

INTERIM AGREEMENT BETWEEN THE EFTA STATES AND THE PALESTINE LIBERATION ORGANIZATION FOR THE BENEFIT OF THE PALESTINIAN AUTHORITY

PREAMBLE

The Republic of Iceland, the Principality of Liechtenstein, the Kingdom of Norway, the Swiss Confederation (hereinafter referred to as the EFTA States) and the PLO for the benefit of the Palestinian Authority (hereinafter referred to as the Palestinian Authority), Considering the importance of the links existing between the EFTA States and the Palestinian Authority, in particular the Declaration signed in Geneva in December 1996, and recognising the common wish to strengthen these links, thus establishing close and lasting relations,

Recalling their intention to participate actively in the process of economic integration in the Euro-Mediterranean region, and expressing their preparedness to co-operate in seeking ways and means to strengthen this process,

Reaffirming their commitment to pluralistic democracy based on the rule of law, human rights, including rights of persons belonging to minorities, and fundamental freedoms, and recalling the principles of the United Nations Charter,

Considering the importance of the Middle East peace process leading to a permanent settlement based on Security Council Resolutions 242 and 338,

Considering the rights and obligations under the international agreements which they have signed and the importance of the Oslo agreements,

Desiring to create favourable conditions for the development and diversification of trade between them and for the promotion of commercial and economic co-operation in areas of common interest on the basis of equality, mutual benefit, non-discrimination and international law,

Recalling the membership of the EFTA States in the World Trade Organization (WTO) and their commitment to comply with the rights and obligations arising from the Agreement establishing the WTO, including the principles of most-favoured-nation and of national treatment, and also recalling the objective of the Palestinian Authority of becoming a Member of the WTO,

Resolved to contribute to the strengthening of the multilateral trading system and to develop their relations towards free trade in compliance with WTO rules,

Considering that no provision of this Agreement may be interpreted as exempting the Parties to this Agreement from their obligations under other international agreements,

Determined to implement this Agreement with the objective to preserve and protect the environment and to ensure an optimal use of natural resources in accordance with the principle of sustainable development,

Firmly convinced that this Agreement will contribute to the creation of an enlarged and harmonious free-trade area between European and Mediterranean partners, thus constituting an important contribution to Euro-Mediterranean integration,

Considering the difference in economic and social development existing between the Parties and the need to intensify existing efforts to promote economic and social development in the West Bank and the Gaza Strip,

Declaring their readiness to examine the possibility of developing and deepening their economic relations in order to extend them to fields not covered by this Agreement, in accordance with their respective powers,

Convinced that this Agreement provides an appropriate framework for exchange of information and views on economic developments and trade as well as related matters, Convinced that this Agreement will create favourable conditions to strengthen both bilateral and multilateral relations between the Parties in the economic field, in particular concerning trade and investment,

Recognising that this Agreement and its implementation should be reviewed in light of further developments in international economic relations and the Middle East peace process.

Have decided, in pursuit of the above, to conclude the following interim Agreement (hereinafter called this Agreement):

Article 1

Objectives

1. The EFTA States and the Palestinian Authority shall establish a free trade area, in accordance with the provisions of this Agreement.
2. The objectives of this Agreement, which is based on trade relations between market economies and on the respect of democratic principles and human rights, are:
 - (a) to promote, through the expansion of reciprocal trade, the harmonious development of the economic relations between the EFTA States and the Palestinian Authority and thus to foster in the EFTA States and in the West Bank and the Gaza Strip the advance of economic activity, the improvement of living and employment conditions, and increased productivity and financial stability;
 - (b) to provide fair conditions of competition for trade between the Parties to this Agreement and to facilitate trade between the constituent territories and not to raise barriers to the trade of other trading partners with them;
 - (c) to contribute in this way, by the removal of barriers to trade, to Euro-Mediterranean economic integration and to the harmonious development and expansion of world trade.

