MERCOSUL MERCOSUR

FREE TRADE AGREEMENT

BETWEEN MERCOSUR
AND
THE STATE OF ISRAEL

THE ARGENTINE REPUBLIC, THE FEDERATIVE REPUBLIC OF BRAZIL, THE REPUBLIC OF PARAGUAY, AND THE ORIENTAL REPUBLIC OF URUGUAY, MEMBER STATES OF THE COMMON MARKET OF THE SOUTH (MERCOSUR)

AND

THE STATE OF ISRAEL

MERCOSUL MERCOSUR

TABLE OF CONTENTS

PREAMBLE

The Argentine Republic, The Federative Republic of Brazil, The Republic of Paraguay, and the Oriental Republic of Uruguay (hereinafter- referred to as "Member States of MERCOSUR")

and

The State of Israel (hereinafter- referred to as "Israel"),

HAVING REGARD to the Treaty establishing the Common Market of the South between the Argentine Republic, the Federative Republic of Brazil, the Republic of Paraguay and the Oriental Republic of Uruguay (hereinafter- referred to as "MERCOSUR");

CONSIDERING the Framework Agreement signed by the State of Israel and by MERCOSUR on December 8, 2005;

CONSIDERING the importance of the existing economic links between MERCOSUR and its Member States and Israel, and the common values that they share;

DESIROUS to strengthen their economic relations and to promote economic cooperation, in particular for the development of trade and investments as well as technological cooperation;

DESIROUS to create an expanded and secure market for their goods;

WISHING to establish clear, predictable and lasting rules governing their trade;

WISHING to promote the development of their trade with due regard to fair conditions of competition;

CONSIDERING the mutual interest of the Government of the State of Israel and the Governments of the Members States of MERCOSUR in the reinforcement of the multilateral trading system as reflected in the WTO Agreements;

RESOLVED TO:

ESTABLISH a free trade area between the two Parties through the removal of trade barriers;

DECLARE their readiness to explore other possibilities for extending their economic relations to other fields not covered by this Agreement;

HAVE AGREED as follows:

CHAPTER 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 the State of Israel. 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 the State of Israel.

Article 2 - Establishment of the Free Trade Area

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

Article 3 - Objectives

The objectives of this Agreement, as elaborated more specifically in its provisions are to:

1. eliminate barriers to trade in, and facilitate the movement of goods between the territories of the Parties;

2. promote conditions of fair competition in the free trade area;

3. increase substantially investment opportunities in the territories of the Parties, and increase cooperation in areas which are of mutual interest to the Parties;

4. create effective procedures for the implementation, application and compliance with this Agreement, and its joint administration; and

5. establish a framework for further bilateral and multilateral cooperation to expand and enhance the benefits of this Agreement.

Article 4 - Interpretation and Administration

1. The Parties and Signatory Parties shall interpret and apply the provisions of this Agreement in the light of its objectives set out in Article 3 of this Chapter and in accordance with applicable rules of international law.

2. Each Party and Signatory Party shall administer in a consistent, impartial and reasonable manner all its laws, regulations, decisions and rulings affecting matters covered by this Agreement.

Article 5 - Relations to other Agreements

The Parties and Signatory Parties affirm their rights and obligations with respect to each other in accordance with the WTO Agreement, including GATT 1994, and its successor agreements and other agreements to which the Parties and Signatory Parties are party.

Article 6 - Extent of Obligation

Each Signatory Party shall ensure that the necessary measures are taken in order to give effect to the provisions of this Agreement, including their observance by states, provinces and municipal governments and authorities within its territory.

Article 7 - Definitions

For the purposes of this Agreement, unless otherwise specified:

1. customs duty: includes any duty and charge of any kind imposed in connection with the importation of a good, including any form of surtax or surcharge in connection with such importation, but does not include any:

(a) internal taxes or other internal charges imposed in accordance with Article III of the General Agreement on Tariffs and Trade (GATT) 1994;

(b) antidumping or countervailing duty 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 duty or levy imposed in accordance with Article XIX of GATT 1994, the WTO Agreement on Safeguards and Article 2 of Chapter V (Safeguards) of this Agreement;

(d) other fees or charges imposed in accordance with Article VIII of GATT 1994 and the Understanding on the Interpretation of Article II:1 (b) of the GATT 1994.

2. GATT 1994 means the General Agreement on Tariffs and Trade of 1994, which is part of the WTO Agreement;

3. Good means a domestic good as this is understood in GATT 1994 or such a good as the Parties may agree, and includes an originating good of that Party;

4. 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 in their respective tariff laws;

5. Measure includes any law, regulation, procedure, requirement or practice;

6. Originating goods or material means a good or material that qualifies as originating under the provisions of Chapter IV (Rules of Origin); and

7. WTO Agreement means the Marrakesh Agreement Establishing the World Trade Organization, including GATT 1994.

CHAPTER II

GENERAL PROVISIONS

Article 1 - National Treatment

1. Each Signatory Party of MERCOSUR or, wherever applicable, MERCOSUR shall accord national treatment to the goods of Israel and Israel shall accord national treatment to the goods of each Signatory Party of MERCOSUR or, wherever applicable, MERCOSUR in accordance with Article III of GATT 1994, including its interpretative notes. To this end, Article III of GATT 1994 and its interpretative notes, or any equivalent provision of a successor agreement to which each Signatory Party of MERCOSUR and Israel are parties, are incorporated into and made part of this Agreement.

2. The Signatory Parties agree, in accordance with their constitutional rules and their internal legislation, to comply with the provisions of paragraph 1 in their territory at federal, provincial, state or any other territory subdivision.

Article 2 - Customs Unions, Free Trade Areas and Frontier Trade

1. This Agreement shall not prevent the maintenance or establishment of customs unions, free trade areas or arrangements for frontier trade which are in accordance with the provisions of Article XXIV of the GATT 1994 and with the Understanding on the Interpretation of Article XXIV of the GATT 1994, as well as, for MERCOSUR, those trade agreements established under the "Enabling Clause" (Decision L/4903, adopted on 28 November 1979) of GATT 1994.

2. Upon request, consultations between the Parties shall take place within the Joint Committee in order for the Parties to inform each other on agreements establishing customs unions or free trade areas and, where required, on other major issues related to their respective trade policy with third countries.

Article 3 - Antidumping, Subsidies and Countervailing Measures

In the application of antidumping or countervailing measures and with respect to subsidies, the Signatory Parties shall be governed by their respective legislation, which shall be consistent with the WTO Agreement.

Article 4 - Agreement on Agriculture

The Signatory Parties reaffirm their obligations pursuant with the WTO Agreement on Agriculture.

Article 5 - State Trading Enterprises

Each Signatory Party shall ensure that any State Trading Enterprise it maintains or establishes acts in a manner consistent with the provisions of Article XVII of GATT 1994.

Article 6 - Payments

1. Payments in freely convertible currencies relating to trade in goods between the Signatory Parties and the transfer of such payments to the territory of a Signatory Party, where the creditor resides, shall be free from any restrictions.

2. Notwithstanding the provisions of paragraph 1, any measures concerning current payments connected with the movement of goods shall be in conformity with the conditions laid down under Article VIII of the Statutes of the International Monetary Fund.

Article 7 - Competition Policy

Subject to its laws, regulations and decisions regarding competition, each Signatory Party shall accord to the individuals and companies of the other Party such treatment as necessary to the pursuit of their activities under this Agreement. This Article shall not be subject to Chapter XI (Dispute Settlement) of this Agreement.

Article 8 - Restrictions to Safeguard the Balance of Payments

1. Nothing in this Chapter shall be construed to prevent a Signatory Party from taking any measure for balance-of-payments purposes. Any such measures adopted by a Signatory Party shall be in accordance with Article XII of GATT 1994 and the Understanding on the Balance-of-Payments provisions of GATT 1994, which shall be incorporated into and made a part of this Agreement.

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 will accord treatment no less favourable to imports originating in the other Party than to imports originating in any other country.

Article 9 - Investments and Trade in Services

1. The Parties recognize the importance of the areas of investments and trade in services. In their efforts to gradually deepen and broaden their economic relations, they will consider in the Joint Committee the possible modalities for opening negotiations on market access on investments and trade in services, on the basis of the GATS framework as applicable.

2. In order to broaden reciprocal knowledge about trade and investment opportunities in both Parties, the Signatory Parties shall stimulate trade promotion activities such as seminars, trade missions, fairs, simposia and exhibitions.

Article 10 - Customs Cooperation

The Parties commit themselves to developing customs cooperation to ensure that the provisions on trade are observed. For this purpose they shall establish a dialogue on customs matters and provide mutual assistance in accordance with the provisions of Annex 1 of the Agreement (Mutual Assistance in Customs Matters).

CHAPTER III

TRADE IN GOODS

Article 1- Scope

The provisions of this Chapter shall apply to goods originating in Israel and in MERCOSUR except as otherwise provided in this Agreement.

Article 2 - Basic Principles

1. For the purposes of this Agreement the Israeli customs tariff shall apply to the classification of goods for imports to Israel, and the MERCOSUR Common Nomenclature shall apply with regard to the classification of goods for imports to MERCOSUR, at a level of eight (8) digits, both based on the Harmonized Goods Description and Coding System in its 2002 version.

2. A Party may create new tariff openings, provided that the basic custom duties, as defined in Article 3(1) of this Chapter, and preferential conditions applied to the other Party in the new item(s) opened are the same as those applied to the item(s) segregated.

3. The Parties and Signatory Parties hereby agree on the bilateral trade liberalization schedule on trade in goods listed in Annexes I and II referred to in Article 3 of this Chapter. The provisions of this Agreement shall apply only to tariff items listed and, where applicable, to the quantities detailed in those Annexes. Any other tariff items shall remain subject to WTO agreements and the provisions of Chapter VII (Sanitary and Phytosanitary Measures) of this Agreement, and shall not be subject to any of the other provisions of this Agreement.

Article 3 - Customs Duties and Tariff Elimination

1. The basic customs duty for the successive reductions set out in this Agreement shall be the most-favored-nation rate effectively applied by each Party or Signatory Party on December 18, 2007. 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. Customs duties on imports applied by each Party or Signatory Party on goods originating in the other Party specified in Annexes I (for products originating in Israel imported to MERCOSUR) and II (for products originating in MERCOSUR imported to Israel) of this Chapter shall be treated according to the following categories:

Category A - Customs duties shall be eliminated upon entry into force of this Agreement.

Category B - Customs duties shall be eliminated in 4 (four) equal stages, the first one taking place on the date of entry into force of this Agreement and the other three on January 1st of each successive year.

Category C - Customs duties shall be eliminated in 8 (eight) equal stages, the first one taking place on the date of entry into force of this Agreement and the other seven on January 1st of each successive year.

Category D - Customs duties shall be eliminated in 10 (ten) equal stages, the first one taking place on the date of entry into force of this Agreement and the other nine on January 1st of each successive year.

Category E - Customs duties shall be subject to preferences, as specified for each tariff item, upon entry into force of this Agreement, under the conditions also specified for each tariff item.

3. Except as otherwise provided in this Agreement, no Party or Signatory Party may increase any existing customs duty, or adopt any customs duty, on an originating good of the other Party referred to in paragraph 2.

4. 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 Signatory Party.

5. Upon request of either Party, the Parties shall consider granting further concessions in their bilateral trade.

Article 4 - Import and Export Restrictions

1. 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 on the exportation or sale for export of any good destined for the territory of the other Party 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.

2. The Parties or Signatory 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.

Article 5 - Customs Valuation

The Agreement on the Implementation of Article VII of the General Agreement on Tariffs and Trade of 1994 (Agreement of the WTO on Customs Valuation) shall govern the customs valuation rules applied by the Signatory Parties to their mutual trade.

Article 6 - Duty-free Importation of Certain Commercial Samples and Printed Advertising Material

Each Signatory Party shall authorize the duty-free importation of commercial samples of insignificant value and printed advertising materials from the territory of the other Party.

Article 7 - Goods Reimported after Being Repaired or Modified

1. Neither of the Parties or Signatory Parties may apply customs duties to a good which is reimported to its territory after export to the territory of the other Party in order to be repaired or modified.

2. Neither of the Parties or Signatory Parties may apply customs duties to goods which, regardless of their origin, are temporarily admitted in the territory of the other Party in order to be repaired or modified.

Article 8 – Domestic Support

The domestic support for agricultural goods of each Signatory Party shall be consistent with the provisions of the Agreement on Agriculture, which forms part of the WTO Agreement and to the disciplines established within the framework of future multilateral negotiations in that field.

Article 9 - Export Subsidies

1. The Parties and Signatory Parties share the goal of achieving the multilateral elimination of export subsidies for agricultural products and shall cooperate in efforts to achieve an agreement within the framework of the WTO to eliminate such subsidies.

2. The Signatory Parties agree not to apply export subsidies and other measures and practices of equivalent effect which distort trade and production of agricultural origin, to their mutual agricultural trade.

CHAPTER IV

RULES OF ORIGIN

Article 1- Definitions

For the purposes of this Chapter:

(a) manufacture means any kind of working or processing, including assembly or specific operations;

(b) material means any ingredient, raw material, component or part, etc., used in the manufacture of the product;

(c) product means the product manufactured, even if it is intended for later use in another manufacturing operation;

(d) goods means both materials and products;

(e) customs value means the value as determined in accordance with Article VII of GATT 1994 and the Agreement on the Implementation of Article VII of GATT 1994 (WTO Agreement on Customs Valuation);

(f) CIF value – Value of the goods, including freight and insurance costs to the port of importation in Israel or in the first Member State of MERCOSUR;

(g) ex-works price means the price paid for the product ex-works to the manufacturer in Israel or in a Member State of MERCOSUR in whose undertaking the last working or processing is carried out, provided the price includes the value of all the materials used, minus any internal taxes which are, or may be, repaid when the product obtained is exported;

(h) value of non-originating materials means the CIF value or if it is not known its equivalent in accordance with Article VII of GATT 1994 and the Agreement on Implementation of Article VII of GATT 1994 (WTO Agreement on Customs Valuation).

For the purposes of determining the CIF value in the weighting of non – originating materials for countries without a coastline, shall be considered as port of destination the first seaport or inland waterway port located in any of the other Signatory Parties, through which those non – originating materials have been imported.

