

Chapter II

Trade in Goods

Article 2-01: Scope and Coverage

This Chapter applies to trade in goods of a Party, except as otherwise provided in this Agreement.

Article 2-02: National Treatment

1. Each Party shall accord national treatment to the goods of the other Party in accordance with Article III of GATT 1994, including its interpretative notes, and to this end Article III of GATT 1994 and its interpretative notes, or any equivalent provision of a successor agreement to which both Parties are party, are incorporated into and made part of this Agreement.
2. Paragraph 1 does not apply to the measures set out in Annex 2-02 (Exceptions to Article 2-02 and Article 2-04).

Article 2-03: Customs Duties and Tariff Elimination

1. The basic customs duty for the successive reductions set out in this Agreement shall be the lowest most-favored-nation rate effectively applied by each Party in the period starting on July 1 1998 until February 1, 2000. If, after this date, any tariff reduction is applied on a most-favored-nation basis, such reduced customs duties shall replace the basic customs duties as from the date when such reduction is effectively applied. To this end, each Party shall cooperate to inform the other Party of basic customs duties and preferential rates in force.
2. Except as otherwise provided in this Agreement, no Party may increase any existing customs duty, or adopt any customs duty, on an originating good of the other Party referred to in paragraphs 3 or 4.
3. Unless specified in this paragraph or elsewhere, each Party shall eliminate its customs duties on originating goods classified in Chapters 25 to 98 of the Harmonized System in four equal stages, the first one taking place on the entry into force of this Agreement, and the other three on January 1 of each successive year, so that these customs duties are completely eliminated by January 1, 2003:
 - (i) each Party shall eliminate its customs duties on goods classified in the Harmonized System headings or subheadings listed in Annex 2-03.3(a) (Products for Immediate Tariff Elimination) on the date of entry into force of this Agreement;
 - (ii) each Party shall eliminate its customs duties on goods classified in the Harmonized System headings or subheadings listed in Annex 2-03.3(b) (Products with Tariff Elimination Schedule for 2005) in six equal stages, the first one taking place on the date of entry into force of this Agreement, and the other five on January 1 of each successive year, so that these customs duties are completely

eliminated by January 1, 2005;

- (iii) for the purpose of elimination of duties in accordance with this Article, rates shall be rounded down, at least to the nearest tenth of a percentage point or, if the rate of duty is expressed in monetary units, at least to the nearest .01 of the official monetary unit of the Party; and
- (iv) goods classified in the Harmonized System headings 3502 and 3505 shall be treated in accordance with paragraph 4.

4. Except as otherwise provided in this Agreement, each Party shall eliminate or reduce duties on originating goods covered by Chapters 1 to 24 of the Harmonized System and by paragraph 3 (d) and listed in Annexes 2-03.4(a) (Concessions made by Israel to Mexico) and 2-03.4(b) (Concessions made by Mexico to Israel) in accordance with the timetables and the conditions set out in those Annexes.

5. Upon request of either Party, the Parties shall consult to consider accelerating the elimination or reduction of customs duties set out in the Annexes referred to in paragraphs 3 and 4. The Parties shall examine periodically the possibilities of granting each other further concessions in trade in agricultural goods.

6. In accordance with paragraph 5, an agreement between the Parties to accelerate the elimination or the reduction of a customs duty on a good or the inclusion of a good in the Tariff Elimination Schedule or in Annexes 2-03.4(a) (Concessions made by Israel to Mexico) and (b) (Concessions made by Mexico to Israel), shall supersede any duty rate or staging category determined pursuant to their schedules for such good when approved by the Commission.

7. Upon entry into force of this Agreement, the Parties shall eliminate any customs users fee which is applied on originating goods on an *ad valorem* basis.

8. The preferential rates of duty set out in paragraph 3 shall apply to certain goods classified in Chapters 50 through 63 of the Harmonized System, within the Tariff Preferential Quotas set out in Annex 2-03 (8) (Tariff Preferential Quotas for certain Goods classified in Chapter 50 through 63 of the Harmonized System), provided that these goods comply with the provisions of Article 3-03(3).

Article 2-04: Import and Export Restrictions

1. Except as otherwise provided in this Agreement, no Party may adopt or maintain any prohibition or restriction on the importation of any good of the other Party or on the exportation or sale for export of any good destined for the territory of the other Party, 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 are party, are incorporated into and made a part of this Agreement.

2. The Parties understand that the rights and obligations incorporated by paragraph 1 prohibit, in any circumstances in which any other form of restriction is prohibited, export price requirements and, except as permitted in enforcement of countervailing and antidumping orders and undertakings, import price requirements.

3. In the event that a Party adopts or maintains a prohibition or restriction on the importation

from or exportation to a non-Party of a good, nothing in this Agreement shall be construed to prevent the Party from:

- (i) limiting or prohibiting the importation from the territory of the other Party of such good of that non-Party; or
- (ii) requiring as a condition of export of such good of the Party to the territory of the other Party, that the good not be re-exported to the non-Party, directly or indirectly, without being consumed in the territory of the other Party.

4. In the event that a Party adopts or maintains a prohibition or restriction on the importation of a good from a non-Party, the Parties, on request of either Party, shall consult with a view to avoiding undue interference or distortion of pricing, marketing and distribution arrangements in a Party.

5. Paragraphs 1 through 4 shall not apply to the measures set out in Annex 2-02 (Exceptions to Article 2-02 and 2-04).

Article 2-05: Appellations of Origin or Geographical Indications

Annex 2-05 applies to appellations of origin or geographical indications.

Article 2-06: Committee on Trade

1. The Parties hereby establish a Committee on Trade, comprising representatives of each Party. The Committee shall meet on a date and with an agenda agreed in advance by the Parties. The office of chairman of the Committee shall be held alternatively by each Party. The Committee shall report to the Commission.

2. Upon request of either Party, the Committee shall convene in order to consider and find appropriate solution to any matter concerning trade in goods, including:

- (i) sanitary and phytosanitary measures;
- (ii) standards-related measures;
- (iii) antidumping and countervailing duties measures;
- (iv) government procurement;
- (v) intellectual property rights; and
- (f) any other matter referred to it by the Commission.

3. Additionally, the Committee may, as if it considers appropriate, establish and determine the scope and mandate of any *ad hoc* group or subcommittee to deal with any specific matter.

graphical indications.