Article 2

Scope

This Agreement shall apply:

- (a) to products falling within Chapters 25 to 97 of the Harmonized Commodity Description and Coding System (HS), excluding the products listed in Annex I;
- (b) to products specified in Protocol A, with due regard to the arrangements provided for in that Protocol;
- (c) to fish and other marine products as provided for in Annex II; originating in an EFTA State or in the West Bank and the Gaza Strip.

Article 3

Rules of origin and co-operation in customs administration

1. Protocol B lays down the rules of origin and methods of administrative co-operation.
2. The Parties to this Agreement shall take appropriate measures, including reviews by the Joint Committee and arrangements for administrative co-operation, to ensure that the provisions of Articles 4 (Customs duties on imports and charges having equivalent effect), 5 (Customs duties of a fiscal nature), 6 (Customs duties on exports and charges

having equivalent effect), 7 (Quantitative restrictions on imports or exports and measures having equivalent effect), 12 (Internal taxation and regulations) and 21 (Re-export and serious shortage) of this Agreement and Protocol B are effectively and harmoniously applied, and to reduce, as far as possible, the formalities imposed on trade, and to achieve mutually satisfactory solutions to any difficulties arising from the operation of those provisions.

3. On the basis of the reviews referred to in paragraph 2, the Parties to this Agreement shall decide on the appropriate measures to be taken.

Article 4

Customs duties on imports and charges having equivalent effect

1. No new customs duty on imports or charge having equivalent effect shall be introduced in trade between the EFTA States and the West Bank and the Gaza Strip.
2. The EFTA States and the Palestinian Authority shall abolish on the date of entry into force of this Agreement all customs duties on imports and any charges having equivalent effect on products originating in an EFTA State or the West Bank and the Gaza Strip.

Article 5

Customs duties of a fiscal nature

The provisions of Article 4 (Customs duties on imports and charges having equivalent effect) shall also apply to customs duties of a fiscal nature.

Article 6

Customs duties on exports and charges having equivalent effect

1. No new customs duty on exports or charge having equivalent effect shall be introduced in trade between the EFTA States and the West Bank and the Gaza Strip.
2. The EFTA States and the Palestinian Authority shall abolish on the date of entry into force of this Agreement all customs duties on exports and any charges having equivalent effect on products originating in an EFTA State or the West Bank and the Gaza Strip.

Article 7

Quantitative restrictions on imports or exports and measures having equivalent effect

1. No new quantitative restriction on imports or exports and measures having equivalent effect shall be introduced in trade between the EFTA States and the West Bank and the Gaza Strip.
2. The EFTA States and the Palestinian Authority shall abolish on the date of entry into force of this Agreement quantitative restrictions on imports or exports and measures having equivalent effect.

Article 8

General exceptions

This Agreement shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security;

the protection of health and life of humans, animals or plants and the environment; the protection of national treasures possessing artistic, historic or archaeological value; the protection of intellectual property; rules relating to gold or silver; or the conservation of exhaustible natural resources, if such measures are made effective in conjunction with restrictions on domestic production or consumption. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between the Parties to this Agreement.

Article 9 State monopolies

1. The EFTA States shall ensure that any state monopoly of a commercial character be adjusted, with the exceptions laid down in Protocol C, so that no discrimination regarding the conditions under which goods are procured and marketed will exist between nationals of the EFTA States and the Palestinian people of the West Bank and the Gaza Strip. These goods shall be procured and marketed in accordance with commercial considerations.
2. The Palestinian Authority will progressively adjust any state monopoly of a commercial character so that at the latest by the end of 31 December 2001, no discrimination regarding the conditions under which goods are procured and marketed will exist between the Palestinian people of the West Bank and the Gaza Strip and the nationals of the EFTA States. The Joint Committee will be informed of the measures adopted to implement these objectives.
3. The provisions of this Article shall apply to any body through which the competent authorities of the Parties to this Agreement, in law or in fact, either directly or indirectly supervise, determine or appreciably influence imports or exports between the Parties to this Agreement. These provisions shall likewise apply to monopolies delegated to other bodies.