(i) 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;

(j) classification refers to the classification of a product or material under a particular heading or sub-heading;

(k) consignment means products which are either sent simultaneously from one exporter to one consignee or covered by a single transport document covering their shipment from the exporter to the consignee or, in the absence of such a document, by a single invoice;

(l) competent governmental authorities refers to:

a. in Israel: The Customs Directorate of the Israeli Tax Authority of the Ministry of Finance or their successors.

b. in MERCOSUR:

- Secretaría de Industria, Comercio y Pequeña y Mediana Empresa in Argentina or their successors.
- Secretaria de Comércio Exterior do Ministério do Desenvolvimento, Indústria e Comércio Exterior e Secretaria da Receita Federal do Ministério da Fazenda in Brazil or their successors.

- Ministerio de Industria y Comercio in Paraguay or their successors
- Ministerio de Economía y Finanzas in Uruguay, Asesoría de Política Comercial - Unidad de Origen or their successors.

Article 2 - General Requirements

1. For the purpose of implementing this Agreement, the following products shall be considered as originating in Israel:

(a) products wholly obtained in Israel within the meaning of Article 4 of this Chapter;

(b) products obtained in Israel incorporating materials which have not been wholly obtained there, provided that such materials have undergone sufficient working or processing in Israel within the meaning of Article 5 of this Chapter.

2. For the purpose of implementing this Agreement, the following products shall be considered as originating in a Member State of MERCOSUR:

(a) products wholly obtained in a Member State of MERCOSUR within the meaning of Article 4 of this Chapter;

(b) products obtained in a Member State of MERCOSUR incorporating materials which have not been wholly obtained there, provided that such materials have undergone sufficient working or processing in a Member State of MERCOSUR within the meaning of Article 5 of this Chapter.

Article 3 - Bilateral Cumulation

1. Notwithstanding, Article 2(1)(b) of this Chapter, goods originating in a Member State of MERCOSUR, shall be considered as materials originating in Israel and it shall not be necessary that such materials had undergone working or processing.

2. Notwithstanding Article 2(2)(b) of this Chapter, goods originating in Israel, shall be considered as materials originating in a Member State of MERCOSUR and it shall not be necessary that such materials had undergone sufficient working or processing.

Article 4 - Wholly Obtained Products

1. The following shall be considered as wholly produced or obtained in Israel or in a Member State of MERCOSUR:

(a) mineral products extracted from the soil or subsoil of any of the Signatory Parties, including its territorial seas, continental shelf or exclusive economic zone;

(b) plants and vegetable products grown, harvested, picked or gathered there, including in their territorial seas, exclusive economic zone or continental shelf;

(c) live animals born and raised there, including by aquaculture;

(d) products from live animals as in (c) above;

(e) animals and products obtained by hunting, trapping, collecting, fishing and capturing there; including in its territorial seas, continental shelf or in the exclusive economic zone;

(f) used articles collected there fit only for the recovery of raw materials; *

(g) waste and scrap resulting from utilization, consumption or manufacturing operations conducted there;*

* These norms are without prejudice to national legislation regarding the import of the goods mentioned therein.

(h) products of sea fishing and other products taken from the waters in the high seas (outside the continental shelf or in the exclusive economic zone of the Signatory Parties), only by their vessels;

(i) products of sea fishing obtained, only by their vessels, under a specific quota or other fishing rights allocated to a Signatory Party by the international agreements to which the Signatory Parties are parties;

(j) products made aboard their factory ships exclusively from products referred to in (h) and (i);

(k) products obtained from the seabed and subsoil beyond the limits of national jurisdiction are considered to be wholly obtained in the Signatory Party that has exploitation rights under international Law;

(l) Goods produced in any of the Signatory Parties exclusively from the products specified in subparagraphs (a) to (g) above.

2. The terms 'their vessels' and 'their factory ships' in paragraph 1 (h), (i) and (j) shall apply only to vessels and factory ships:

(a) which are flagged and registered or recorded in a Signatory Party; and

(b) which are owned by a natural person with domicile in that Signatory Party or by a commercial company with domicile in this Signatory Party, established and registered in accordance with the laws of the said Signatory Party and performing its activities in conformity with the laws and regulations of the said Signatory Party; and

(c) on which at least 75% of the crew are nationals of that Signatory Party, provided that the master and officers are nationals of that Signatory Party.

Article 5- Sufficiently Worked or Processed Products

1. For the purpose of Articles 2(1)(b) and 2(2)(b) of this Chapter, a product is considered to be originating if the non-originating materials used in its manufacture undergo working or processing beyond the operations referred to in Article 6 of this Chapter; and

(a) the production process results in a tariff change of the non-originating materials from a four-digit heading of the Harmonized Coding System into another four-digit heading,

or

(b) the value of all non-originating materials used in its manufacture does not exceed 50 % of the ex-works price. In case of Paraguay, the value of all non-originating materials does not exceed 60% of the ex-works price.

2. A product will be considered to have undergone a change in tariff classification pursuant to paragraph 1 (a) if the value of all non-originating materials that are used in the production of the good and that do not undergo the applicable change in tariff classification does not exceed 10% of the ex-works value of the product.

This provision shall not be applicable to products classified under Chapters 50 to 63 of the Harmonized Coding System

3. Paragraph 2 shall apply only to trade between:-

(a) Uruguay and Israel; and

(b) Paraguay and Israel.

4. The Sub Committee on Rules of Origin and Customs Matters, which shall be established by the Joint Committee, in accordance with Chapter IX (Institutional Provisions) of the Agreement, can determine specific rules of origin in the framework of this Chapter by mutual agreement

Article 6- Insufficient Working or Processing Operations

1. The following operations shall be considered as insufficient working or processing to confer the status of originating products, whether or not the requirements of Articles 5(1)(a) and 5(1)(b) of this Chapter are satisfied:

(a) preserving operations to ensure that the products remain in good condition during transport and storage;

(b) simple changing of packaging and breaking-up and assembly of packages;

(c) washing, cleaning; removal of dust, oxide, oil, paint or other coverings;

(d) simple painting and polishing operations, including applying oil;

(e) husking, partial or total bleaching, polishing, and glazing of cereals and rice;

(f) ironing or pressing of textiles;

(g) operations to colour sugar or form sugar lumps;

(h) peeling, stoning and shelling, of fruits, nuts and vegetables;

(i) sharpening, simple grinding or simple cutting;

(j) sifting, screening, sorting, classifying, grading, matching; (including the making-up of sets of articles);

(k) affixing or printing marks, labels, logos and other like distinguishing signs on products or their packaging;

(l) dilution in water or other substances, providing that the characteristics of the products remain unchanged;

(m) simple placing in bottles, cans, flasks, bags, cases, boxes, fixing on cards or boards and all other simple packaging operations;

(n) simple assembly of parts of articles to constitute a complete article or disassembly of products into parts in which the non originating materials comprise more than 60 % of the ex-works price of the product;

(o) simple mixing of products, whether or not of different kinds;

(p) slaughter of animals;

(q) a combination of two or more of the above operations.

Article 7- Unit of Qualification

1. The unit of qualification for the application of the provisions of this Chapter shall be the particular product which is considered as the basic unit when determining classification using the nomenclature of the Harmonized System.
It follows that:

(a) when a product composed of a group or assembly of articles is classified under the terms of the Harmonized System in a single heading, the whole constitutes the unit of qualification;

(b) when a consignment consists of a number of identical products classified under the same heading of the Harmonized System, each product must be taken individually when applying the provisions of this Chapter.

2. Where, under General Rule 5 of the Harmonized System, packaging is included with the product for classification purposes, it shall be included for the purposes of determining origin.

Article 8 - Accounting Segregation

1. For the purpose of establishing if a product is originating when in its manufacture are utilized originating and non-originating fungible materials, mixed or physically combined, the origin of such materials can be determined by any of the inventory management methods applicable in the Signatory Party.

2. Where considerable cost or material difficulties arise in keeping separate stocks of originating and non-originating materials which are identical and interchangeable, the competent governmental authorities may, at the written request of those concerned, authorize the so-called "accounting segregation" method to be used for managing such stocks.

3. This method must be able to ensure that the number of products obtained which could be considered as "originating" is the same as that which would have been obtained if there had been physical segregation of the stocks.

4. The competent governmental authorities may grant such authorizations, subject to any conditions deemed appropriate.

5. This method is recorded and applied on the basis of the general accounting principles applicable in the country where the product was manufactured.

6. The beneficiary of this facilitation may issue or apply for proofs of origin, as the case may be, for the quantity of products which may be considered as originating. At the request of the competent governmental authorities, the beneficiary shall provide a statement of how the quantities have been managed.

7. The competent governmental authorities shall monitor the use made of the authorization and may withdraw it at any time whenever the beneficiary makes improper use of the authorization in any manner whatsoever or fails to fulfil any of the other conditions laid down in this Chapter.

Article 9 - Accessories, Spare Parts and Tools

Accessories, spare parts and tools dispatched with a piece of equipment, machine, apparatus or vehicle, which are part of the normal equipment and included in the price thereof or which are not separately invoiced, shall be regarded as one with the piece of equipment, machine, apparatus or vehicle in question.

Article10 - Sets

Sets, as defined in General Rule 3 of the Harmonized System, shall be regarded as originating when all component goods are originating. Nevertheless, when a set is composed of originating and non-originating goods, the set as a whole shall be regarded as originating, provided that the CIF value of the non-originating goods does not exceed 15 % of the ex-works price of the set.

Article11- Neutral Elements

In order to determine whether a product is originating in one of the Parties, it shall not be necessary to determine the origin of the following which might be used in its manufacture:

(a) energy and fuel;

(b) plant and equipment;

(c) machines and tools;

(d) goods which do not enter into the final composition of the product.

Article 12 - Principle of Territoriality

1. Except as provided for in Article 3 and paragraph 3 of this Article, the conditions for acquiring originating status set out in Article 5 of this Chapter must be fulfilled without interruption in Israel or in a Member State of MERCOSUR.

2. Where originating goods exported from Israel or from a Member State of MERCOSUR to another country return, they must be considered as non-originating, unless it can be demonstrated to the satisfaction of the customs authorities that:

(a) the returning goods are the same as those exported;
and

(b) they have not undergone any operation beyond that necessary to preserve them in good condition while in that country or while being exported.

3. The acquisition of originating status in accordance with the conditions set out in Articles 2-11 of this Chapter shall not be affected by working or processing done outside Israel or a Member State of MERCOSUR on materials exported from Israel or from a Member State of MERCOSUR and subsequently re-imported there, provided:

(a) the said materials are wholly obtained in Israel or in a Member State of MERCOSUR or have undergone working or processing beyond the operations referred to in Article 6 of this Chapter prior to being exported;
and

(b) it can be demonstrated to the satisfaction of the customs authorities that:

i) the re-imported goods have been obtained by working or processing the exported materials; and such working or processing have not resulted in a change of the classification at a six digit level of the Harmonized System or HS of the said re-imported goods.
and

ii) the total added value acquired outside Israel or a Member State of MERCOSUR by applying the provisions of this Article does not exceed 15 % of the ex-works price of the end product for which originating status is claimed.

4. (a) For the purposes of applying the provisions of paragraph 3, 'total added value' shall be taken to mean all costs arising outside Israel or a Member State of MERCOSUR, including the value of the materials incorporated there.

(b) The total added value as detailed in paragraph a) shall be considered as non originating materials for the purposes of article 5-1b) of this Chapter.

5. The provisions of paragraph 3 shall not apply to products which do not fulfill the conditions set out in Article 5 of this Chapter.

6. In the cases that paragraph 3 is applied, that fact will be indicated in Box N° 7 of the Certificate of Origin.

Article 13- Direct Transport

1. The preferential treatment provided under the Agreement applies only to products, satisfying the requirements of this Chapter, which are transported directly between Israel and one or more Member States of MERCOSUR.
However, products constituting one single consignment may be transported through other territories with, should the occasion arise, trans-shipment or temporary warehousing in such territories, under the surveillance of the customs authorities therein, provided that:

i) the transit entry is justified for geographical reasons or by considerations related exclusively to transport requirements; and

ii) they are not intended for trade, consumption, use or employment in the country of transit; and

iii) they do not undergo operations other than unloading, reloading or any operation designed to preserve them in good condition.

2. Evidence that the conditions set out in paragraph 1 have been fulfilled shall be supplied to the customs authorities of the importing country by the production of:

(a) Any single through transport documents, that meets international standards and that proves that the goods were directly transported from the exporting country through the country of transit to the importing country; or

(b) A certificate issued by the customs authorities of the country of transit which contains an exact description of the goods, the date and place of the loading and re-loading of the goods in the country of transit and the conditions under which the goods were placed; or

(c) In the absence of any of the above documents, any other documents that will prove the direct shipment.

3. Goods originating in Israel and exported to a Member State of MERCOSUR, shall maintain their originating status when re-exported to another Member State of MERCOSUR, subject to the Understanding attached to this Chapter as Annex I.

Article 14 - Exhibitions

1. Originating goods, sent for exhibition in a country other than Israel or a Member State of MERCOSUR and sold after the exhibition for importation in Israel or in a Member State of MERCOSUR shall benefit on importation from the provisions of the Agreement provided it is shown to the satisfaction of the customs authorities that:

(a) an exporter has consigned these goods from Israel or a Member State of MERCOSUR to the country in which the exhibition is held and has exhibited them there;

(b) the goods have been sold or otherwise disposed of by that exporter to a person in Israel or in a Member State of MERCOSUR ;

(c) the goods have been consigned during the exhibition or immediately thereafter in the state in which they were sent for exhibition; and

(d) the goods have not, since they were consigned for exhibition, been used for any purpose other than demonstration at the exhibition.

2. A proof of origin must be issued or made out in accordance with the provisions of this Chapter and submitted to the customs authorities of the importing country in the normal manner. The name and address of the exhibition must be indicated thereon.

3. Paragraph 1 shall apply to any trade, industrial, agricultural or crafts exhibition, fair or similar public show or display which is not organized for private purposes in shops or business premises with a view to the sale of foreign goods, and during which the goods remain under customs control.

Article 15- General Requirements

1. Products originating in Israel shall, on importation into a Member State of MERCOSUR and products originating in a Member State of MERCOSUR shall, on importation into Israel benefit from this Agreement upon submission of one of the following proofs of origin.

(a) a Certificate of Origin, a specimen of which appears in Annex II of this Chapter;

(b) in the cases specified in Article 20(1) of this Chapter, a declaration, subsequently referred to as the 'invoice declaration' given by the exporter on an invoice, which describes the products concerned in sufficient detail to enable them to be identified; the text of the invoice declaration appears in Annex III of this Chapter.

2. Notwithstanding paragraph 1, originating products within the meaning of this Chapter shall, in the cases specified in Article 24 of this Chapter, benefit from the Agreement without it being necessary to submit any of the documents referred to above.

