

EURO-MEDITERRANEAN AGREEMENT
ESTABLISHING AN ASSOCIATION
BETWEEN THE EUROPEAN COMMUNITIES
AND THEIR MEMBER STATES, OF THE ONE PART,
AND THE ARAB REPUBLIC OF EGYPT, OF THE OTHER PART

THE KINGDOM OF BELGIUM,
THE KINGDOM OF DENMARK,
THE FEDERAL REPUBLIC OF GERMANY,
THE HELLENIC REPUBLIC,
THE KINGDOM OF SPAIN,
THE FRENCH REPUBLIC,
IRELAND,
THE ITALIAN REPUBLIC,
THE GRAND DUCHY OF LUXEMBOURG,
THE KINGDOM OF THE NETHERLANDS,
THE AUSTRIAN REPUBLIC,
THE PORTUGUESE REPUBLIC,
THE REPUBLIC OF FINLAND,
THE KINGDOM OF SWEDEN,
THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND,

Contracting Parties to the Treaty establishing the EUROPEAN COMMUNITY and the Treaty establishing the EUROPEAN COAL AND STEEL COMMUNITY, hereinafter referred to as the "Member States", and

the EUROPEAN COMMUNITY, and the EUROPEAN COAL AND STEEL COMMUNITY, hereinafter referred to as "the Community",

of the one part, and

the ARAB REPUBLIC OF EGYPT, hereinafter referred to as "Egypt",

of the other part,

CONSIDERING the importance of the existing traditional links between the Community, its Member States and Egypt, and the common values that they share,

CONSIDERING that the Community, its Member States and Egypt wish to strengthen those links and to establish lasting relations based on partnership and reciprocity,

CONSIDERING the importance which the Parties attach to the principles of the United Nations Charter, particularly the observance of human rights, democratic principles and political and economic freedoms which form the very basis of the Association,

DESIROUS of establishing and developing regular political dialogue on bilateral and international issues of mutual interest,

CONSIDERING the difference in economic and social development existing between Egypt and the Community and the need to strengthen the process of economic and social development in Egypt,

DESIROUS of enhancing their economic relations and, in particular, the development of trade, investment and technological cooperation, supported by a regular dialogue, on economic, scientific, technological, cultural, audiovisual and social matters with a view to improving mutual knowledge and understanding,

CONSIDERING the commitment of the Community and Egypt to free trade, and in particular to compliance with the rights and obligations arising out of the provisions of the General Agreement on Tariffs and Trade of 1994 and of the other multilateral agreements annexed to the agreement establishing the World Trade Organisation,

CONSCIOUS of the need to associate their efforts to strengthen political stability and economic development in the region through the encouragement of regional cooperation,

CONVINCED that the Association Agreement will create a new climate for their relations,

HAVE AGREED AS FOLLOWS:

ARTICLE 1

1. An Association is hereby established between the Community and its Member States of the one part and Egypt of the other part.

2. The aims of this Agreement are:

- to provide an appropriate framework for political dialogue, allowing the development of close political relations between the Parties;
- to establish conditions for the progressive liberalisation of trade in goods, services and capital;
- to foster the development of balanced economic and social relations between the Parties through dialogue and cooperation;
- to contribute to the economic and social development of Egypt;
- to encourage regional cooperation with a view to the consolidation of peaceful co-existence and economic and political stability;
- to promote cooperation in other areas which are of mutual interest.

ARTICLE 2

Relations between the Parties, as well as all the provisions of the Agreement itself, shall be based on respect of democratic principles and fundamental human rights as set out in the Universal Declaration on Human Rights, which guides their internal and international policy and constitutes an essential element of this Agreement.

TITLE I

POLITICAL DIALOGUE

ARTICLE 3

1. A regular political dialogue shall be established between the Parties. It shall strengthen their relations, contribute to the development of a lasting partnership and increase mutual understanding and solidarity.
2. The political dialogue and cooperation shall aim, in particular, to:
 - develop better mutual understanding and an increasing convergence of positions on international issues, and in particular on those issues likely to have substantial effects on one or the other Party;
 - enable each Party to consider the position and interests of the other;
 - enhance regional security and stability;
 - promote common initiatives.

ARTICLE 4

The political dialogue shall cover all subjects of common interest, and, in particular peace, security, democracy and regional development.