Article 10 Technical regulations

The Parties to this Agreement shall, within the framework of the Joint Committee, discuss closer co-operation on matters related to removing technical barriers to trade. This co-operation shall take place in fields related to technical regulations, standardisation as well as conformity assessment.

Article 11 Trade in agricultural products

1. The Parties to this Agreement declare their readiness to foster, in so far as their agricultural policies allow, harmonious development of trade in agricultural products.
2. In pursuance of this objective each individual EFTA State and the Palestinian Authority concluded a bilateral arrangement providing for measures to facilitate trade in agricultural products.
3. The Parties to this Agreement shall apply their regulations in sanitary and phytosanitary matters in a non-discriminatory fashion and shall not introduce any new measures that have the effect of unduly obstructing trade.

Article 12

Internal taxation and regulations

1. The Parties to this Agreement shall apply any internal taxes and other charges and regulations in accordance with Article III of the General Agreement on Tariffs and Trade 1994 and other relevant WTO Agreements.
2. Exporters may not benefit from repayment of internal taxation in excess of the amount of direct or indirect taxation imposed on products exported to the territory of one of the Parties to this Agreement.

Article 13

Payments and transfers

1. Payments relating to trade between an EFTA State and the West Bank and the Gaza Strip and the transfer of such payments to the territory of the Party to this Agreement where the creditor resides, shall be free from any restrictions.
2. The Parties to this Agreement shall refrain from any currency exchange or administrative restrictions on the grant, repayment or acceptance of short and medium-term credits covering commercial transactions in which a resident participates.
3. No restrictive measures shall apply to transfers related to investments and in particular to the repatriation of amounts invested or reinvested and of any kind of revenues stemming therefrom.

Article 14

Public procurement

1. The Parties to this Agreement consider the effective liberalization of their respective public procurement markets, on the basis of non-discrimination and reciprocity, as an integral objective of this Agreement.
2. To this effect, the Parties shall co-operate within the framework of the Joint Committee.

Article 15

Protection of intellectual property

1. The Parties shall grant and ensure adequate and effective protection of intellectual property rights in accordance with the highest international standards. They shall adopt and take adequate and effective measures for the enforcement of such rights against infringement thereof, in particular against counterfeiting and piracy.
2. The Parties shall co-operate in matters of intellectual property in accordance with Article 26 (Technical assistance) of this Agreement.
3. The implementation of this Article shall be regularly reviewed by the Parties. If problems which affect trade arise in connection with intellectual property rights, urgent consultations shall be undertaken within the framework of the Joint Committee, at the request of any Party, with a view to reaching mutually satisfactory solutions.

Article 16

Rules of competition concerning undertakings

1. The following are incompatible with the proper functioning of this Agreement in so far as they may affect trade between an EFTA State and the West Bank and the Gaza Strip:
 - (a) all agreements between undertakings, decisions by associations of undertakings and concerted practices between undertakings which have as their object or effect the prevention, restriction or distortion of competition;
 - (b) abuse by one or more undertakings of a dominant position in the territories of the Parties to this Agreement as a whole or in a substantial part thereof.
2. The provisions of paragraph 1 shall also apply to the activities of public undertakings, and undertakings for which the Parties to this Agreement grant special or exclusive rights, in so far as the application of these provisions does not obstruct the performance, in law or in fact, of the particular public tasks assigned to them.
3. If a Party to this Agreement considers that a given practice is incompatible with the provisions of paragraphs 1 and 2, it may take appropriate measures under the conditions and in accordance with the procedures laid down in Article 23 (Procedure for the application of safeguard measures).