Article 16- Procedures for the Issuance of Certificates of Origin

1. Certificates of Origin shall be issued by the competent governmental authorities of the exporting country on application having been made by the exporter or under the exporter's responsibility by his authorized representative, in accordance with the domestic regulations of the exporting country.

2. For this purpose, the exporter or his authorized representative shall fill out the Certificate of Origin in the English language and shall apply for its issuance in accordance with the rules and regulations in force in the exporting country. If the Certificate of Origin is handwritten, it shall be completed in ink in printed characters. The description of the products must be given in the box reserved for this purpose without leaving any blank lines. Where the box is not completely filled, a horizontal line must be drawn below the last line of the description, the empty space being crossed through.

3. Notwithstanding paragraph 1, the competent governmental authorities may authorize a government office or a representative commercial institution to issue Certificates of Origin, in accordance with the provisions of this Article provided that:

(a) the authorized government office or the authorized representative commercial institution is monitored by the delegating competent governmental authorities;

(b) the competent governmental authorities take all the necessary measures in order to ensure that the authorized government office or the authorized representative commercial institution complies with all the provisions of this Chapter.

For this purpose, the competent governmental authorities may require guarantees from the authorized government office or the authorized representative commercial institution, ensuring that the issuance of the Certificates of Origin complies with the provisions of this Chapter.

All the export documents including the Certificates of Origin shall remain accessible at anytime to the competent governmental authorities and/or customs authorities.

4. The competent governmental authorities may withdraw at anytime the authorization for issuing Certificates of Origin given to the government office or the representative commercial institution, according to the domestic procedures of the Signatory Parties.

5. The exporter applying for the issuance of a Certificate of Origin shall be prepared to submit at any time, at the request of the competent governmental authorities and/or the customs authorities of the exporting country where the Certificates of Origin are issued, all appropriate documents proving the originating status of the products concerned as well as the fulfillment of the other requirements of this Chapter.

6. The Certificates of Origin shall be issued if the goods to be exported can be considered as products originating in the exporting country in accordance with Article 2 of this Chapter.

7. The competent governmental authorities and/or customs authorities shall take any steps necessary to verify the originating status of the products and the fulfillment of the other requirements of this Chapter. For this purpose, they shall have the right to call for any evidence and to carry out any inspection of the exporter's books or any other check considered appropriate. The competent governmental authorities or the authorized government office or the authorized representative commercial institution shall also ensure that the forms referred to in paragraph 2 are duly completed. In particular, they shall check whether the space reserved for the description of the products has been completed in such a manner as to exclude all possibility of fraudulent additions.

8. The date of issue of the Certificate of Origin shall be indicated in Box 11 of the Certificate of Origin.

9. Each Certificate of Origin will be assigned a specific number by the issuing authority.

10. Certificates of Origin shall only be issued before the goods have been exported.

Article 17- Certificates of Origin Issued Retrospectively

1. Notwithstanding Article 16(10) of this Chapter, a Certificate of Origin may exceptionally be issued after exportation of the products to which it relates if it was not issued by the time of exportation because of special circumstances.

2. Where originating goods are placed under Customs control in one of the Member States of MERCOSUR for the purpose of shipping all or some of them to another Member State of MERCOSUR, Israel may issue Certificates of Origin retrospectively for such goods pursuant to this Article.

3. For the implementation of paragraph 1, the exporter must indicate in his application the place and date of exportation of the products to which the Certificate of Origin relates, and state the reasons for his request.

4. The issuing authorities may issue a Certificate of Origin retrospectively only after verifying that the information supplied in the exporter's application agrees with that in the corresponding file.

5. Certificates of Origin issued retrospectively must be endorsed with the following phrase in English:

"ISSUED RETROSPECTIVELY".

6. The endorsement referred to in paragraph 5 shall be inserted in Box No.7 of the Certificate of Origin.

7. The provisions of this Article may be applied to goods which comply with the provisions of this Agreement including this Chapter, and which on the date of entry into force of this Agreement are either in transit or are in Israel or in a Member State of MERCOSUR in temporary storage in customs warehouses, subject to the submission to the customs authorities of the importing country, within six months of the said date, of a Certificate of

Origin issued retrospectively by the competent governmental authorities of the exporting country together with the documents showing that the goods have been transported directly in accordance with the provisions of Article 13 of this Chapter.

Article 18- Issuance of a Duplicate Certificate of Origin

1. In the event of theft, loss or destruction of a Certificate of Origin, the exporter may apply to the issuing authority for a duplicate made out on the basis of the export documents in their possession.

2. The duplicate issued in this way must be endorsed with the following word in English: 'DUPLICATE'

3. The endorsement referred to in paragraph 2 shall be inserted in Box No.7 of the duplicate Certificate of Origin and shall also include the number and the date of issue of the original Certificate of Origin.

4. The duplicate, which must bear the date of issue of the original Certificate of Origin, shall take effect as from that date.

Article 19- Issuance of Certificate of Origin on the Basis of a Proof of Origin Issued or Made out Previously

1. When originating goods are placed under the control of a customs office in Israel or in a Member State of MERCOSUR, it shall be possible to replace the original proof of origin by one or more Certificates of Origin for the purpose of sending all or some of these goods elsewhere within the Member States of MERCOSUR or Israel. The replacement Certificate(s) of Origin shall be issued by the competent governmental authority under whose control the products are placed or another competent governmental authority of the importing country.

2. In the case of MERCOSUR, this Article shall apply only to the Signatory Parties that have decided on its implementation and that have duly notified the Joint Committee thereof.

Article 20 - Conditions for Making out an Invoice Declaration

1 An invoice declaration as referred to in Article 15(1)(b) of this Chapter may be made out by any exporter for any consignment consisting of one or more packages containing originating products whose total value does not exceed 1,000 USD.

2. The exporter making out an invoice declaration shall be prepared to submit at any time, at the request of the competent governmental authorities and/or customs authorities of the exporting country, all appropriate documents proving the originating status of the products concerned, as well as the fulfillment of the other requirements of this Chapter.

3. An invoice declaration shall be made out by the exporter by typing, stamping or printing on the invoice, the declaration, the text of which appears in Annex III to this Chapter in the English language. If the declaration is handwritten, it shall be written in ink in printed characters.

4. Invoice declarations shall bear the original signature of the exporter in handwriting.

Article 21 - Validity of Proof of Origin

1. A proof of origin shall be valid for six months from the date of issue in the exporting country, and must be submitted within the said period to the customs authorities of the importing country.

2. Proofs of origin which are submitted to the customs authorities of the importing country after the final date for presentation specified in paragraph 1 may be accepted for the purpose of applying preferential treatment, where the failure to submit these documents by the final date set is due to exceptional circumstances.

3. In other cases of belated presentation, the customs authorities of the importing country may accept the proofs of origin where the products have been submitted before the said final date.

Article 22 - Submission of Proof of Origin

Proofs of origin shall be submitted to the customs authorities of the importing country in accordance with the procedures applicable in that country. The said authorities may require the import declaration to be accompanied by a statement from the importer to the effect that the products meet the conditions required for the implementation of the Agreement.

Article 23 - Importation by Installments

Where, at the request of the importer and on the conditions laid down by the customs authorities of the importing country, dismantled or non-assembled products within the meaning of General Rule 2(a) of the Harmonized System are imported by installments, a single proof of origin for such products shall be submitted to the customs authorities upon importation of the first installment.

Article 24 - Exemptions from Proof of Origin

1. Products sent as small packages from private persons to private persons or forming part of travellers' personal luggage shall be admitted as originating products without requiring the submission of a proof of origin, provided that such products are not imported by way of trade and have been declared as meeting the requirements of this Chapter and where there is no doubt as to the veracity of such a declaration. In the case of products sent by post, this declaration can be made on the customs declaration or on a sheet of paper annexed to that document.

2. Imports which are occasional and consist solely of products for the personal use of the recipients or travellers or their families shall not be considered as imports by way of trade if it is evident from the nature and quantity of the products that no commercial purpose is in view.

3. In the case of small packages or products forming a part of traveller's personal luggage, the total value of these products shall not exceed the value stipulated in the national legislation of the Signatory Party concerned.

4. The competent authorities of Israel and of the Member States of MERCOSUR shall notify each other of the values mentioned in paragraph 3 no later than the date of the signing of the Agreement. Thereafter, they shall notify each other of any changes in these values within 60 days thereof.

Article 25- Supporting Documents

1. The documents referred to in Articles 16(5) and 20(2) of this Chapter used for the purpose of proving that products covered by a Certificate of Origin or an invoice declaration can be considered as products originating in Israel or in a Member State of MERCOSUR and fulfill the other requirements of this Chapter may consist *inter alia* of the following:

(a) direct evidence of the processes carried out by the exporter or supplier to obtain the goods concerned, contained for example in his accounts or internal bookkeeping;

(b) documents proving the originating status of materials used, issued or made out in Israel or in a Member State of MERCOSUR where these documents are used in accordance with domestic law;

(c) documents proving the working or processing of materials in Israel or in a Member State of MERCOSUR, issued or made out in Israel or in MERCOSUR, where these documents are used in accordance with domestic law;

(d) Certificates of Origin or invoice declarations proving the originating status of materials used, issued or made out in Israel or in a Member State of MERCOSUR in accordance with this Chapter;

(e) appropriate evidence concerning working or processing undergone outside Israel or a Member State of MERCOSUR by application of Article 12 of this Chapter, proving that the requirements of that Article have been satisfied.

2. In the case where an operator from a country which is not the exporting country, whether or not this country is a Signatory Party to this Agreement, issues an invoice covering the consignment, that fact shall be indicated in Box 7 of the Certificate of Origin and the number of the invoice shall be indicated in Box 8.

Article 26- Preservation of Proof of Origin and Supporting Documents

1. The exporter applying for the issue of the Certificate of Origin shall keep for at least five years the documents referred to in Article 16(5) of this Chapter.

2. The exporter making out an invoice declaration shall keep for at least five years a copy of this invoice declaration, as well as the documents referred to in Article 20(2) of this Chapter.

3. The authority in the exporting country that issued a Certificate of Origin shall keep for at least five years any document relating to the application procedure referred to in Article 16(2) of this Chapter.

4. The customs authorities or the competent governmental authorities of the importing country or whomsoever has been designated by them shall keep for at least five years the Certificates of Origin and the invoice declarations submitted to them.

Article 27- Discrepancies and Formal Errors

1. The discovery of slight discrepancies between the statements made in the proof of origin and those made in the documents submitted to the customs office for the purpose of carrying out the formalities for importing the products shall not *ipso facto* render the proof of origin null and void if it is duly established that this document does correspond to the products submitted.

2. Obvious formal errors on a proof of origin should not cause this document to be rejected if these errors are not such as to create doubts concerning the correctness of the statements made in this document.

Article 28- Amounts Expressed in USD

1. For the application of the provisions of Article 20(1) and Article 24(3) of this Chapter in cases where products are invoiced in a currency other than USD, amounts in the national currencies of Israel or a Member State of MERCOSUR equivalent to the amounts expressed in USD shall be fixed annually by each of the countries concerned.

2. A consignment shall benefit from the provisions of Article 20(1) or Article 24(3) of this Chapter by reference to the currency in which the invoice is drawn up, according to the amount fixed by the country concerned.

3. The amounts to be used in any given national currency shall be the equivalent in that currency of the amounts expressed in USD as at the first working day of October. The amounts shall be communicated to the competent governmental authorities in Israel or to the Secretariat of MERCOSUR by October 15 and shall apply from January 1 the following year. The Secretariat of MERCOSUR shall notify all countries concerned of the relevant amounts.

4. A country may round up or down the amount resulting from the conversion into its national currency of an amount expressed in USD. The rounded off amount may not differ from the amount resulting from the conversion by more than 5%. A country may retain unchanged its national currency equivalent of an amount expressed in USD if, at the time of the annual adjustment provided for in paragraph 3, the conversion of that amount, prior to any rounding off, results in an increase of less than 15% in the national currency equivalent. The national currency equivalent may be retained unchanged if the conversion would result in a decrease in that equivalent value.

5. The amounts expressed in USD shall be reviewed by the Joint Committee at the request of Israel and a Member State of MERCOSUR. When carrying out this review, the Joint Committee shall consider the desirability of preserving the effects of the limits concerned in real terms. For this purpose, it may decide to modify the amounts expressed in USD.

Article 29- Mutual Assistance

1. The competent governmental authorities of Israel and the Member States of MERCOSUR shall provide each other, through their respective relevant authorities, with specimen impressions of stamps used in their customs offices for the issue of Certificates of Origin, and with the addresses of the competent governmental authorities responsible for verifying those certificates and invoice declarations.

2. Where the competent governmental authorities have authorised a government office or a representative commercial institution to issue Certificates of Origin in accordance with Article 16(3) of this Chapter, they shall provide the competent governmental authorities of all the Signatory Parties of the Agreement with the relevant details of the authorized institutions or governmental bodies, as well as the specimen of stamps used by these bodies in accordance with paragraph 1.

3. In order to ensure the proper application of this Chapter, Israel and the Member States of MERCOSUR shall assist each other, through the competent customs administrations, in checking the authenticity of the Certificates of Origin, the invoice declarations and the correctness of the information given in these documents.

Article 30-Verification of Proofs of Origin

1. Subsequent verifications of proofs of origin shall be carried out at random or whenever the competent governmental authorities and/or customs authorities of the importing country have reasonable doubts as to the authenticity of such documents, the originating status of the products concerned or the fulfilment of the other requirements of this Chapter.

2. For the purposes of implementing the provisions of paragraph 1, the competent governmental authorities of the importing country shall return the Certificate of Origin and the invoice, if it has been submitted, the invoice declaration, or a copy of these documents, to the competent governmental authorities of the exporting country giving, where appropriate, the reasons for the inquiry. Any documents and information obtained suggesting that the information given on the proof of origin is incorrect shall be forwarded in support of the request for verification.

3. The verification shall be carried out by the competent governmental authorities of the exporting country. For this purpose, they shall have the right to call for any evidence and to carry out any inspection of the exporter's books or any other check considered appropriate.

4. If the customs authorities of the importing country decide to suspend the granting of preferential treatment to the products concerned while awaiting the results of the verification, release of the products shall be offered to the importer subject to any precautionary measures judged necessary.

5. The competent governmental authorities requesting the verification shall be informed of the results of this verification as soon as possible, but not later than 10 months from the date of the request. These results must indicate clearly whether the documents are authentic and whether the products concerned can be considered as products originating in Israel or in a Member State of MERCOSUR and fulfill the other requirements of this Chapter.