ARTICLE 5

1. The political dialogue shall take place at regular intervals and whenever necessary, in particular:
 - (a) at ministerial level, mainly in the framework of the Association Council;
 - (b) at senior official level of Egypt of the one part, and of the Presidency of the Council and of the Commission of the other;
 - (c) by taking full advantage of all diplomatic channels including regular briefings by officials, consultations on the occasion of international meetings and contacts between diplomatic representatives in third countries;
 - (d) by any other means which would make a useful contribution to consolidating, developing and stepping up this dialogue.
2. There shall be a political dialogue between the European Parliament and the Egyptian People's Assembly.

TITLE II

FREE MOVEMENT OF GOODS

BASIC PRINCIPLES

ARTICLE 6

The Community and Egypt shall gradually establish a free trade area over a transitional period not exceeding twelve years from the entry into force of this Agreement, according to the modalities set out in this Title and in conformity with the provisions of the General Agreement on Tariffs and Trade of 1994 and of the other multilateral agreements on trade in goods annexed to the agreement establishing the World Trade Organisation (WTO), hereinafter referred to as the GATT.

CHAPTER 1

INDUSTRIAL PRODUCTS

ARTICLE 7

The provisions of this Chapter shall apply to products originating in the Community and Egypt falling within Chapters 25 to 97 of the Combined Nomenclature and of the Egyptian Customs tariff with the exception of the products listed in Annex I.

ARTICLE 8

Imports into the Community of products originating in Egypt shall be allowed free of customs duties and of any other charge having equivalent effect and free of quantitative restrictions and of any other restriction having equivalent effect.

ARTICLE 9

1. Customs duties and charges having equivalent effect applicable on import into Egypt of products originating in the Community listed in Annex II shall be gradually abolished in accordance with the following schedule:

- on the date of entry into force of this Agreement each duty and charge shall be reduced to 75% of the basic duty;
- one year after the date of entry into force of this Agreement each duty and charge shall be reduced to 50% of the basic duty;
- two years after the date of entry into force of this Agreement each duty and charge shall be reduced to 25% of the basic duty;
- three years after the date of entry into force of this Agreement any remaining duty and charge shall be abolished.

2. Customs duties and charges having equivalent effect applicable on import into Egypt of the products originating in the Community listed in Annex III shall be gradually abolished in accordance with the following schedule:

- three years after the date of entry into force of this Agreement each duty and charge shall be reduced to 90% of the basic duty;
- four years after the date of entry into force of this Agreement each duty and charge shall be reduced to 75% of the basic duty;
- five years after the date of entry into force of this Agreement each duty and charge shall be reduced to 60% of the basic duty;
- six years after the date of entry into force of this Agreement each duty and charge shall be reduced to 45% of the basic duty;
- seven years after the date of entry into force of this Agreement each duty and charge shall be reduced to 30% of the basic duty;
- eight years after the date of entry into force of this Agreement each duty and charge shall be reduced to 15% of the basic duty;
- nine years after the date of entry into force of this Agreement any remaining duty and charge shall be abolished.

3. Customs duties and charges having equivalent effect applicable on import into Egypt of the products originating in the Community listed in Annex IV shall be gradually abolished in accordance with the following schedule:

- five years after the date of entry into force of this Agreement each duty and charge shall be reduced to 95% of the basic duty.
- six years after the date of entry into force of this Agreement each duty and charge shall be reduced to 90% of the basic duty;
- seven years after the date of entry into force of this Agreement each duty and charge shall be reduced to 75% of the basic duty;
- eight years after the date of entry into force of this Agreement each duty and charge shall be reduced to 60% of the basic duty;
- nine years after the date of entry into force of this Agreement each duty and charge shall be reduced to 45% of the basic duty;
- ten years after the date of entry into force of this Agreement each duty and charge shall be reduced to 30% of the basic duty;
- eleven years after the date of entry into force of this Agreement each duty and charge shall be reduced to 15% of the basic duty;
- twelve years after the date of entry into force of this Agreement any remaining duty and charge shall be abolished.

4. Customs duties and charges having equivalent effect applicable on import into Egypt of the products originating in the Community listed in Annex V shall be gradually abolished in accordance with the following schedule:

- six years after the date of entry into force of this Agreement each duty and charge shall be reduced to 90% of the basic duty;
- seven years after the date of entry into force of this Agreement each duty and charge shall be reduced to 80% of the basic duty;
- eight years after the date of entry into force of this Agreement each duty and charge shall be reduced to 70% of the basic duty;
- nine years after the date of entry into force of this Agreement each duty and charge shall be reduced to 60% of the basic duty;
- ten years after the date of entry into force of this Agreement each duty and charge shall be reduced to 50% of the basic duty;
- eleven years after the date of entry into force of this Agreement each duty and charge shall be reduced to 40% of the basic duty;
- twelve years after the date of entry into force of this Agreement each duty and charge shall be reduced to 30% of the basic duty;
- thirteen years after the date of entry into force of this Agreement each duty and charge shall be reduced to 20% of the basic duty;

- fourteenth years after the date of entry into force of this Agreement each duty and charge shall be reduced to 10% of the basic duty;
- fifteen years after the date of entry into force of this Agreement any remaining duty and charge shall be abolished.