Article 17

State aid

1. Any aid granted by a Party to this Agreement or through public resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it may affect trade between an EFTA State and the West Bank and the Gaza Strip, be incompatible with the proper functioning of this Agreement.
2. Any practices contrary to paragraph 1 should be assessed on the basis of the criteria set out in Annex III. The Parties recognise that the Palestinian Authority may, until 31 December 2001, grant state aid to undertakings as an instrument to tackle its specific development problems.
3. The Parties to this Agreement shall ensure transparency of state aid measures by exchanging information as provided in Annex IV.
4. If a Party to this Agreement considers that a given practice is incompatible with the provisions of paragraph 1, it may take appropriate measures under the conditions and in accordance with the procedures laid down in Article 23 (Procedure for the application of safeguard measures).

Article 18

Dumping

If an EFTA State finds that dumping within the meaning of Article VI of the General Agreement on Tariffs and Trade 1994 is taking place in trade with the West Bank and the Gaza Strip, or if the Palestinian Authority finds that dumping within this meaning is taking place in trade with an EFTA State, the Party concerned may take appropriate measures against this practice in accordance with the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 and with the procedure laid down in Article 23 (Procedure for the application of safeguard measures).

Article 19

Emergency action on imports of particular products

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

- (a) serious injury to domestic producers of like or directly competitive products in the territory of the importing Party to this Agreement, or
 - (b) serious disturbances in any related sector of the economy or difficulties which could bring about serious deterioration in the economic situation of a region,
- the Party concerned may take appropriate measures under the conditions and in accordance with the procedure laid down in Article 23 (Procedure for the application of safeguard measures).

Article 20

Structural adjustment

1. Exceptional measures of limited duration which derogate from the provisions of Article 4 (Customs duties on imports and charges having equivalent effect) may be taken by the Palestinian Authority in the form of increased customs duties or when not applicable or effective, in the form of structural adjustment charges on products listed in Annex V.

2. Without prejudice to measures related to products covered by Annex V, measures mentioned in paragraph 1 may only be applied to infant industries, or certain sectors undergoing restructuring or facing serious difficulties, particularly where these difficulties produce important social problems.

3. After the introduction of these measures, the total ad valorem customs duties and structural adjustment charges applicable in the West Bank and the Gaza Strip to products originating in an EFTA State may not exceed 25 per cent and shall maintain an element of preference for products originating in an EFTA State. They may not exceed customs duties levied on imports to the West Bank and the Gaza Strip of similar goods from any other country. The total value of imports of the products which are subject to these measures may not exceed 15 per cent of total imports of industrial products from the EFTA States as defined in Article 2(a) during the last year for which statistics are available.

4. These measures shall be applied for a period not exceeding 5 years unless a longer duration is authorized by the Joint Committee.

5. The Palestinian Authority shall inform the Joint Committee of any exceptional measures it intends to take and, at the request of the EFTA States, consultations shall be held in the Joint Committee on such measures and the sectors to which they apply before they are applied. When taking such measures the Palestinian Authority shall provide the Joint Committee with a schedule for the elimination of the customs duties or structural adjustment charges introduced under this Article. This schedule shall provide for a phasing out of these duties or structural adjustment charges at equal annual rates starting at the latest two years after their introduction. The Joint Committee may decide on a different schedule.

Article 21

Re-export and serious shortage

Where compliance with the provisions of Articles 6 (Customs duties on exports and charges having equivalent effect) and 7 (Quantitative restrictions on imports or exports and measures having equivalent effect) leads to:

(a) re-export to a third country against which the exporting Party to this Agreement maintains, for the product concerned, quantitative export restrictions, export duties or measures or charges having equivalent effect; or

(b) a serious shortage, or threat thereof, of a product essential to the exporting Party to this Agreement;

and where the situations referred to above give rise or are likely to give rise to major difficulties for the exporting Party, that Party may take appropriate measures under the conditions and in accordance with the procedures laid down in Article 23 (Procedure for the application of safeguard measures). The measures shall be non-discriminatory and be eliminated when conditions no longer justify their maintenance.