6. If in cases of reasonable doubt there is no reply within ten months of the date of the verification request or if the reply does not contain sufficient information to determine the authenticity of the document in question or the real origin of the products, the requesting competent governmental authorities shall, except in exceptional circumstances, refuse entitlement to the preferences.

7. This Article shall not preclude the exchange of information or the granting of any other assistance as provided for in customs cooperation agreements.

Article 31- Dispute Settlement

Where disputes arise in relation to the verification procedures of Article 30 of this Chapter which cannot be settled between the competent governmental authorities requesting a verification and the competent governmental authorities responsible for carrying out the verification or where a question is raised by one of those competent governmental authorities as to the interpretation of this Chapter, the matter shall be submitted to the Sub-Committee on Rules of Origin and Customs Matters, which shall be established by the Joint Committee in accordance with Chapter IX (Institutional Provisions) of the Agreement. If no solution is reached, Chapter XI (Dispute Settlement) of this Agreement shall apply.

In all cases the settlement of disputes between the importer and the customs authorities of the importing country shall be under the legislation of the said country.

Article 32-Amendments to the Chapter

The Joint Committee may decide to amend the provisions of this Chapter.

ANNEX I

Understanding on the Application of Article 13.3

In reference to Article 13.3 of Chapter IV Israel has agreed to the postponement of the implementation of this provision until such time as the Member States of MERCOSUR have established the necessary internal procedures for such implementation.

In the case that free circulation of goods within the Member States of MERCOSUR has not been completed in accordance with CMC Decision 54/04 of MERCOSUR, the Joint Committee of the Agreement shall determine the appropriate measures to ensure the implementation of Article 13.3 of Chapter IV.

ANNEX II

SPECIMEN OF CERTIFICATE OF ORIGIN

MERCOSUL

MERCOSUR

CERTIFICATE OF ORIGIN - ISRAEL- MERCOSUR FTA

*1. **Exporter** (name, address, country)*	*2. Certificate no.*
*3. **Importer** (name, full address, country)*	*4.Country of Origin*
5. Port of shipment and Transport Details (Optional)	*6. Country of destination*
7. Observations	*8. Commercial invoices*

9. Description of goods

Tariff item number	*Origin criteria*	*Description of the goods*	*Gross, weight or other measure*

ORIGIN CERTIFICATION

10. Declaration by: ☐ *The Producer* ☐ *The Exporter (if not the producer)* *The undersigned hereby declares that he has read the instructions for filling out this Certificate, and that the goods comply with the origin requirements specified in the Agreement.* *Date:* *Stamp and signature*	*11.Certification by the Issuing Authority:* _____ *Name of the issuing authority* *We hereby certify the authenticity of this certificate and that it was issued in accordance with the provisions of the Agreement.* *Date:* *Stamp and signature*

Instructions how to fill out a Certificate of Origin ISRAEL-MERCOSUR

1. General

The Certificate must be clearly printed on an A4 white paper (210 x 297 mm), weighing not less than 80 g/m2.

Each Signatory Party may decide on the means of obtaining a Certificate of Origin, including publication on the Internet. The structure of the Certificate of Origin shall be identical to the one that appears in this Annex, and must comply with the requirements stated in the previous paragraph. Any alteration or omission shall render the Certificate void.

The Certificate of Origin may be downloaded from the Internet for use of the exporters under this Agreement.

The Certificate of Origin must be completed, in accordance with these instructions together with the relevant provisions set forth in the Agreement.

2. Box No.1 - " Exporter"

This box shall bear the details of the exporter, its name and its address in the exporting country.

3. Box No. 2 - "Certificate Number"

This box is for the use of the issuing authority, which shall fill in the Certificate number.

4. Box No. 3 - "Importer"

This box shall bear the details of the importer of the goods in the country of final destination. If, for commercial reasons it is not possible to designate the importer, the exporter shall complete the box with "Unknown".

5. Box No. 4 - "Country of Origin"

This box shall bear the name of the country where the goods in question have obtained their originating status.

6. Box No. 5 - "Port of shipment and Transport Details" (Optional)

This box shall indicate the last port of shipment from MERCOSUR or from Israel.

7. Box No. 6 - "Country of Destination"

This box shall bear the name of the country which is the final destination of the goods.

8. Box No. 7 - "Observations"

This box shall bear observations made by the country of exportation, for example, the mention "DUPLICATE", "ISSUED RETROSPECTIVELY" or the mention that the goods underwent a processing in a third country, as specified in Article 12 of Chapter III.

9. Box No. 8 - "Commercial Invoices"

This box shall bear the number of the invoices that are covered by the Certificate. If, for commercial reasons it is not possible to designate the number of the invoice, the exporter shall complete the box with "Unknown".

10. Box No. 9 - "Description of the goods"

This box shall bear a detailed description of all the goods covered by the Certificate.

In the field reserved for the HS Code (6 digits)* - the HS Code shall be filled in at the 6 digit level.

In the field reserved for Origin Criteria - the manner in which the goods obtained their originating status according to the Agreement shall be detailed as follows:

- "A" for goods that were wholly obtained in the territory of the Signatory Parties, as specified in Article 4.

- "B" for goods that were not wholly obtained, but their non-originating materials were sufficiently processed and those materials underwent a change of heading (4 digits).

- "C" for goods that were not wholly obtained, but their non-originating materials were sufficiently processed and the value of those non-originating materials do not exceed the rates specified in Article 5 of Chapter III.

In the field reserved for gross weight or other quantity - the gross weight or any other units of quantity of the goods shall be detailed.

* Lack of correspondence between the HS Code detailed on the Certificate and the actual classification by the competent authority of the importing country, shall not in itself constitute a reason for voiding the Certificate.

11. Box No. 10 - "Declaration by the Exporter"

The exporter shall indicate in the proper field whether or not he is the producer.
If the exporter is also the producer of the goods covered by the Certificate, he shall mark the box "Producer". If not, he shall mark the box "Exporter".

12. Box No. 11 - "Certification"

This box shall bear the details of the certifying authority, and shall be signed and stamped by that authority.

ANNEX III

INVOICE DECLARATION ISRAEL-MERCOSUR

The exporter of the products covered by this document declares that these products comply with the provisions of the Free Trade Agreement between Israel and the Member States of MERCOSUR, and the products originated in : _____

Date and Signature of the Exporter: _____

CHAPTER V

SAFEGUARDS

Article 1 - Bilateral Safeguard Measures

1. For purposes of this Article and Article 2 of this Chapter:

(a) competent investigating authority means:

(i) in the case of Israel, the Commissioner of Trade Levies, or its successor in the Ministry of Industry, Trade and Labor or the corresponding unit in the Ministry of Agriculture and Rural Development.

(ii) in the case of MERCOSUR, Ministerio de Economía y Producción or its successor in Argentina, Secretaria de Comércio Exterior do Ministério do Desenvolvimento, Indústria e Comércio Exterior or its successor in Brazil, Ministerio de Industria y Comercio or its successor in Paraguay, and Asesoría de Política Comercial del Ministerio de Economía y Finanzas or its successor in Uruguay ;

(b) domestic industry means the producers as a whole of the like or directly competitive goods operating in the territory of a Party or Signatory Party or whose collective output of the like or directly competitive goods constitutes a major proportion of the total production of such goods;

(c) good originating in the territory of a Party means an "originating good", as defined in Chapter IV (Rules of Origin);

(d) interested parties means:

(i) exporter or foreign producer or the importer of goods subject to investigation, or a trade or business association, a majority of the members of which are producers, exporters or importers of such goods;

(ii) the government of the exporting Party; and

(iii) producer of the like or directly competitive goods in the importing Party or a trade and business association, the members of which produce the like or directly competitive goods in the territory of the importing Party including an enterprise established by law which represents the aforementioned producers;

(e) like good means a good which, although not alike in all respects, has like characteristics and like component materials which enable it to perform the same functions and to be commercially interchangeable with the good to which it is compared;

(f) serious injury means the significant overall impairment in the position of a domestic industry;

(g) threat of serious injury means "serious injury" that is clearly imminent, based on facts and not merely on allegation, conjecture or remote possibility.

2. Subject to Article 2 of this Chapter, if a good originating in the territory of a Party, as a result of the reduction or elimination of a customs duty provided for in this Agreement, is being imported into the territory of the other Party (hereinafter-preferential imports) in such increased quantities, in absolute and relative terms, and under such conditions that the imports of the good from that Party alone constitute a substantial cause of serious injury or threat of serious injury to a domestic industry , the Party or Signatory Party into whose territory the goods is being imported may, to the minimum extent necessary to remedy the injury:

(a) suspend the further reduction of any rate of a customs duty provided for under this Agreement on the goods; or

(b) increase the rate of a customs duty on the goods to a level not exceeding the base rate of customs duty, as referred to in Chapter III (Trade in Goods).

3. The Party or Signatory Party that applies a preferential safeguard measure may establish an import quota for the product concerned under the agreed preference established in this Agreement. The import quota shall not be less than the average imports of the product concerned in the thirty-six (36) months previous to the period used for determining the existence of serious injury.

The period used for determining the existence of serious injury shall not be more than thirty-six (36) months.

In case a quota is not established, the bilateral safeguard measure shall consist only of a reduction of the preference which shall not be greater than 50% of the tariff preference established in this Agreement.

4. Bilateral Safeguard measures may not be applied in the first year after the tariff preferences negotiated under Chapter III (Trade in Goods) of the Agreement come into force.

Bilateral safeguard measures may not be applied after five years from the date of the finalization of the tariff elimination or reduction program applicable to the goods unless otherwise agreed by the Parties. After this period, the Joint Committee shall evaluate whether or not to continue the bilateral safeguard measures mechanism included in this Chapter.

5. In the investigation to determine whether preferential imports have caused or are threatening to cause serious injury, the competent investigating authority shall evaluate all relevant factors of an objective and quantifiable nature having a bearing on the situation of the domestic industry concerned, particularly the following:

(a) the amount and rate of the increase in preferential imports of the goods concerned in absolute and relative terms;

(b) the share of the domestic market taken by increased preferential imports;

(c) the price of the preferential imports;

(d) the consequent impact on the domestic industry of the like or directly competitive goods, based on factors, including: production, productivity, capacity utilization, profits and losses, and employment;

(e) other factors other than the preferential imports, which may be causing injury or threat of injury to the domestic industry.

6. When factors other than increased preferential imports are causing injury to the domestic industry at the same time, such injury caused by those other factors shall not be attributed to the increased preferential imports.

7. MERCOSUR may adopt bilateral safeguard measures:

(a) as a sole entity, as far as all requirements to determine the existence of serious injury or threat thereof is being caused by the imports of goods as a result of the reduction or elimination of a customs duty provided for in this Agreement, have been fulfilled on the basis of conditions applied to MERCOSUR as a whole; or

(b) on behalf of one of its Member States, in which case the requirements for the determination of the existence of serious injury or threat thereof, being caused by the imports as a result of the reduction or elimination of a customs duty provided for in this Agreement, shall be based on the conditions prevailing in the affected Member State of the customs union and the measure shall be limited to that Member State.

8. Israel may apply bilateral safeguard measures to the imports from MERCOSUR or MERCOSUR Member States where such serious injury or threat thereof is being caused by the imports of a good as a result of the reduction or elimination of a customs duty provided for in this Agreement.

9. In critical circumstances where delay may cause damage which would be difficult to repair, a Party or Signatory Party, after due notification, may take a provisional safeguard measure pursuant to a preliminary determination that there is clear evidence that increased

preferential imports have caused or are threatening to cause serious injury. The duration of the provisional measure shall not exceed two hundred (200) days, during which period the requirements of this Chapter shall be met. If the final determination concludes that there was no serious injury or threat thereof to domestic industry caused by preferential imports the increased tariff or provisional guarantee, if collected or imposed under provisional measures, shall be promptly refunded according to the domestic regulation of the relevant Signatory Party.

10. The competent investigating authority may initiate a bilateral safeguard measure investigation at the request of the domestic industry in the importing Party or Signatory Party of the like or directly competitive goods in accordance with its internal legislation.

11. The purpose of investigation shall be:

(a) to assess the quantities and conditions under which the goods under investigation are being imported;

(b) to determine the existence of serious injury or threat of serious injury to the domestic industry in accordance with the provisions this Chapter; and

(c) to determine the causal link between the increased preferential imports of the goods concerned and the serious injury or threat thereof to the domestic industry, in accordance with the provisions of this Chapter.

12. The following conditions and limitations shall apply to a proceeding that may result in bilateral safeguard measures under paragraph 2:

(a) each Party or Signatory Party shall establish or maintain transparent, effective and equitable procedures for the impartial and reasonable application of bilateral safeguard measures;

(b) the Party or Signatory Party initiating such a proceeding shall, within 10 days, deliver to the other Party written notice thereof including the following information:

i) the name of the petitioner;

ii) the complete description of the imported goods under investigation, which is sufficient for customs purposes, and its classification under the Harmonized System;

iii) the deadline for the request for hearings and the venue where hearings shall be held;

iv) the deadline for the submission of information, statements and other documents;

v) the address where request or other documents related to the investigation can be examined;

vi) the name, address and telephone number of the competent investigating authority which can provide further information; and

vii) a summary of the facts upon which the initiation of the investigation was based, including data on imports that have allegedly increased in absolute or relative terms to total production or internal consumption and analysis of the domestic industry situation.

(c) the Party or Signatory Party applying provisional or final bilateral safeguard measures shall without delay, deliver to the other Party written notice thereof including the following:

i) the complete description of the goods subject to the bilateral safeguard measure, which is sufficient for customs purposes, and its tariff classification under the Harmonised System;

ii) information and evidence leading to the decision, such as: the increasing or increased preferential imports, the situation of the domestic industry, the fact that

the increase in imports is causing or threatening to cause serious injury to the domestic industry; in the case of provisional measures, the existence of critical circumstances as specified in paragraph 9 above;

iii) other reasoned findings and conclusions on all relevant issues of fact and law;

iv) description of the measure to be adopted;

v) the date of entry into force of the measure and its duration.

(d) consultations, with a view to finding an appropriate and mutually acceptable solution, shall take place in the Joint Committee if any Party or Signatory Party so requests within 10 days from receipt of a notification as specified in paragraph (c). In case of the absence of a decision or if no satisfactory solution is reached within 30 days of the notification being made the Party or Signatory Party may apply the measures.

(e) any bilateral safeguard measure shall be taken no later than one (1) year after the date of initiation of the investigation; no bilateral safeguard measure shall be applied in case this time frame is not observed by the competent authorities;

(f) no bilateral safeguard measure may be taken by a Party or Signatory Party against any particular good originating in the territory of the other Party more than two times or for a cumulative period exceeding two years; for perishable or seasonal goods no measure may be taken more than four times or for a cumulative period exceeding four years.