5. Customs duties and charges having equivalent effect applicable to imports into Egypt of products originating in the Community , other than those in Annexes II, III, IV and V shall be abolished in accordance with the relevant schedule on the basis of a decision of the Association Committee.

6. In the event of serious difficulties for a given product, the relevant timetables in accordance with paragraphs 1, 2, 3 and 4 may be reviewed by the Association Committee by common accord on the understanding that the schedule for which the review has been requested may not be extended in respect of the product concerned beyond the maximum transitional period. If the Association Committee has not taken a decision within thirty days of its application to review the timetable, Egypt may suspend the timetable provisionally for a period that may not exceed one year.

7. For each product concerned, the basic duty to be gradually reduced as provided for in paragraphs 1, 2, 3 and 4 shall be the rates referred to in Article 18.

ARTICLE 10

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

ARTICLE 11

1. By way of derogation from the provisions of Article 9, Egypt may take exceptional measures of limited duration to increase or re-introduce customs duties.
2. Such measures may only apply to new and infant industries or to sectors undergoing restructuring or experiencing serious difficulties, particularly where those difficulties entail severe social problems.
3. Customs duties on import into Egypt of products originating in the Community that are introduced by such exceptional measures may not exceed 25% ad valorem, and must retain a preferential margin for products originating in the Community. The total value of imports of the products subjected to such measures may not exceed 20% of total imports of industrial products from the Community during the last year for which statistics are available.
4. Such measures shall be applied for no longer than five years, except where a longer duration is authorised by the Association Committee. They shall cease to apply at the latest on expiry of the maximum transitional period.
5. Such measures may not be introduced for a given product if more than three years have elapsed since the abolition of all duties, quantitative restrictions and charges and measures having equivalent effect on the product concerned.

6. Egypt shall inform the Association Committee of any exceptional measures it intends to adopt and, at the Community's request, consultations shall be held on the measures and sectors concerned before they are implemented. When adopting such measures, Egypt shall provide the Committee with a schedule for the abolition of the customs duties introduced pursuant to this Article. Such schedule shall provide for the phasing out of the duties concerned by equal annual instalments, starting no later than the end of the second year following their introduction. The Association Committee may decide on a different schedule.

7. By way of derogation from the provisions of paragraph 4, the Association Committee may exceptionally, in order to take into account the difficulties involved in setting up new industries, endorse the measures already taken by Egypt pursuant to paragraph 1 for a maximum period of four years beyond the 12 years transitional period.

CHAPTER 2

AGRICULTURAL, FISHERIES AND PROCESSED AGRICULTURAL PRODUCTS

ARTICLE 12

The provisions of this Chapter shall apply to products originating in the Community and Egypt falling within Chapters 1 to 24 of the Combined Nomenclature and of the Egyptian Customs tariff and to the products listed in Annex I.

ARTICLE 13

The Community and Egypt shall progressively establish a greater liberalisation of their trade in agricultural, fisheries and processed agricultural products of interest to both parties.

ARTICLE 14

1. Agricultural products originating in Egypt listed in Protocol 1 on importation into the Community shall be subject to the arrangements set out in that Protocol.
2. Agricultural products originating in the Community listed in Protocol 2 on importation into Egypt shall be subject to the arrangements set out in that Protocol.
3. Trade for processed agricultural products falling under this chapter shall be subject to the arrangements set out in Protocol 3.

ARTICLE 15

1. During the third year of implementation of the Agreement, the Community and Egypt shall examine the situation in order to determine the measures to be applied by the Community and Egypt from the beginning of the fourth year after the entry into force of the Agreement, in accordance with the objective set out in Article 13.
2. Without prejudice to the provisions of paragraph 1 and taking account of the volume of trade in agricultural, fisheries and processed agricultural products between them and of their particular sensitivity, the Community and Egypt shall examine in the Association Council, product by product and on an orderly and reciprocal basis, the possibility of granting each other further concessions.