Article 22

Balance of payments difficulties

1. The Parties to this Agreement shall endeavour to avoid the imposition of restrictive measures for balance of payments purposes.

2. A Party in serious balance of payments difficulties, or under imminent threat thereof, may, in accordance with the conditions established under the General Agreement on Tariffs and Trade 1994 and the Understanding on the Balance-of-Payments Provisions of the General Agreement on Tariffs and Trade 1994, adopt trade restrictive measures, which shall be of limited duration and non-discriminatory, and may not go beyond what is necessary to remedy the balance of payments situation. Preference shall be given to price-based measures which shall be progressively relaxed as balance of payments conditions improve and eliminated when conditions no longer justify their maintenance. The Party introducing such restrictive measures, shall inform the other Parties to this Agreement and the Joint Committee forthwith, if possible, prior to their introduction and shall provide a time schedule for their removal. The Joint Committee shall, upon the request of any other Party, examine the need for maintaining the measures taken.

Article 23

Procedure for the application of safeguard measures

1. Before initiating the procedure for the application of safeguard measures set out in the following paragraphs of the present Article, the Parties to this Agreement shall endeavour to solve any differences between them through direct consultations, and inform the other Parties to this Agreement thereof.

2. Without prejudice to paragraph 6 of the present Article, a Party which considers resorting to safeguard measures shall promptly notify the other Parties and the Joint Committee thereof and supply all relevant information. Consultations between the Parties to this Agreement shall take place without delay in the Joint Committee with a view to finding a commonly acceptable solution.

3. (a) As regards Articles 16 (Rules of competition concerning undertakings) and 17 (State aid), the Parties concerned shall give to the Joint Committee all the assistance required in order to examine the case and, where appropriate, eliminate the practice objected to. If the Party in question fails to put an end to the practice objected to within

the period fixed by the Joint Committee or if the Joint Committee fails to reach an agreement after consultations, or after thirty days following referral for such consultations, the Party concerned may adopt the appropriate measures to deal with the difficulties resulting from the practice in question.

(b) As regards Articles 18 (Dumping), 19 (Emergency action on imports of particular products) and 21 (Re-export and serious shortage), the Joint Committee shall examine the case or the situation and may take any decision needed to put an end to the difficulties notified by the Party concerned. In the absence of such a decision within thirty days of the matter being referred to the Joint Committee, the Party concerned may adopt the measures necessary in order to remedy the situation.

(c) As regards Article 30 (Fulfillment of obligations), the Party concerned shall supply the Joint Committee with all relevant information required for a thorough examination of the situation with a view to seeking a commonly acceptable solution. If the Joint Committee fails to reach such a solution or if a period of three months has elapsed from the date of notification, the Party concerned may take appropriate measures.

4. The safeguard measures taken shall be notified immediately to the Parties to this Agreement and to the Joint Committee. They shall be restricted with regard to their extent and to their duration to what is strictly necessary in order to rectify the situation giving rise to their application and shall not be in excess of the injury caused by the practice or the difficulty in question. Priority shall be given to such measures that will least disturb the functioning of this Agreement. The measures taken by the Palestinian Authority against an action or an omission of an EFTA State may only affect the trade with that State. The measures taken against an action or omission of the Palestinian Authority may be taken only by that or those EFTA States the trade of which is affected by the said action or omission other than those taken under Article 19 (Emergency action on imports of particular products) and Article 21 (Re-export and serious shortage).

5. The safeguard measures taken shall be the object of regular consultations within the Joint Committee with a view to their relaxation, substitution or abolition, when conditions no longer justify their maintenance.

6. Where exceptional circumstances requiring immediate action make prior examination impossible, the Party concerned may, in the cases of Articles 18 (Dumping), 19 (Emergency action on imports of particular products) and 21 (Re-export and serious shortage) and in cases of state aid having a direct and immediate incidence on trade between the Parties, apply forthwith the precautionary and provisional measures strictly necessary to remedy the situation. The measures shall be notified without delay and consultations between the Parties to this Agreement shall take place as soon as possible within the Joint Committee.