(g) upon termination of the bilateral safeguard measure, the rate of duty or quota shall be the level which would have been in effect but for the measure;

(h) priority shall be given to such bilateral safeguard measures as will least disturb the functioning of this Agreement.

(i) at any stage of the investigation, the notified Party or Signatory Party may request any additional information that it considers necessary.

(j) if a Party or Signatory Party subjects imports of goods to an administrative procedure, the purpose of which is the rapid provision of information on the trend of trade flows, liable to give rise to bilateral safeguard measures, it shall inform the other Party.

(k) the bilateral safeguard measures taken shall be subject to periodic consultations within the Joint Committee with a view to their relaxation or abolition when conditions no longer justify their maintenance.

13. A bilateral safeguard measure does not include any safeguard measure pursuant to a proceeding instituted prior to the entry into force of this Agreement.

Article 2 - Global Emergency Measures

1. Each Signatory Party retains its rights and obligations under Article XIX of GATT 1994, the WTO Agreement on Safeguards or any other safeguard agreements pursuant thereto except those regarding exclusion from a measure to the extent that such right or obligation is inconsistent with this Article. Any Party or Signatory Party taking an emergency measure under Article XIX, the WTO Agreement on Safeguards or any such agreement shall exclude imports of goods from the other Party or Signatory Party from the measure unless:

(a) the specific product is not covered by this Agreement; or

(b) imports from the other Signatory Party account for a substantial share of total imports and contribute importantly to the serious injury or threat thereof caused by total imports.

"Contribute importantly"- means an important cause, but not necessarily the most important cause.

2. In determining whether:

(a) imports from the other Signatory Party account for a substantial share of total imports, those imports normally shall not be considered to account for a substantial share of total imports if that Signatory Party is not among the top five suppliers and does not supply at least 15 percent of the good subject to the proceeding, measured in terms of import share during the most recent representative period, that shall normally be three-years. During the first three years after the entry into force of this Agreement, the import share may be calculated for a period shorter than three years to the extent not to include the years before the date of entry into force of this Agreement; and

(b) imports from the other Signatory Party contribute importantly to the serious injury or threat thereof, the competent investigating authority shall consider such factors as the change in the import share of the other Signatory Party and the level and change in the level of imports of the other Signatory Party. In this regard, imports from the other Signatory Party normally shall not be deemed to contribute importantly to serious injury or threat thereof, if the growth rate of imports from that Signatory Party during the period in which the injurious increase in imports occurred is appreciably lower than the growth rate of total imports from all sources over the same period.

3. The following conditions and limitations shall apply to a proceeding that may result in emergency measures under paragraph 1 or 4:

(a) the Party or Signatory Party initiating such a proceeding shall, without delay, deliver to the other Party written notice thereof;

(b) where, as a result of a measure, the rate of a customs duty is increased, the margin of preference shall be maintained;

(c) upon the termination of the measure, the rate of a customs duty or quota shall be the rate which would have been in effect but for the measure.

(d) the imports from the Signatory Party that have been excluded from the applied safeguard measure, shall not be included in the calculation of the serious injury caused to the domestic industry of the Party or Signatory Party who applied such measure.

4. A Party or Signatory Party taking such measures, from which a good from the other Signatory Party is initially excluded pursuant to paragraph 1, shall have the right subsequently to include that good from the other Signatory Party in the measure in the event that the competent investigating authority determines that an increase in imports of such good from the other Signatory Party is contributing importantly to the serious injury or threat thereof and thereby undermines the effectiveness of the measure.

5. A global emergency measure does not include any emergency measure pursuant to a proceeding instituted prior to the entry into force of this Agreement.

CHAPTER VI

TECHNICAL REGULATIONS, STANDARDS AND CONFORMITY ASSESSMENT PROCEDURES

Article 1 - Objectives

The Parties and the Signatory Parties shall cooperate in the fields of standardization, metrology, conformity assessment and product certification, with the aim of eliminating technical barriers to trade and promoting harmonized international standards in technical regulations.

Article 2 - General Provisions

The provisions of this Chapter are intended to prevent the technical regulations, standards and conformity assessment procedures, and metrology, adopted and applied by the Parties and Signatory Parties from becoming unnecessary technical barriers to mutual trade. In this regard the Parties and the Signatory Parties reaffirm their rights and obligations in respect of the WTO Agreement on Technical Barriers to Trade (WTO/TBT Agreement), and agree on the provisions established in this Chapter.

1. The provisions of this Chapter do not apply to sanitary and phytosanitary measures, supply of services and government procurement.

2. The definitions of Annex 1 of the WTO/TBT Agreement, of the International Vocabulary of Basic and General Terms in Metrology – VIM – and the Vocabulary of Legal Metrology shall apply to this Chapter.

3. The Parties and Signatory Parties agree to comply with the International System of Units (SI).

Article 3 - International Standards

The Parties and the Signatory Parties agree to strengthen their national standardization, technical regulation, conformity assessment and metrology systems, based on relevant international standards or international standards in imminent completion.

Article 4 - Mutual Recognition Agreements

1. The Parties and Signatory Parties, in order to facilitate trade, may commence negotiations with a view to the signing of Mutual Recognition Agreements between competent bodies in the areas of technical regulation, conformity assessment and metrology based on the WTO/TBT Agreement principles and the international references in each matter.

2. In order to facilitate this process, preliminary negotiations may begin to assess equivalence between their technical regulations.

3. In the framework of this recognition process, the Parties and Signatory Parties shall facilitate access to their territories to demonstrate the implementation of their conformity assessment system.

4. The terms of the Mutual Recognition Agreements of conformity assessment systems and equivalence of the technical regulations shall be defined in each case by the competent bodies, which, inter alia, shall establish the conditions and terms of compliance.

5. The Parties and the Signatory Parties shall meet whenever necessary, in order to discuss ways of enhancing and improving cooperation, with a view to commencing negotiations on Mutual Recognition Agreements. Each Party shall submit annually a report to the Joint Committee on the progress of the negotiations on Mutual Recognition Agreements.

Article 5 - International Cooperation

The Parties and the Signatory Parties agree to provide mutual cooperation and technical assistance through competent international or regional organizations in order to:

(a) promote the application of this Chapter;

(b) promote the application of the WTO/TBT Agreement;

(c) strengthen their respective metrology, standardization, technical regulation, conformity assessment bodies as well as their information and notification systems within the framework of the WTO/TBT Agreement;

(d) strengthen technical confidence between such bodies, mainly with a view to establishing Mutual Recognition Agreements of interest to the Parties and the Signatory Parties;

(e) increase participation and seek coordination of common positions at international organizations on issues related to standardization and conformity assessment;

(f) support the development and application of international standards;

(g) increase the training of the human resources needed for the purposes of this Chapter;

(h) increase the development of joint activities between the technical bodies involved in the activities covered by this Chapter.

Article 6 -Transparency

The Parties and the Signatory Parties shall favour the adoption of a mechanism to identify and seek concrete ways to overcome unnecessary technical barriers to trade arising from the application of technical regulations, standards and conformity assessment procedures.

Article 7 - Dialogue

The Parties and the Signatory Parties agree to promote dialogue between their focal points of information on technical barriers to trade, in order to meet the needs derived from the implementation of this Chapter.

CHAPTER VII

SANITARY AND PHYTOSANITARY MEASURES

Article 1 - Objective

The objective of this Chapter is to facilitate trade between the Parties in animals and animal products, plants and plant products, regulated articles or any other product deemed to require sanitary and phytosanitary measures, included in this Agreement, whilst safeguarding human, animal and plant health.

This Chapter applies to all sanitary and phytosanitary measures of a Party or Signatory Party that may, directly or indirectly, affect trade between the Parties or the Signatory Parties.

Article 2 - Multilateral Obligations

The Parties or the Signatory Parties reaffirm their rights and obligations under the Agreement on the Application of Sanitary and Phytosanitary Measures of the World Trade Organization (WTO-SPS Agreement).

Article 3 - Transparency

The Parties or Signatory Parties shall exchange the following information:

(a) Any changes in the sanitary and phytosanitary status, including important epidemiological findings, which may affect the trade between the Parties or the Signatory Parties;

(b) Results of import checks in case of rejected or non-compliant consignments, within three working days;

(c) Results of verification procedures, such as inspections or on site audits within 60-days, which may be extended for a similar period in case of appropriate justification;

Article 4 - Consultations on Specific Trade Concerns

1. The Parties or Signatory Parties shall create a consultation mechanism to facilitate the solution of problems arising from the adoption and application of sanitary or phytosanitary measures, in order to prevent these measures from becoming an unjustified restriction on trade.

2. The competent official authorities, as defined in Article 5 of this Chapter, shall implement the mechanism established in paragraph 1, as follows:

(a) The exporting Party or Signatory Party affected by a sanitary or phytosanitary measure shall inform the importing Party or Signatory Party of its concern through the form established in Annex I of this Chapter and communicate this to the Joint Committee.

(b) The importing Party or Signatory Party shall respond to the request, in writing, before a 60 day term indicating whether the measure:

i) Is in conformity with an international standard, guideline or recommendation which, in this case, should be identified by the importing Party or Signatory Party; or

ii) Is based on an international standard, guideline or recommendation. In this case, the importing Party or Signatory Party shall present the scientific justification and other information that support those aspects differing from the international standard, guideline or recommendation; or

iii) Results in a higher level of protection for the importing Party or Signatory Party than would be achieved by measures based on international standards, guidelines or recommendations. In this case, the importing Party or Signatory Party shall

present the scientific justification for such measure, including the description of the risk/risks to be avoided by it and, if pertinent, the risk assessment on which it is based; or

iv) In the absence of an international standard, guideline or recommendation, the importing Party or Signatory Party shall present the scientific justification for such measure, including the description of the risk/risks to be avoided by it and, if pertinent, the risk assessment on which it is based.

(c) Additional technical consultations may be held, whenever necessary, to analyze and suggest courses of action to overcome difficulties, within 60 days.

(d) In case that the mentioned consultations be considered satisfactory by the exporting Party or Signatory Party, a joint report on the settled solution shall be submitted to the Joint Committee. If a satisfactory solution is not reached, each Party or Signatory Party shall submit its own report to the Joint Committee.

Article 5 - Competent Official Authorities

For the purpose of implementing the above Articles of this Chapter, the competent official authorities are the following:

For MERCOSUR

Argentina

- Secretaría de Agricultura, Ganaderia, Pesca y Alimentos – SAGPyA (Agriculture, Livestock, Fisheries and Food Secretariat)
- Servicio Nacional de Sanidad y Calidad Agroalimentaria – SENASA (National Service for Agrifood Health and Quality)
- Administración Nacional de Alimentos, Medicamentos y Tecnología Médica – ANMAT (National Administration of Food, Medicines and Medical Technology)
- Instituto Nacional de Alimentos – INAL (National Food Institute)

Brazil

- Ministério da Agricultura, Pecuária e Abastecimento – MAPA (Ministry of Agriculture, Livestock and Supply)
- Agência Nacional de Vigilância Sanitária - ANVISA (Brazilian Health Surveillance Agency)

Paraguay

- Servicio Nacional de Calidad y Sanidad Vegetal y de Semillas – SENAVE (National Service for Health and Quality Plants and Seeds)
- Servicio Nacional de Calidad y Salud Animal – SENACSA (National Service of Quality and Animal Health).
- Ministerio de Agricultura y Ganadería – MAG (Ministry of Agriculture and Livestock)
- Subsecretaría de Estado de Ganadería - SSEG - (Under Secretariat of Livestock)

Uruguay

- Dirección General de Servicios Agrícolas/MGAP DSSA (General Directorate of Plants Inspection Services/ Ministry of Livestock , Agriculture and Fisheries)
- Dirección General de Recursos Acuáticos/MGAP – DINARA (General Directorate of Aquatic Resources/ General Direction of Livestock/Ministry of Livestock, Agriculture and Fisheries)
- Dirección General de Servicios Ganaderos/MGAP - DSSG (General Directorate of Livestock/Ministry of Livestock, Agriculture and Fisheries)
- Dirección Nacional de Salud/MSP (National Health Office/Ministry of Health)

For Israel

- Plant Protection and Inspection Services – PPIS, Ministry of Agriculture and Rural Development
- Veterinary Services, Ministry of Agriculture and Rural Development

ANNEX I

FORM FOR CONSULTATIONS ON SPECIFIC TRADE CONCERNS REGARDING SANITARY AND PHYTOSANITARY MEASURES

Measure consulted: _____

Country applying the measure: _____

Institution responsible for the application of the measure: _____

WTO Notification Number (if applicable): _____

Country consulting: _____

Date of consultation: _____

Institution responsible for consultation: _____

Name of the Division: _____

Name of the Responsible Officer: _____

Title of the Responsible Officer: _____

Telephone, fax, e-mail and postal address: _____

Product(s) affected by the measure: _____

Tariff subheading(s): _____

Description of product (s) (specify): _____

Does an international standard exist? YES_____ NO_____

If one exists, list the specific international standard(s), guideline(s) or recommendation(s):_____

Objective or justification for the consultation: _____

CHAPTER VIII

TECHNICAL AND TECHNOLOGICAL COOPERATION

Article 1 - Objectives

Having regard to Article 7 of the Framework Agreement signed by the Parties on December 8 2005, the Parties reaffirm the importance of technological and technical cooperation as means to contribute to the implementation of this Agreement.

Article 2 - Technological Cooperation

1. The Parties shall establish a technological cooperation mechanism in order to develop their industrial sectors and infrastructure, in particular in the fields of agricultural and agro-industrial activities, banking, engineering and construction, chemistry, fine chemistry, fertilizers, pharmacy (especially active principles), automation and robotics, irrigation, alloys and super alloys, avionics, microelectronics, telecommunication, health, medical equipment, education, security equipment systems and other fields. The technological cooperation may be comprised of technology transfer and joint projects for the development of new technologies as well as other initiatives.

2. With this aim, the Joint Committee shall, no later than six months after the entry into force of this Agreement, define priority sectors for technological cooperation, and request the Parties' respective relevant authorities to identify specific projects and to establish mechanisms for their implementation.

Article 3 - Technical Cooperation

1. The Parties shall establish a technical cooperation mechanism in order to develop their technical capabilities in specific sectors, with particular attention to smaller economies which are Signatory Parties to this Agreement, and SME's (Small and Medium Enterprises), including:

- organization and holding of fairs, exhibitions, conferences, advertising, consultancy and other business services;

- development of contacts between business entities, manufacturers associations, chambers of commerce and other business associations of both Contracting Parties;

- training of technicians.

