

DRAFT
Subject to Legal Review for Accuracy, Clarity, and Consistency
January 28, 2004

Chapter One

Initial Provisions

Article 1.1: Establishment of a Free Trade Area

1. The Parties to this Agreement, consistent with Article XXIV of the *General Agreement on Tariffs and Trade 1994* (GATT 1994) and Article V of the *General Agreement on Trade in Services* (GATS), hereby establish a free trade area.

2. For greater certainty, nothing in this Agreement shall prevent the Central American Parties from maintaining or adopting measures to strengthen and deepen their existing legal instruments of Central American integration, provided that such measures are not inconsistent with this Agreement.

Article 1.2: Objectives

1. The objectives of this Agreement, as elaborated more specifically through its principles and rules, including national treatment, most-favored-nation treatment and, transparency, are to:

- (a) encourage expansion and diversification of trade between the Parties;
- (b) eliminate barriers to trade in, and facilitate the cross-border movement of, goods and services between the territories of the Parties;
- (c) promote conditions of fair competition in the free trade area;
- (d) substantially increase investment opportunities in the territories of the Parties;
- (e) provide adequate and effective protection and enforcement of intellectual property rights in each Party's territory;
- (f) create effective procedures for the implementation and application of this Agreement, for its joint administration and for the resolution of disputes; and
- (g) establish a framework for further bilateral, regional and multilateral cooperation to expand and enhance the benefits of this Agreement.

2. The Parties shall interpret and apply the provisions of this Agreement in the light of its objectives set out in paragraph 1 and in accordance with applicable rules of international law.

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Article 1.3: Relation to Other Agreements

The Parties affirm their existing rights and obligations with respect to each other under the WTO Agreement and other agreements to which such Parties are party.

Article 1.4: Extent of Obligations

The Parties shall ensure that all necessary measures are taken in order to give effect to the provisions of this Agreement, including their observance, except as otherwise provided in this Agreement, by state governments.