Article 24

Security exceptions

Nothing in this Agreement shall prevent a Party to this Agreement from taking any measures which it considers necessary:

- (a) to prevent the disclosure of information contrary to its essential security interests;
- (b) for the protection of its essential security interests or for the implementation of international obligations or national policies

- (i) relating to the traffic in arms, ammunition and implements of war, provided that such measures do not impair the conditions of competition in respect of products not intended for specifically military purposes, and to such traffic in other goods, materials and services as is carried on directly or indirectly for the purpose of supplying a military establishment; or
- (ii) relating to the non-proliferation of biological and chemical weapons, nuclear weapons or other nuclear explosive devices; or
- (iii) taken in time of war or other serious international tension.

Article 25

Services and Investments

1. The Parties recognize the growing importance of services and investments. In their efforts to gradually develop and broaden their co-operation, the Parties will co-operate with the aim of further promoting investments and achieving a gradual liberalization and mutual opening of markets for trade in services.
2. The Parties will discuss this co-operation in the Joint Committee with the aim of developing and deepening their relations under this Agreement.

Article 26

Technical assistance

In order to facilitate the implementation of this Agreement the Parties shall agree upon appropriate modalities for technical assistance and co-operation of their respective authorities in trade-related matters. To this end, they shall co-ordinate efforts with relevant international organizations.

Article 27

The Joint Committee

1. The implementation of this Agreement shall be supervised and administered by a Joint Committee.
2. For the purpose of the proper implementation of this Agreement, the Parties to this Agreement shall exchange information and, at the request of any Party to this Agreement, 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 EFTA States and the West Bank and the Gaza Strip.
3. The Joint Committee may take decisions in the cases provided for in this Agreement. On other matters the Joint Committee may make recommendations.

Article 28

Procedures of the Joint Committee

1. For the proper implementation of this Agreement the Joint Committee shall meet on a regular basis and whenever agreed to be necessary. Each Party to this Agreement may request that a meeting be held.
2. The Joint Committee shall act by common agreement.

3. If a representative in the Joint Committee of a Party to this Agreement has accepted a decision subject to the fulfilment of constitutional requirements, the decision shall enter into force, if no later date is contained therein, on the date the lifting of the reservation is notified.
4. For the purpose of this Agreement the Joint Committee shall adopt its rules of procedure.
5. The Joint Committee may decide to set up such sub-committees and working parties as it considers necessary to assist it in accomplishing its tasks.

Article 29

Arbitration Procedure

1. Disputes between Parties to this Agreement, relating to the interpretation of rights and obligations of the Parties to this Agreement, which have not been settled through consultation or in the Joint Committee within six months, may be referred to arbitration by any party to the dispute by means of a written notification addressed to the other party to the dispute. A copy of this notification shall be communicated to all Parties to this Agreement.
2. The constitution and functioning of the arbitral tribunal is governed by Annex VI.
3. The arbitral tribunal shall settle the dispute in accordance with the provisions of this Agreement and applicable rules and principles of international law.
4. The award of the arbitral tribunal shall be final and binding upon the parties to the dispute.

Article 30

Fulfilment of obligations

1. The Parties to this Agreement shall take all necessary measures to ensure the achievement of the objectives of this Agreement and the fulfilment of their obligations under this Agreement.
2. If an EFTA State considers that the Palestinian Authority has, or if the Palestinian Authority considers that an EFTA State has failed to fulfil an obligation under this Agreement, the Party concerned may take the appropriate measures under the conditions and in accordance with the procedures laid down in Article 23 (Procedure for the application of safeguard measures).

Article 31

Annexes and Protocols

The Annexes and the Protocols to this Agreement are an integral part of it. The Joint Committee may decide to amend the Annexes and Protocols.