2. With this aim, the Joint Committee shall, no later than six months after the entry into force of this Agreement, define priority sectors for technical cooperation and request the Parties' respective relevant authorities to identify specific projects and to establish mechanisms for their implementation.

Article 4 - Bilateral Instruments

The activities undertaken under this Chapter shall not affect the cooperation initiatives based on bilateral instruments between any two of the Signatory Parties.

CHAPTER IX

INSTITUTIONAL PROVISIONS

Article 1 - The Joint Committee

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

2. The Joint Committee shall be responsible for the administration of the Agreement and shall ensure its proper implementation.

3. For this purpose the Parties shall exchange information and, at the request of any Party, shall hold consultations within the Joint Committee. The Joint Committee shall keep under review the possibility of further removal of the obstacles to trade between the MERCOSUR Member States and Israel.

Article 2 - Procedures of the Joint Committee

1. The Joint Committee shall meet at an appropriate level whenever necessary at least once a year. Special meetings shall also be convened at the request of either party.

2. The Joint Committee shall be chaired alternately by the two Parties.

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

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

5. The Joint Committee shall establish its own rules of procedure.

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

CHAPTER X

PUBLICATION AND NOTIFICATION

Article 1 - Contact Points

Each Party shall designate a contact point to facilitate communications between the Parties on any matter covered by this Agreement. On the request of the other Party, the contact point shall identify the office or official responsible for the matter and assist, as necessary, in facilitating communication with the requesting Party.

Article 2 - Publication

Each Party or Signatory Party shall ensure that its laws, regulations, procedures and administrative rulings of general application respecting any matter covered by this Agreement are promptly published.

Article 3 - Notification and Provision of Information

1. To the maximum extent possible, each Party shall notify the other Party of any actual measure that the Party considers might materially affect the operation of this Agreement or otherwise substantially affect that other Party's interests under this Agreement. This obligation will be considered accomplished in the cases where the Parties or Signatory Parties already follow the procedures of notification and provision of information established under the WTO Agreements.

2. MERCOSUR shall promptly inform Israel on any relevant internal decisions or legal instruments, upon their entry into force, relating to the further consolidation of the customs union of MERCOSUR.

3. On request of the other Party, a Party shall promptly provide information and respond to questions pertaining to any actual measure, whether or not that other Party has been previously notified of that measure.

Any notification or information provided under this Article shall be without prejudice as to whether the measure is consistent with this Agreement.

CHAPTER XI

DISPUTE SETTLEMENT

Article 1 - Objective and Parties to a Dispute

1. The objective of this Chapter is to settle disputes between the Parties or between Israel and one or more Signatory Parties with a view to reaching mutually acceptable solutions.

2. The Parties to a dispute - hereinafter in this Chapter the "parties"- may be either the Parties or Israel and one or more of the other Signatory Parties.

Article 2 – Scope

Disputes arising from the interpretation, application, fulfillment or non fulfillment of the provisions contained in the Free Trade Agreement signed between MERCOSUR and the State of Israel, hereinafter the "Agreement", and from Joint Committee decisions taken pursuant to this Agreement shall be ruled by the disputes settlement procedure established under this Chapter, except as otherwise provided in the Agreement.

Article 3 - Direct Negotiations

1. Whenever a dispute is between Israel and one or more Signatory Parties of MERCOSUR, the parties involved shall attempt to settle the disputes referred to in Article 2 of this Chapter through direct negotiations aimed at a mutually satisfactory solution.

If the dispute is between Israel and one Signatory Party of MERCOSUR, negotiations shall be carried out by the National Coordinator of the Common Market Group of that Signatory Party. If the dispute is among Israel and more than one Signatory Parties of MERCOSUR, negotiations shall be carried out by the National Co-ordinator of the Common Market Group appointed by those Signatory Parties.

In the case of Israel, direct negotiations shall be carried out by the Ministry of Industry, Trade and Labor.

2. In order to initiate the procedure any of the parties shall make a written request to the other party for direct negotiations to be held and shall give the reasons for the request, including identification of the measures at issue and an indication of the legal basis for the complaint.

3. The party receiving the request for direct negotiations shall reply within ten (10) days of receiving it.

4. The parties shall exchange the information needed to facilitate direct negotiations and shall treat such information as confidential.

5. These negotiations shall not extend for more than thirty (30) days, as from the date of receipt of the written request to start them, unless the parties agree to extend that period.

6. The direct negotiations shall be confidential and without prejudice to the rights of the parties in the consultations held within the Joint Committee in accordance with Article 4 of this Chapter and the proceedings of the Arbitration Tribunal conducted in accordance with this Chapter.

Article 4 - Consultations within the Joint Committee

1. Whenever a dispute is between Israel and MERCOSUR as a Contracting Party, consultations shall be carried out within the Joint Committee, by means of a written request of any party to the other party.

2. In the case of disputes between Israel and Signatory Parties of MERCOSUR which have not reached a mutually satisfactory solution within the term established in the fifth paragraph of Article 3 of this Chapter or if the dispute has been settled only partially, the party that initiated a procedure of Direct Negotiations under the second paragraph of Article 3 of this Chapter may request consultations to be held within the Joint Committee, by means of a written request to the other party.

3. In the case of MERCOSUR, if the dispute is between Israel and MERCOSUR as a Contracting Party, consultations shall be carried out by the National Coordinator of the Common Market Group who is acting as Pro Tempore President at that moment.

If the dispute is between Israel and a Signatory Party of MERCOSUR, consultations shall be carried out by the National Co-ordinator of the Common Market Group of that Signatory Party. If the dispute is among Israel and more than one Signatory States Party of MERCOSUR, consultations shall be carried out by the National Coordinator of the Common Market Group appointed by those Signatory Parties.

In the case of Israel, consultations shall be carried out by the Ministry of Industry, Trade and Labor.

4. This written request shall include the reasons for the request, including identification of the measures at issue and an indication of the legal basis for the complaint.

5. Consultations shall be held within the Joint Committee within thirty (30) days of submission of the request to all Signatory Parties and take place, unless the parties agree otherwise, on the territory of the party complained against. The consultations shall be deemed concluded within thirty (30) days of the date of the consultation request, unless both parties agree to continue consultations.

Consultations on matters of urgency, including those regarding perishable goods and seasonal goods shall commence within fifteen (15) days of the date of submission of the request.

6. The Joint Committee, by consensus, may deal jointly with two or more procedures related to the cases it hears, only when due to their nature or possible thematic link, it considers their joint examination convenient.

7. The Joint Committee shall evaluate the dispute and allow the parties an opportunity to inform it of their position and, if necessary, to give additional information in order to reach a mutually satisfactory solution.

The Joint Committee shall make any recommendations it deems fit within thirty (30) days as from the date of the first meeting.

8. The Joint Committee may seek the opinion of experts if it deems necessary to make its recommendations.

9. If consultations are not held within the timeframe laid down in paragraph 5, or no agreement has been reached on a mutually acceptable solution, the stage provided for in this Article shall immediately be considered ended and the complaining party may then directly request the establishment of an Arbitration Tribunal in accordance with Article 7 of this Chapter.

10. The consultations shall be confidential and without prejudice to the rights of the parties in the proceedings of the Arbitration Tribunal conducted in accordance with this Chapter.

Article 5 - Mediation

1. If consultations fail to produce a mutually acceptable solution, the parties may, by mutual agreement, seek recourse to the services of a mediator appointed by the Joint Committee. Any request for mediation must be made in writing and state the measure which has been the subject of consultations, in addition to the mutually agreed terms of reference for the mediation.

2. The Chairperson of the Joint Committee shall appoint within ten (10) days of receipt of the request a mediator selected by lot from the persons included in the list referred to in Article 8 of this Chapter who is not a national of either of the parties. The mediator will convene a meeting with the parties no later than thirty (30) days after being appointed. The mediator shall receive the submissions of both parties no later than fifteen (15) days before the meeting and issue an opinion no later than forty-five (45) days after having been appointed. The mediator's opinion may include a recommendation on steps to resolve the dispute that is consistent with the Agreement. The mediator's opinion will be non-binding.

3. Deliberations and all information including documents submitted to the mediator shall be kept confidential and shall not be brought for the Arbitration Tribunal proceedings conducted in accordance with this chapter, unless the parties agree otherwise.

4. The time limits referred to in paragraph 2 may be amended, should circumstances so demand, with the agreement of both parties. Any amendment must be notified in writing to the mediator.

5. In the event that mediation produces a mutually acceptable solution to the dispute, both parties must submit a notification in writing to the mediator.

Article 6 - Choice of Forum

1. Notwithstanding the provisions of Article 2 of this Chapter, any disputes arising from the provisions in this Agreement, on issues regulated by the Marrakech Agreement establishing the World Trade Organization (hereinafter "WTO Agreement"), or the agreements negotiated in accordance with it, may be settled in either forum, at the complaining party's choice.

2. Once a dispute settlement procedure has started in accordance with this Agreement, or in accordance with the WTO Agreement, the forum chosen shall exclude the other forum.

3. For the purposes of this Article:

(a) dispute settlement procedures shall be considered to have been initiated in accordance with the WTO Agreement when the complaining party requests the establishment of a panel under Article 6 of the WTO Understanding on Rules and Procedures governing the Settlement of Disputes,

(b) whenever a dispute is between Israel and MERCOSUR as a Contracting Party, the initiation of dispute settlement proceedings under this Agreement shall follow consultations within the Joint Committee under Article 4 thereof,

(c) whenever a dispute is between Israel and one or more Signatory Parties of MERCOSUR, dispute settlement proceedings under this Agreement are deemed to be initiated once a party has requested the establishment of a Tribunal under Article 7 (1) of this Chapter following direct negotiations held under Article 3 of this Chapter and following consultations, if held, within the Joint Committee under Article 4 of this Chapter.

Article 7 - Arbitration Procedure

1. If the dispute cannot be settled by the procedures provided for in Articles 3 and 4 of this Chapter or where the parties have had recourse to mediation as provided for in Article 5 of this Chapter and no mutually acceptable solution has been notified within fifteen (15) days of the mediator issuing his or her opinion, or if a party fails to comply with the mutually agreed solution, the complaining party may submit a request in writing to the other party for the establishment of an Arbitration Tribunal.

2. The complaining party shall state in its request for the establishment of an Arbitration Tribunal the reasons for the request, including identification of the measures at issue and an indication of the legal basis for the complaint. The request to establish the Arbitration Tribunal, the initial submission and counter submission shall form the terms of reference of the Arbitration Tribunal, unless otherwise agreed by the parties.

3. The parties acknowledge as binding, *ipso facto* and with no need for a special agreement, the jurisdiction of the Arbitration Tribunal set up in each case to hear and solve the disputes referred to in this Chapter.

Article 8 - Appointment of Arbitrators

1. Within thirty (30) days as of the entry into force of the Agreement, each Contracting Party shall prepare a list of national arbitrators and a list of non-national arbitrators. Both Contracting Parties should agree with the list of appointed non-national arbitrators.

Each of the States parties to MERCOSUR will appoint five (5) possible arbitrators for the list of national arbitrators, and two (2) for the list of non national arbitrators.
Israel will appoint a cumulative and proportionate number of possible national and non-national arbitrators to the lists as appointed by the States parties to MERCOSUR.

2. The list of arbitrators and its successive modifications shall be informed to all Signatory Parties and to the Joint Committee.

3. The arbitrators in the list referred to in the previous paragraph shall have specialized knowledge or experience of law and/or international trade. The chairperson shall be a jurist with knowledge and experience of law and/or international trade.

4. As of the notification of a party of its intention to resort to the Arbitration Tribunal as provided for in Article 6 of this Chapter, it may not modify the lists referred to in the first paragraph of this Article.

Article 9 - Composition of the Arbitration Tribunal

1. The Arbitration Tribunal, to which the proceedings shall be submitted, shall be formed by three (3) arbitrators as follows:

(a) Within fifteen (15) days following notification to the other party as referred to in Article 7 of this Chapter, each party shall appoint an arbitrator chosen among the

persons that such party has proposed for the list of national arbitrators mentioned in Article 8 of this Chapter.

(b) Within the same term, the parties shall mutually appoint a third arbitrator from the list of non national arbitrators referred to in Article 8 of this Chapter, who shall chair the Arbitration Tribunal.

(c) If the appointments referred to in paragraph a) are not made within the term provided for, they shall be made by means of a draw held by the Chairperson of the Joint Committee in the presence of representatives of the parties, at the request of any of the parties, among the arbitrators appointed by the parties and included in the list referred to in Article 8 of this Chapter. This procedure shall take no more than five (5) days.

(d) If the appointment referred to in paragraph b) is not made within the term provided for, it shall be made by means of a draw held by the Chairperson of the Joint Committee in the presence of representatives of the parties, at the request of any of the parties, among the non-national arbitrators appointed by the Signatory Parties and included in the list referred to in Article 8 of this Chapter. This procedure shall take no more than five (5) days.

2. If in any case during the proceedings covered by this Chapter, an arbitrator or the chairperson is unable to participate, withdraws or is replaced pursuant to paragraph 4, an alternate shall be selected within five (5) days in accordance with the selection procedures followed to appoint the original arbitrator as specified in paragraph 1(a) or chairperson as specified in paragraph 1(b). All time periods regarding the Arbitration Tribunal's proceedings shall be suspended for the period taken to carry out this procedure.

3. The appointments provided for in paragraphs 1 and 2 must be notified to the parties.

(a) Where a party considers that an arbitrator does not comply with the requirements of Annex I (Code of Conduct) and Article 10 of this Chapter, it shall send a written notice to the other party providing a proper explanation for its objection, based on

clear evidence that the arbitrator is in violation of Annex I (Code of Conduct) and Article 10 of this Chapter. The parties shall consult and come to a conclusion within seven (7) days.

(b) If the parties agree that there exists evident proof of such a violation they shall replace the arbitrator or chairperson and select a replacement in accordance with paragraph1 above.

(c) If the parties fail to agree on the need to replace an arbitrator or chairperson, a replacement shall be selected by draw from the lists referred to in Article 8 of this Chapter. In the case of disputes between Israel and Signatory Parties of MERCOSUR, the draw shall apply only to the lists of national arbitrators of the Signatory Parties involved in the disputes. The selection of the new arbitrator shall be done by the Chairperson of the Joint Committee in the presence of representatives of the parties, unless otherwise agreed between the parties. This procedure shall apply and take no more than seven (7) days.

