having equivalent effect on products originating in the Republic of Turkey or the West Bank and the Gaza Strip.

Article 4

Customs Duties Of A Fiscal Nature

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

Article 5

Structural Adjustment

1. By way of derogation from Articles 3 and the Paragraph 1 of Article 12, the Palestinian Authority may take exceptional measures of limited duration in the form of increased customs duties.
2. Such measures may only apply to infant industries, and to sectors undergoing restructuring or experiencing serious difficulties, particularly where those difficulties entail severe social problems.
3. Customs duties on imports applicable in the West Bank and the Gaza Strip to products originating in Turkey introduced by these measures may not exceed 25% *ad valorem* and shall maintain an element of preference for products originating in Turkey. The total value of imports of the products that are subject to these measures may not exceed 15% of total imports of industrial products from Turkey, during the last year for which statistics are available.

4. Such measures shall be applied for a period not exceeding five years unless the Joint Committee authorizes a longer duration.

5. The Palestinian Authority shall inform the Joint Committee of any exceptional measures she intends to adopt and, at the request of Turkey, consultations shall be held in the Joint Committee on such measures and the sectors prior to their application. When adopting such measures the Palestinian Authority shall provide the Joint Committee with a schedule for the abolition of the customs duties introduced pursuant to this Article. Such schedules shall provide for a phasing out of these duties starting at the latest two years after their introduction, at equal rates. The Joint Committee may decide on a different schedule.

BASIC AND PROCESSED AGRICULTURAL PRODUCTS AND FISHERIES

Article 6

Scope

1. The provisions of this Chapter shall apply to basic and processed agricultural products and fisheries originating in the Parties.

2. The term "basic and processed agricultural products and fisheries" means for the purpose of this Agreement the products falling within Chapters 1 to 24 of the Harmonized Commodity Description and Coding System and the products listed in **Annex I** of this Agreement.

3. Taking into account the role of agriculture in their respective economies; the development of trade in agricultural products; the high sensitivity of agricultural products; the rules of their respective agricultural policy, the Parties shall examine in the Joint Committee the possibilities of granting to each other further concessions in trade in agricultural products.

Article 7

Exchange Of Concessions

1. The Parties decided to determine the products which will be subject to preferential treatment by the Joint Committee procedure as referred to in Article 43.

2. In this regard, the Joint Committee is hereby authorized to meet at the earliest convenience upon the entry into force of this Agreement to initiate the negotiations on concessions in trade of basic and processed agricultural products and fisheries and to establish the Annexes of **Protocol I** to this Agreement.

Article 8

Sanitary And Phytosanitary Measures

The Parties shall not apply their regulations in sanitary and phytosanitary matters as an arbitrary or unjustifiable discrimination or a disguised restriction on trade between them. The Parties shall apply their sanitary and phytosanitary measures within the spirit of the provisions of the GATT and the other relevant WTO agreements.

Article 9

Specific Safeguards On Agricultural Products

1. Notwithstanding other provisions of this Agreement, and in particular Article 22, given the particular sensitivity of the agricultural products, if imports of products originating in a Party, which are the subject of concessions granted under this Agreement, cause serious disturbance to the markets or to their domestic regulatory mechanisms, in the other Party, both Parties shall enter into consultations immediately to find an appropriate solution. Pending such solution, the Party concerned may take the measures it deems necessary, in accordance with the relevant WTO rules.
2. In the selection of appropriate measures, priority must be given to those least disturbing the functioning of this Agreement. The safeguard measures shall be notified immediately to the Joint Committee and shall be subject to periodic consultations within that Committee, particularly with a view to their abolition as soon as circumstances permit.

COMMON PROVISIONS

Article 10

Classification Of Goods

In the trade between the Parties covered by this Agreement, the Parties shall apply their respective Customs Tariffs on the classification of goods for imports into them.

Article 11

Basic Duties

1. For each product the basic rate to which the successive reductions set out in this Agreement are to be applied shall be that actually applied rates that are in the Parties on the day of conclusion of negotiations.
2. If following the entry into force of this Agreement, any tariff reduction is applied on an *erga omnes* basis; in particular, reductions resulting from the tariff negotiations in the WTO, such reduced duties shall replace the basic duties referred to in paragraph 1 as from that date when such reductions are applied.
3. The Parties shall communicate to each other their respective applied rates on the day of conclusion of the negotiations.

Article 12

Customs Duties On Imports Or Exports And Charges Having Equivalent Effect

1. No new customs duties on imports or any other charge having equivalent effect shall be introduced in trade between the Parties.
2. All customs duties on exports and any charges having equivalent effect shall be abolished between the Parties upon entry into force of this Agreement.

3. No new customs duties on exports or any other charge having equivalent effect shall be introduced in trade between the Parties.