Article 32

Trade relations governed by this Agreement

This Agreement applies to trade relations between, on the one side, the EFTA States and, on the other side, the West Bank and the Gaza Strip, but not to the trade relations between individual EFTA States, except if otherwise provided for in this Agreement. For

the purpose of this Agreement the term "Parties" shall mean the EFTA States and the PLO for the benefit of the Palestinian Authority, which shall act with their respective powers.

Article 33
Territorial application

This Agreement shall apply to the territories of the EFTA States and the territory of the West Bank and the Gaza Strip, except as provided for in Protocol E.

Article 34
Customs unions, free-trade areas and frontier trade

This Agreement shall not prevent the Parties to maintain or establish customs unions, free-trade areas or arrangements for frontier trade to the extent that these do not negatively affect the trade regime.

Article 35
Amendments

Amendments to this Agreement other than those referred to in Article 31 (Annexes and Protocols) which are approved by the Joint Committee shall be submitted to the Parties to this Agreement for acceptance and shall enter into force when they have been accepted and/or ratified by all the Parties. The text of the amendments as well as the instruments of acceptance or ratification shall be deposited with the Depositary.

Article 36
Accession

1. Any new Member of the European Free Trade Association may accede to this Agreement, provided that the Joint Committee decides to approve its accession, to be negotiated between the acceding State and the Parties concerned, on such terms and conditions as may be set out in that decision. The instrument of accession shall be deposited with the Depositary.
2. In relation to an acceding State, this Agreement shall enter into force on the first day of the third month following the deposit of its instrument of accession.

Article 37
Review clause

In order to reach a final Agreement the Parties to this Agreement undertake to review this Agreement and its implementation in the light of further developments in international economic relations and the Middle East peace process. Furthermore, the Parties may instruct the Joint Committee to examine and make recommendations for developing and deepening the co-operation under this Agreement and to extend it to areas not covered therein.

Article 38

Withdrawal and expiration

1. Each Party to this Agreement may withdraw therefrom by means of a written notification to the Depositary. The withdrawal shall take effect six months after the date on which the notification is received by the Depositary.
2. If the Palestinian Authority withdraws, this Agreement shall expire at the end of the notice period, and if all EFTA States withdraw it shall expire at the end of the latest notice period.
3. Any EFTA Member State which withdraws from the Convention establishing the European Free Trade Association shall ipso facto on the same day as the withdrawal takes effect cease to be a Party to this Agreement.

Article 39

Entry into force

1. This Agreement shall enter into force on 1 July 1999 in relation to those Signatories which by then have deposited their instruments of ratification or acceptance with the Depositary, provided that the Palestinian Authority has deposited its instrument of ratification or acceptance.
2. In relation to a Signatory depositing its instrument of ratification or acceptance after 1 July 1999, this Agreement shall enter into force on the first day of the third month following the deposit of its instrument, provided that in relation to the Palestinian Authority this Agreement enters into force at the latest on the same date.
3. Any Signatory may already at the time of signature declare that, during an initial phase, it shall apply this Agreement provisionally if this Agreement cannot enter into force in relation to that Signatory by 1 July 1999. For an EFTA State provisional application is only possible provided that in relation to the Palestinian Authority this Agreement has entered into force, or that the Palestinian Authority is applying this Agreement provisionally.

Article 40

Depositary

The Government of Norway, acting as Depositary, shall notify all Parties that have signed or acceded to this Agreement of the deposit of any instrument of ratification or provisional application, accession, acceptance of amendments under Article 35 (Amendments), as well as of the entry into force of this Agreement and amendments thereto made under the procedure laid down in Article 35 (Amendments), of its expiration or of any withdrawal therefrom.

IN WITNESS WHEREOF the undersigned plenipotentiaries, being duly authorized thereto, have signed the present Agreement.

DONE at Leukerbad, this 30th day of November 1998, in a single original in the English language, which shall be deposited with the Government of Norway. The Depositary shall transmit certified copies to all Signatories, and Parties acceding to this Agreement.