4. In the event that an arbitrator is unable to continue participating in any of the proceedings pursuant to this Chapter an alternate that was selected according to paragraph 2 shall take his place and continue in his stead. In this event, time periods shall remain unchanged, unless otherwise agreed by the parties.

Article 10- Independence of the Arbitrators

The members of the Arbitration Tribunal shall be independent and impartial, shall maintain confidentiality of the proceedings, serve in their individual capacities, neither be affiliated with, nor take instructions from, any trade organization or Government. The parties shall refrain from giving them instructions and exercising any influence on them regarding the issues submitted to the Arbitration Tribunal.

After accepting their appointment and before beginning their work, the arbitrators shall sign an undertaking (attached to Annex I of this Chapter) to be submitted to the Joint Committee upon their acceptance of their appointment.

Article 11- Rules of Procedure

1. The Arbitration Tribunal shall for each case establish its seat in the territory of party complained against, unless the parties agree otherwise.

2. Arbitration Tribunals shall apply the Rules of Procedure which include the rights to hearings and the exchange of written submissions as well as deadlines and time tables for ensuring expediency, as set out in Annex II to this Chapter for conducting the Arbitration Tribunal proceedings. The Rules of Procedure shall be modified or amended subject to the agreement of the parties hereto.

3. The deliberation of the Arbitration Tribunals and all information including documents submitted to it shall be kept confidential.

Article 12 - Information and Technical Advice

1. Only under special circumstances may the Arbitration Tribunal seek the opinion of experts or information from any relevant source. Before the Arbitration Tribunal seeks such information or advice it shall inform the parties and provide them with duly justified reasons for doing so. Any information obtained in this manner must be disclosed to both parties. The expert's opinion shall be non-binding.

2. The Arbitration Tribunal shall set a reasonable time limit for the submission of the report of the expert, no longer than sixty (60) days, unless extended by mutual agreement of the parties.

3. When a request is made for a written report of an expert, any time-limit applicable to the Arbitration Tribunal proceedings shall be suspended for a period beginning on the date of the report being requested by the Arbitration Tribunal and ending on the date the report is delivered to it.

Article 13- Information to the Tribunal

The parties shall inform the Arbitration Tribunal of the steps taken prior to the arbitration procedure and shall submit the factual and legal grounds on which their respective positions are based. Other discussions including proposals shall remain strictly confidential, unless agreed otherwise by the parties.

Article 14 - Applicable Law

The Arbitration Tribunal shall apply the provisions of the Agreement and Joint Committee decisions taken pursuant to this Agreement in accordance with the applicable principles of international law.

Article 15 - Interpretation

The provisions of the Agreement and Joint Committee decisions taken pursuant to this Agreement shall be interpreted in accordance with customary rules of interpretation of public international law.

Article 16 - Arbitration Award

1. The Arbitration Tribunal shall base its decisions and award on the written submissions of the parties, expert reports, information obtained under Article 12.1 of this Chapter and hearings held, including evidence and information received from the parties.

2. The Arbitration Tribunal shall render its written award within ninety (90) days as from the date of its establishment, which shall be official fifteen (15) days after the acceptance by the last arbitrator. Where it considers that this deadline cannot be met, the chairperson of the Arbitration Tribunal shall notify in writing stating the reasons for the delay. Under no circumstances should the award be issued later than one hundred and twenty (120) days following the establishment of the Arbitration Tribunal.

3. It is desirable that the Arbitration Tribunal takes its decisions by consensus. Where, nevertheless, a decision cannot be arrived at by consensus, the matter at issue shall be decided by a majority vote. In such case the Arbitration Tribunal shall not include in its report the dissenting opinion and shall keep such opinion and the votes confidential.

4. In cases of urgency, including those involving perishable goods, the Arbitration Tribunal shall make every effort to issue its award within thirty (30) days of the establishment of the Arbitration Tribunal. Under no circumstance should it take longer than sixty (60) days from the establishment of the Arbitration Tribunal. The Arbitration Tribunal shall give a preliminary ruling within ten (10) days of its establishment on whether it deems the case to be urgent.

5. The Arbitration award is unappealable, final and binding on the parties as from receipt of the respective notification. Decisions of the Arbitration Tribunal are unappealable and binding on the parties.

Article 17 - Suspension of Proceedings

The Arbitration Tribunal may, at the request of both parties, suspend its work at any time for a period not exceeding twelve (12) months. Once the period of twelve (12) months has been exceeded, the authority for the establishment of the Arbitration Tribunal will lapse, without prejudice to the right of the complaining party to request at a later stage the establishment of an Arbitration Tribunal on the same measure.

Article 18- Request for Clarification

Any of the parties may request, within fifteen (15) days as from the notification date of the award, its clarification of the award. The Arbitration Tribunal shall resolve on the request for clarification within fifteen (15) days as from its filing.

Clarifications shall be given by the Arbitration Tribunal rendering the award.

Should the Arbitration Tribunal consider that circumstances so require, it may postpone the enforcement of the award until it resolves the request submitted.

Article 19- Compliance with the Award

1. The party complained against shall take the measures necessary to comply with the award of the Arbitration Tribunal. In the case the Arbitral award does not have a term for compliance it must be understood that the term is for one hundred eighty (180) days.

2. The award of the Arbitration Tribunal shall include the period of time for compliance of the award. That period of time shall be final unless one of the parties justifies in written the need for a different period of time. The Arbitration Tribunal shall render its decision within a period of 15 days from the date of the written request.

In case it is essential, the Arbitration Tribunal shall decide on the basis of written submissions of the parties. The Arbitration Tribunal shall convene for this purpose only under special circumstances.

3. Before the end of the period of the time established in the award for the implementation of the award, the party complained against shall notify the other party of the implementing measures in compliance with the award that it has adopted or intends to adopt in order to comply with the award of the Arbitration Tribunal.

4. In the event that there is disagreement between the parties concerning the compatibility of the measure adopted in compliance with the award, the complaining party may seek recourse to the original Arbitration Tribunal to rule on the matter, by submitting a written request to the other party explaining why the measure is incompatible with the award. The Arbitration Tribunal will issue its decision within forty-five (45) days of the date of its re-establishment.

5. In the event of the original Arbitration Tribunal, or some of its members, being unable to reconvene, the procedures laid down in Article 9 of this Chapter shall apply; however, the period for issuing the ruling remains forty-five (45) days from the date of establishment of the Arbitration Tribunal.

6. If the Arbitration Tribunal decides under paragraph 4 that the implementing measures adopted are not in compliance with the Arbitration award, the complaining party shall be entitled, upon notification to suspend the application of benefits granted under this Agreement at a level equivalent to the adverse economic impact caused by the measure found to violate this Agreement.

7. The suspension of benefits shall be temporary and shall be applied only until the measure found to be in violation of this Agreement is withdrawn or amended so as to bring it into conformity with this Agreement, or until the parties have agreed to settle the dispute.

8. If the party complained against considers that the level of suspension is not equivalent to the adverse economic impact caused by the measure found to violate this Agreement, it may make a written request within thirty (30) days from the date of suspension for the reconvening of the original Arbitration Tribunal. The Joint Committee and the parties shall be informed of the Arbitration Tribunal's decision on the level of the suspension of benefits within thirty (30) days of the date of the request for its establishment.

9. The party complained against shall submit a notification of the implementing measures it has adopted to comply with the decision of the Arbitration Tribunal and of its request to end the suspension of benefits applied by the complaining party.

The party complained against shall reply to any request from the complaining party for consultations on the implementing measures notified within ten (10) days of receipt of the request.

If the parties do not reach an agreement on the compatibility of the notified implementing measures with this Agreement within thirty (30) days of receipt of the request for consultations, the complaining party may request that the original Arbitration Tribunal decide on the matter within sixty (60) days of the notification of the implementing measures. The decision shall be issued within forty-five (45) days of the written request for its re-establishment. If the Arbitration Tribunal decides that the implementing measure is not in conformity with this Agreement, it will determine whether the complaining party can resume the suspension of benefits at the same or a different level.

Article 20 - Expenses

1. The expenses of the Arbitration Tribunal shall be borne in equal parts by the parties to the dispute.

2. The expenses of the Arbitration Tribunal include:

i) the fees of the Chair and the other arbitrators, as well as the costs of tickets, transport and allowances, whose reference values will be established by the Joint Committee,

ii) travel and other expenses of the experts required by the Arbitration Tribunal pursuant to Article 12 of this Chapter whose reference values will be established by the Joint Committee,

iii) notifications and other expenses customarily incurred by the routine functioning of the Arbitration Tribunal.

3. All other expenses incurred by a party shall be borne by that party.

Article 21- Notifications

Notwithstanding the provisions stipulated in this Chapter, all documents, notifications and requests of all types referred to throughout this Chapter shall be sent to the parties, and simultaneously transmitted to the Joint Committee and copied to the Ministry of Foreign Affairs of Israel, and to the Pro Tempore Presidency of MERCOSUR, and to the National Coordinators of the Common Market Group. All aforesaid documents shall also be submitted to each of the arbitrators from the time of the establishment of the Arbitration Tribunal.

Article 22 - Time-limits

Any time limit referred to in this Chapter may be extended by mutual agreement of the parties.

Article 23- Confidentiality

All documentation, decisions and proceedings linked to the procedure established in this Chapter, as well as the sessions of the Arbitration Tribunal, shall be confidential, except for the awards of the Arbitration Tribunal. Nevertheless, the award will not include any confidential information submitted by the parties to the Arbitration Tribunal which any of them deem confidential.

Article 24 - Withdrawal

At any time before the Arbitration award is transmitted to the parties, the complaining party may withdraw its complaint by written notification to the other party or the parties may reach a settlement.

In both cases the dispute shall be terminated.

Such notification shall be copied to the Joint Committee and Arbitration Tribunal, as appropriate.

Article 25 - Language

1. In the case of Israel, all its notifications, written and oral submissions, may be made in English or in Hebrew with their translations into English.

2. In the case of MERCOSUR, all its notifications, written and oral submissions, may be made in Spanish or Portuguese with their respective translations into English.

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

4. Each party shall arrange and bear the costs of translation of its oral submissions into English.

ANNEX I

CODE OF CONDUCT FOR ARBITRATORS OF ARBITRATION TRIBUNAL

Definitions

1. In this Code of Conduct:

(a) arbitrator means a member of an Arbitration Tribunal effectively established under Article 7 of this Chapter;

(b) assistant means a person who, under the terms of appointment of an arbitrator, conducts, researches or provides assistance to the arbitrator;

(c) proceeding, means an arbitration panel proceeding under Chapter XI of this Agreement;

(d) staff, in respect of an arbitrator, means persons under the direction and control of the arbitrator, other than assistants;

(e) Chapter means Chapter XI of the Agreement titled Dispute Settlement.

Commitment to the Process

2. The arbitrators shall abide by the terms of the Chapter, the rules set out in this Code of Conduct and the rules of procedure.

3. The arbitrators shall be independent and impartial, shall avoid direct or indirect conflicts of interest and shall respect the confidentiality of the proceedings established in the Chapter, so as to preserve the integrity and impartiality of the dispute settlement mechanism.

Disclosure Obligations

4. To ensure the observance of this Code each arbitrator, prior to the acceptance of his/her selection, shall disclose the existence of any interest, relationship or matter that he/she could reasonably be expected to know and that is likely to affect or could raise justifiable doubt as to the arbitrator's independence or impartiality, including public statements of personal opinion on issues relevant to the dispute and any professional relationship with any person or organization with interest in the case.

5. The disclosure obligation is a continuing duty which requires an arbitrator to disclose any such interests, relationships or matters that may arise during any stage of the proceeding. The arbitrator shall disclose such interests, relationships or matters by informing the Joint Committee, in writing, for consideration by the parties.

Duties of Arbitrators

6. Upon selection an arbitrator shall perform his/her duties thoroughly and expeditiously throughout the course of the proceeding, and with fairness and diligence.

7. An arbitrator shall consider only those issues raised in the proceeding and necessary for a ruling and shall not delegate this duty to any other person.

8. An arbitrator shall take all appropriate steps to ensure that his or her assistant and staff are aware of, and comply with, paragraphs 18 and 19 of this Code of Conduct.

9. A arbitrator shall not engage in *"ex parte"* contacts concerning the proceeding.

Independence and Impartiality of Arbitrators

10. As stated in Article 10 of the Chapter the arbitrator shall exercise his/her position without accepting or seeking instructions from any international, governmental or non-governmental organization or any private source, and shall not have intervened in any previous stage of the dispute assigned to him/her.

11. An arbitrator must be independent and impartial and shall not be influenced by self-interest, political considerations or public opinion.

12. An arbitrator shall not, directly or indirectly, incur any obligation or accept any benefit that would in any way interferes with, or which could give rise to justifiable doubts as to, the proper performance of his/her duties.

13. An arbitrator may not use his/ her position on the Arbitration Tribunal to advance any personal or private interests.

14. An arbitrator may not allow financial, business, professional, family or social relationships or responsibilities to influence his or her conduct or judgment.

15. An arbitrator must avoid entering into any relationship or acquiring any financial interest that is likely to affect his or her impartiality.

Obligations of Former Arbitrators

16. All former arbitrators must avoid any kind of derived advantage from the decision or award of the Arbitration Tribunal.

Confidentiality

17. No arbitrator or former arbitrator shall at any time disclose or use any non-public information concerning a proceeding or acquired during a proceeding except for the purposes of that proceeding and shall not, in any case, disclose or use any such information to gain personal advantage or advantage for others or to adversely affect the interest of others.

18. An arbitrator shall not disclose an arbitration award prior to its publication in accordance with Article 16 of the Chapter.

19. An arbitrator or former arbitrator shall not at any time disclose the deliberations of an arbitration panel, or any arbitrator's view.

Undertaking

20. In accordance with Article 10 of the Chapter, the Chairperson of the Joint Committee will contact the arbitrators immediately after their designation, presenting the following undertaking which shall be signed and submitted to the Joint Committee upon their acceptance of their appointment:

UNDERTAKING

By the means of this Undertaking I accept the appointment to hereby act as a arbitrator/ assistant in accordance with Article 10 of Chapter XI and the Code of Conduct of the Chapter on Dispute Settlement of the Free Trade Agreement between MERCOSUR and the State of Israel. I declare not to have any interest in the dispute or any other reason that could be an impediment to my continuing duty to serve on the Arbitration Tribunal established with the purpose of solving this dispute between the parties.

I undertake to act independently, impartially and with integrity and, to avoid direct and indirect conflicts of interests and to not accept suggestions or impositions of third parties, as well as not to receive remuneration related to this performance except that comprised in the Chapter of Dispute Settlement of this Agreement.