Article 13

Quantitative Restrictions On Imports Or Exports And Measures Having Equivalent Effect

1. All quantitative restrictions on imports or exports or measures having equivalent effect shall be abolished between the Parties upon the date of entry into force of this Agreement.
2. From the date of the entry into force of this Agreement no new quantitative restriction on imports or exports or measure having equivalent effect shall be introduced.

Article 14

Internal Taxation

1. The 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 other Party.
2. Products exported to the territory of the Parties may not benefit from repayment of internal taxes in excess of the amount of direct or indirect taxes imposed on them.

Article 15

Customs Unions, Free Trade Areas, Frontier Trade And Other Preferential Agreements

1. This Agreement shall not prevent the maintenance or establishment of customs unions, free trade areas or arrangements for cross-border trade of the Parties with third countries to the extent that these do not negatively affect the trade regime and in particular the provisions concerning rules of origin provided for by this Agreement.
2. Exchange of information shall take place, upon request of either Party, within the Joint Committee concerning agreements establishing such customs unions or free trade areas.

Article 16

Dumping

If a Party finds that dumping, within the meaning of Article VI of GATT 1994 is taking place in trade relations governed by this Agreement, it may take appropriate measures against that practice in accordance with Article VI of the GATT 1994 and the WTO Agreement on Implementation of Article VI of the GATT 1994 under the conditions and in accordance with the procedures laid down in Article 22 of this Agreement.

Article 17

Emergency Action On Imports Of Particular Products

Where any product is being imported into either of the Parties in such increased quantities and under such conditions as to cause, or threaten to cause:

- (a) serious injury to domestic producers or disturbances on the market of like or directly competitive products;
- (b) serious disturbances in any sector of the economy or difficulties which could bring about serious deterioration in the economic situation of a region;

the Party concerned may take appropriate measures under the conditions and in accordance with the procedures laid down in Article 22.

Article 18

Re-Export And Serious Shortage

Where compliance with the provisions of the Paragraph 2 and 3 of Article 12 and Articles 13 leads to:

- (a) re-export towards a third country against which the exporting Party to this Agreement maintains for the product concerned quantitative export restrictions, export duties or measures or charges having equivalent effect; or
- (b) 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 22 of this Agreement. The measures shall be non-discriminatory and shall be eliminated when conditions no longer justify their maintenance.

Article 19

General Exceptions

This Agreement shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security; the protection of health and life of humans, animals or plants; the protection of national treasures possessing artistic, historic or archaeological value; the protection of intellectual, industrial and commercial property. Such prohibitions or restrictions must not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between the Parties.

Article 20

Rules Of Origin And Cooperation Between The Customs Administrations

1. The Parties agree to apply the harmonized European preferential rules of origin in the mutual trade including all existing and further amendments thereto.
2. **Protocol II** lays down the rules of origin and methods of administrative cooperation.

Article 21

Balance Of Payments Difficulties

Where either Party is in a serious balance of payments difficulties or under threat thereof, the Party concerned may in accordance with the conditions laid down within the framework of WTO/GATT 1994 and with Articles VIII and XIV of Agreement of International Monetary Fund, adopt restrictive measures, which shall be of limited duration and may not go beyond what is necessary to remedy the balance of payments situation. The Party concerned shall inform the other Party forthwith of their introduction and submit to the other Party, as soon as possible, a time schedule of their removal.

Article 22

Notifications And Consultations Procedure For The Application Of Measures

1. Before initiating the procedure for the application of measures set out in this Article, the Parties shall endeavour to solve any differences between themselves through direct consultations, and shall inform the other Party thereof.
2. In the cases specified in Articles 9, 16, 17, 18, 24 and 45, a Party, which considers resorting to any measures, shall promptly notify the Joint Committee thereof. The Party concerned shall provide the Joint Committee with all relevant information and give it the assistance required to examine the case. Consultations between the Parties shall take place without delay in the Joint Committee with a view to finding a commonly acceptable solution.
3. If, within one month of the matter being referred to the Joint Committee, the Party in question fails to put an end to the practice objected to or to the difficulties notified and in the absence of a decision by the Joint Committee in the matter, the concerned Party may adopt the measures it considers necessary to remedy the situation.
4. The measures taken shall be notified immediately to the Joint Committee. They shall be restricted, with regard to their extent and to their duration, to what is strictly necessary in order to rectify the situation giving rise to their application and shall not be in excess of the damage caused by the practice or the difficulty in question. Priority shall be given to such measures that will least disturb the functioning of this Agreement.
5. The measures taken shall be the subject of regular consultations within the Joint Committee with a view to their relaxation, or abolition when conditions no longer justify their maintenance.
6. Where exceptional circumstances requiring immediate action make prior examination impossible, the Party concerned may, in the cases of Articles 9, 16, 17, 18, 24 and 45 apply forthwith the precautionary measures strictly necessary to remedy the situation. The measures shall be notified without delay to the Joint Committee and consultations between the Parties to this Agreement shall take place within the Joint Committee.