RECORD OF UNDERSTANDING

Parallelism

1. The EFTA States and the Palestinian Authority agree that the Palestinian Authority in fulfilment of its commitments to the European Community under the Interim Association Agreement and a future Association Agreement, will not discriminate against the EFTA States.

Processed Agricultural Products

2. It is the understanding of the EFTA States and the Palestinian Authority that the fixed duties referred to in Article 4 of Protocol A to the Agreement shall not be higher than those applied on imports by Israel of products originating in an EFTA State listed in Table V to Protocol A.

Fish and Other Marine Products

3. The EFTA States and the Palestinian Authority consider the full liberalisation of trade in fish and other marine products as an integral objective of the Agreement. The Palestinian Authority shall fully liberalise imports of such products originating in an EFTA State as soon as conditions permit.

4. The Parties note the Paris Protocol between the Palestinian Authority and Israel, which restrains the competencies of the Palestinian Authority in the field of trade in fish and other marine products. It is the understanding of the Parties that changes under the Free Trade Agreement between the EFTA States and Israel in the field of fish and other marine products will apply in trade relations between the EFTA States and the West Bank and the Gaza Strip until the Palestinian Authority has gained full competencies in this area.

5. With reference to Article 3 of Annex II, it is understood that the reference to "as soon as conditions permit" means when the Palestinian Authority has gained full competencies in the field of fish and other marine products.

Protocol B

6. The EFTA States and the Palestinian Authority acknowledge the importance of regional co-operation in the Mediterranean area. The aim of such co-operation is to provide opportunities for further development of free trade relations between the Parties, as well as within the region, as a contribution to the establishment of a Euro-Mediterranean free trade zone.

7. Consequently, the EFTA States and the Palestinian Authority declare their intention to enter into a dialogue with the countries involved as soon as possible with the aim of introducing the necessary provisions into the Agreement establishing diagonal cumulation with products originating in Egypt, Israel and Jordan, respectively, on a reciprocal basis.

8. The EFTA States and Palestinian Authority agree to search for further extension and improvement of the rules of origin, in particular the inclusion of the Parties to a future Euro-Mediterranean cumulation network, in order to expand and promote production and trade in Europe and the Mediterranean Region.

9. With reference to paragraph 6 of Article 15 of Protocol B, the EFTA States and the Palestinian Authority agree that on the request of a Party to the Agreement, consultations should be held regarding any negative effect resulting from this derogation with the aim of reaching a satisfactory solution. The EFTA States and the Palestinian

Authority also agree that any review taken by the Joint Committee shall reflect the practice applied between the Palestinian Authority and the European Community.

Protection of Intellectual Property

10. Technical assistance will be provided by the EFTA States in order to support the efforts of the Palestinian Authority to facilitate the implementation of its commitments regarding intellectual property protection.

Structural Adjustment

11. It is understood that the level of duties or structural adjustment charges applied on products originating in an EFTA States will not be higher than those applied on like products originating in the European Community.

12. With reference to paragraph 3 of Article 20, if there is a disagreement with regard to the actual value of imports of industrial products, international trade statistics such as those of UN/ECE, WTO and OECD will be used, when available.

Technical Assistance

13. It is understood that the EFTA States will provide technical assistance to the Palestinian Authority in trade policy matters related to the implementation of the Agreement. Such assistance will take the form of EFTA trade policy seminar and seminar on customs issues, and other technical assistance projects as agreed between the Parties.

Review Clause

14. The Agreement will be reviewed following a further transfer of competencies to the Palestinian Authority and the finalisation of the permanent status negotiations in order to reach a final Agreement.

15. The EFTA States and the Palestinian Authority undertake to review the Agreement after the Palestinian Authority formally engages in an accession process to the WTO. DONE at Leukerbad, this 30th day of November 1998, in a single original in the English language, which shall be deposited with the Government of Norway. The Depositary shall transmit certified copies to all Signatories, and Parties acceding to this Agreement.