I undertake to disclose herewith and in the future any information likely to affect my independence and impartiality, or which could give rise to justifiable doubts as to the integrity and impartiality of this dispute settlement mechanism.

I undertake to respect my obligations regarding the confidentiality of the dispute settlement proceedings, as well as the content of my vote.

Moreover, I accept the possibility of being required to serve after the rendering of the Award, in accordance with Articles 18 and 19 of the Chapter of Dispute Settlement of this Agreement.

ANNEX II

RULES OF PROCEDURE
FOR ARBITRATION TRIBUNAL PROCEEDINGS

Definitions

1. In these rules:

   (a) adviser means a person retained by a party to advise or assist that party in connection with the Arbitration Tribunal proceeding;

   (b) complaining party means any party, as defined in Article 1 of the Chapter, that requests the establishment of an Arbitration Tribunal under Article 7 of the Chapter;

   (c) Chapter means Chapter XI of the Agreement titled Dispute Settlement.

   (d) party complained against means the party against whom a dispute is brought arising from the alleged non fulfillment of the provisions of the Agreement or the Joint Committee decisions taken pursuant to the Agreement;

   (e) Arbitration Tribunal means a Tribunal established under Article 7 of the Chapter;

   (f) representative of a party means an employee or any person appointed by a government department or agency or any other public entity of a party;

   (g) day means a calendar day.

Notifications

2. Notwithstanding the provisions of Article 21 of the Chapter:

(a) The parties and the Arbitration Tribunal shall transmit any request, notice, written submission or other document by delivery against receipt, registered post, courier, facsimile transmission, telex, telegram or any other means of telecommunication that provides a record of the sending thereof. A copy of the documents shall also be provided in electronic format.

(b) The documents submitted by the parties shall be signed by the duly authorized representatives of the party in order to be considered officially submitted to the Arbitration Tribunal.

(c) Minor errors of a clerical nature in any request, notice, written submission or other document related to the arbitration panel proceeding may be corrected by delivery of a new document clearly indicating the changes.

3. Notifications, documents and requests of all types shall be deemed to be received, on the date upon which the electronic version of them is received.

(a) In the case of MERCOSUR, if the dispute is between Israel and MERCOSUR as a Contracting Party, notifications, documents and requests of all types shall be sent to the National Coordinator of the Common Market Group who is acting as a Pro Tempore President at that moment.

(b) If the dispute is among Israel and more than one Signatory Parties of MERCOSUR, notifications, documents and requests of all types shall be sent to the National Coordinator of the Common Market Group appointed by those Signatory Parties.

4. The terms referred to in the Chapter are stated in calendar days and shall be counted as from the day after the act or fact to which it refers to. When the term begins or is due on a Friday, a Saturday or Sunday, it shall begin or become due on the following Monday.

5. If the last day for delivery of a document falls on an official holiday of the Parties the document may be delivered on the next business day. The Parties shall exchange a list of dates of their official holidays on the first Monday of every December, for the following year. No documents, notifications and requests of all types shall be sent or deemed received on official holidays.

Record of the Meetings of the Tribunal

6. The Arbitration Tribunal shall record minutes of the meetings held during each proceeding, which shall be kept in the files of the dispute.

Commencing the Arbitration

7. Unless the parties agree otherwise, the Arbitration Tribunal within seven (7) days of its establishment shall contact the parties in order to determine such matters that the parties or the Arbitration Tribunal deem appropriate.

Initial Submissions

8. The complaining party shall deliver its initial written submission to the other party and to each of the arbitrators, no later than fifteen (15) days after the date of establishment of the Arbitration Tribunal.

This submission shall:

(a) designate a duly authorized representative;

(b) inform the service address, telephone numbers and e-mail addresses to which communications arising in the course of the proceeding shall be sent;

(c) a summary of the relevant facts and circumstances;

(d) indicate the relevant provisions of the Agreement and the legal basis of the complaint;

(e) state clearly the party's claim; including identification of the measures at issue and an indication of the legal basis for the complaint; a request for an award addressing the issue of fulfillment /non-fulfillment of the provisions of the Agreement or Joint Committee decisions taken pursuant to the Agreement;

(f) include supporting evidence, including expert or technical opinion, and specify any other evidence which cannot be produced at the time of the submission, but will be presented to the Arbitration Tribunal before or during the first hearing;

(g) be dated and signed.

9. The party complained against shall deliver its written counter-submission to the other party and to each of the arbitrators, no later than twenty (20) days after the date of delivery of the initial written submission.

This submission shall:

(a) designate a duly authorized representative;

(b) inform the service address, telephone numbers and e-mail addresses to which communications arising in the course of the proceeding shall be sent;

(c) state the facts and arguments upon which its defense is based;

(d) include supporting evidence and specify any other evidence, including expert or technical opinion, which cannot be produced at the time of the submission, but will be presented to the Arbitration Tribunal during or before the first hearing.

(e) be dated and signed.

Work of Arbitration Tribunal

10. The chairperson of the Arbitration Tribunal shall preside at all its meetings.

11. Unless provided otherwise in these rules, the Arbitration Tribunal may conduct its activities by any means, including telephone, facsimile transmissions, computer links or video-conference.

12. Only arbitrators may take part in the deliberations of the Arbitration Tribunal but the Arbitration Tribunal may permit their assistants to be present at its deliberations.

13. The drafting of the award or any decision shall remain the exclusive responsibility of the Arbitration Tribunal.

14. If a procedural question arises that is not covered by these rules, the Arbitration Tribunal, after consulting the parties, may adopt the appropriate procedure.

15. Notwithstanding Article 11.2 of the Chapter, when the Arbitration Tribunal considers, after consulting the parties, that there is a need for modifying any time-limit or any other procedure, it shall propose a new procedure or timeframe to the parties by means of a written notification. Any modification of procedure or of time-limits shall be mutually agreed between the parties.

Hearings

16. The party complained against shall be in charge of the logistical administration of the hearings, particularly the venue, the assistance of interpreters and other staff necessary, unless otherwise agreed.

17. The chairperson shall fix the date and time of the hearing in consultation with the parties and the other members of the Arbitration Tribunal, and confirm this in writing to the parties, no later than fifteen (15) days prior to the hearing.

18. Unless the parties agree otherwise, the hearing shall be held in a place to be decided upon by the party complained against.

19. The Arbitration Tribunal may convene additional hearings if the parties so agree.

20. All arbitrators shall be present at hearings.

21. The following persons may attend the hearing:

(a) representatives of the parties;

(b) advisers to the parties;

(c) administrative staff, interpreters and translators;

(d) arbitrators' assistants.

Only the representatives and advisors of the parties may address the Arbitration Tribunal.

22. No later than five (5) days before the date of a hearing, each party shall deliver a list of the names of persons who will make oral arguments or presentations at the hearing on behalf of that party and of other representatives or advisers who will be attending the hearing.

23. The Arbitration Tribunal shall conduct the hearing in the following manner, ensuring that the complaining party and the party complained against are afforded equal time:

Argument

a) argument of the complaining party
b) argument of the party complained against

Rebuttal Argument

a) rebuttal argument of the complaining party
b) rebuttal argument of the party complained against

24. The Arbitration Tribunal may direct questions to either party at any time during the hearing.

25. The Arbitration Tribunal shall arrange for a transcript of each hearing to be prepared and delivered as soon as possible to the parties.

26. Each party may deliver a supplementary written submission concerning any matter that arose during the hearing within ten (10) days of the date of the hearing.

Evidence

27. Parties shall submit all evidence to the Tribunal no later than during the course of the first hearing provided for in paragraph 17 other than evidence necessary for purposes of rebuttals and answers to questions. Exceptions to this procedure will be granted upon a showing of good cause. In such cases, the other party shall be accorded a period of time for comment on the newly submitted evidence, as the Tribunal deems appropriate.

28. All the evidence submitted by the parties shall be kept in the files of the dispute.

29. In case the parties so request, the Arbitration Tribunal shall hear witnesses or experts, in the presence of the parties, during the hearings.

Questions in Writing

30. The Arbitration Tribunal may at any time during the proceedings address questions in writing to the parties involved in the dispute and set a time-limit for submission of the responses. The parties shall receive a copy of any question put by the Tribunal.

31. A party shall also provide a copy of its written response to the Arbitration Tribunal's questions to the other parties. Each party shall be given the opportunity to provide written comments on the other party's reply within seven (7) days of the date of receipt.

32. Whenever a party fails to submit in due time its initial written submission, is absent from a scheduled hearing or in any other way breaches the procedures without good and sufficient cause, the Tribunal shall, upon assessment of the aforesaid circumstances decide on its effect on the future course of the proceedings.

Arbitration Decisions and Award

33. The Arbitration decision and award must contain the following details, in addition to any other elements which the Arbitration Tribunal may consider appropriate:

(a) The parties to the dispute;

(b) The name and nationality of each of the members of the Arbitration Tribunal and the date of its establishment;

(c) The names of the representatives of the parties;

(d) The measures subject of the dispute;

(e) A report on the development of the arbitration procedure, including a summary of the arguments of each of the parties;

(f) The decision reached concerning the dispute indicating its factual and legal grounds;

(g) The period of time for compliance with the award, when appropriate;

(h) The share of the expenses in accordance with Article 21 of the Chapter;

(i) The date and place of the issue;

(j) The signature of all the members of the Arbitration Tribunal.

"Ex parte" Contacts

34. The Arbitration Tribunal shall not meet or contact a party in the absence of the other parties.

35. No arbitrator may discuss any aspect of the subject matter of the proceedings with one party or other parties in the absence of the other arbitrators.

Urgent Cases

36. In cases of urgency referred to in Article 16.4 of the Chapter, the Arbitration Tribunal shall, after consulting the parties, modify the time-limits referred to in these rules as appropriate and shall notify the parties of any such adjustments.

CHAPTER XII

EXCEPTIONS

Article 1 -General Exceptions

Nothing in this Agreement shall prevent any Signatory Party from taking actions and adopting measures consistent with Articles XX and XXI of the GATT 1994 including measures affecting re-exports to non-parties or re-imports from non-parties.

Article 2- Taxation

1. Except as set out in this Article, nothing in this Agreement shall apply to taxation measures.

2. Notwithstanding Paragraph 1, the obligation of national treatment as defined in Article 1 of Chapter II (General Provisions) shall apply to internal taxation measures to the same extent as does Article III of the General Agreement on Tariffs and Trade 1994.

3. Nothing in this Agreement shall affect the rights and obligations of any Party or Signatory Party under any tax convention to which they are a party. In the event of any inconsistency between this Agreement and that convention, that convention shall prevail to the extent of the inconsistency.

Article 3- Limitations on Imports

The limitation on the importation of non- kosher meat in Israel shall not be considered as a measure in violation of this Agreement.

CHAPTER XIII

FINAL PROVISIONS

Article 1- Evolutionary Clause

Where a Party considers that it would be useful in the interests of the economies of the Parties to develop and deepen the relations established by the Agreement by extending them to fields not covered thereby, it shall submit a reasoned request to the Joint Committee. The Joint Committee shall examine such a request and, where appropriate, make recommendations by consensus, particularly with a view to opening negotiations.

Article 2- Protocols and Annexes

Protocols and Annexes to this Agreement are an integral part of it. The Joint Committee is authorised to amend the Protocols and Annexes, by a Joint Committee decision.

Article 3- Amendments

Amendments to this Agreement other than those referred to in Article 2 of this Chapter, which are decided upon by the Joint Committee, shall be submitted to the Signatory Parties for ratification and shall enter into force after confirming that all internal legal procedures required by each Signatory Party for their entry into force have been completed.

Article 4 – Application of the Agreement

The Agreement shall apply to the territories where the customs laws of the Signatory Parties are applied, as well as to free-trade zones.

Article 5- Entry into Force

Until all Signatory Parties have completed their ratification processes, this Agreement shall enter into force, bilaterally, 30 days after the Depositary has informed the reception of the two

first instruments of ratification, provided that Israel is among the Signatory Parties that have deposited the instrument of ratification.

Concerning the other Signatory Parties, this Agreement shall enter into force 30 days after the Depositary has notified the reception of each of the instruments of ratification.

Article 6-Depositary

The Government of the Republic of Paraguay shall act as Depositary of this Agreement and shall notify all Parties that have signed or acceeded to this Agreement of the deposit of any instrument of ratification, acceptance or accession, the entry into force of this Agreement, of its expiry or of any withdrawal therefrom.

Article 7 -Accession

1. Upon a decision to accede to the Agreement, any State that becomes a party to MERCOSUR after the date of signature of this Agreement shall deposit the instruments of accession with the Depositary.

2. The Agreement shall enter into force for the new MERCOSUR Party thirty (30) days after the deposit of its instrument of accession.

3. The terms and conditions of the Agreement shall apply to the same extent and in accordance with the levels of concessions and preferences in force on the date of the entry into force of its accession.

4. With regard to paragraph (1), the Joint Committee shall hold consultations in order to consider relevant developments in light of further consolidation of the customs union of MERCOSUR.

Article 8- Withdrawal

1. This Agreement shall be valid indefinitely.

2. Each Party may withdraw from this Agreement by means of a written notification to the Depositary. The withdrawal shall take effect six months after the date on which the notification through diplomatic channels is received by the Depositary unless a different period is agreed by the Parties.

3. If Israel withdraws from the Agreement, it shall expire at the end of the notice period, and if all Member States of MERCOSUR withdraw it shall expire at the end of the latest notice period.

4. In case any of the Member States of MERCOSUR withdraws from MERCOSUR, it shall notify the Depositary through diplomatic channels. The Depositary shall notify all Parties of the deposit. The present Agreement will no longer be valid for that Member State of MERCOSUR. The withdrawal shall take effect six months after the date on which the notification of its withdrawal from MERCOSUR is received by the Depositary (unless a different period is agreed by the Parties).

Article 9- Authentic Texts

Done in two copies in the Spanish, Portuguese, Hebrew and English languages, each version being equally authentic. In case of differences of interpretation, the English text shall prevail.

IN WITNESS WHEREOF, the undersigned, being duly authorized by their respective Governments, have signed this Agreement.

Done at Montevideo, on the 18th day of December of 2007, which corresponds to the 9th day of Tevet of 5768.

FOR THE ARGENTINE REPUBLIC

FOR THE STATE OF ISRAEL

FOR THE FEDERATIVE REPUBLIC OF BRAZIL

FOR THE REPUBLIC OF PARAGUAY

FOR THE ORIENTAL REPUBLIC OF URUGUAY