ARTICLE 16

1. In the event of specific rules being introduced as a result of the implementation of its agricultural policy or of any alteration of the current rules or in the event of any alteration or extension of the provisions relating to the implementation of its agricultural policy, the Party concerned may amend the arrangements resulting from the Agreement in respect of the products concerned.
2. In such cases, the Party concerned shall inform the Association Committee. At the request of the other Party, the Association Committee shall meet to take due account of the interests of the other Party.
3. If the Community or Egypt, in applying paragraph 1, modifies the arrangements made by this Agreement for agricultural products, they shall accord imports originating in the other Party an advantage comparable to that provided for in this Agreement.
4. The application of this Article should be the subject of consultations in the Association Council.

CHAPTER 3

COMMON PROVISIONS

ARTICLE 17

1. No new quantitative restrictions on imports or any other restriction having equivalent effect shall be introduced in trade between the Community and Egypt.

2. Quantitative restrictions on imports and any other restriction having equivalent effect in trade between the Community and Egypt shall be abolished from the entry into force of this Agreement.

3. The Community and Egypt shall not apply to exports between themselves either customs duties or charges having equivalent effect, or quantitative restrictions or measures having equivalent effect.

ARTICLE 18

1. The applicable rates for imports between the Parties shall be the WTO bound rate or lower applied rate enforced as of 1 January 1999. If, after 1 January 1999, a tariff reduction is applied on an erga omnes basis, the reduced rate shall apply.

2. No new customs duties on imports or exports, or charges having equivalent effect, shall be introduced, nor shall those already applied be increased, in trade between the Community and Egypt, unless this Agreement provides otherwise.

3. The Parties shall communicate to each other their respective applied rates on 1 January 1999.

ARTICLE 19

1. Products originating in Egypt shall not, on importation into the Community, be accorded a treatment more favourable than that which the Member States apply among themselves.

2. Application of the provisions of this Agreement shall be without prejudice to the special provisions for the application of the Community law to the Canary Islands.

ARTICLE 20

1. The Parties shall refrain from any measure or practice of an internal fiscal nature establishing, whether directly or indirectly, discrimination between the products of one Party and like products originating in the territory of the other Party.
2. Products exported to the territory of one of the Parties may not benefit from repayment of indirect internal taxation in excess of the amount of indirect taxation imposed on them either directly or indirectly.

ARTICLE 21

1. This Agreement shall not preclude the maintenance or establishment of customs unions, free trade areas or arrangements for frontier trade, except insofar as they alter the trade arrangements provided for in this Agreement.
2. Consultation between the Parties shall take place within the Association Council concerning agreements establishing customs unions or free trade areas and, where requested, on other major issues related to their respective trade policy with third countries. In particular, in the event of a third country acceding to the Union, such consultation shall take place so as to ensure that account can be taken of the mutual interests of the Parties.

ARTICLE 22

If one of the Parties finds that dumping is taking place in trade with the other Party within the meaning of the provisions of Article VI of the GATT 1994, it may take appropriate measures against this practice in accordance with the WTO Agreement on the Implementation of Article VI of the GATT 1994 and related internal legislation.

ARTICLE 23

Without prejudice to Article 34, the WTO Agreement on Subsidies and Countervailing Measures shall apply between the Parties.

Until the necessary rules referred to in Article 34(2) are adopted, if either Party finds that subsidy is taking place in trade with the other party within the meanings of Articles VI and XVI of the GATT 1994, it may invoke appropriate measures against this practice in accordance with the WTO Agreement on Subsidies and Countervailing Measures and related internal legislation.

ARTICLE 24

1. The provisions of the Article XIX GATT 1994 and the WTO Agreement on Safeguards shall apply between the Parties.

2. Before applying safeguard measures pursuant to the provisions of the Article XIX GATT 1994 and the WTO Agreement on Safeguards, the Party intending to apply such measures shall supply the Association Committee with all relevant information required for a thorough examination of the situation with a view to seeking a solution acceptable to the Parties.

In order to find such a solution, the Parties shall immediately hold consultations within the Association Committee. If, as a result of the consultations, the Parties do not reach an agreement within thirty days of the initiation of the consultations on a solution to avoid the application of the safeguard measures, the Party intending to apply safeguard measures may apply the provisions of the Article XIX GATT 1994 and the WTO Agreement on Safeguards.

3. In the selection of safeguard measures pursuant to this Article, the Parties shall give priority to those which cause least disturbance to the achievement of the objectives of this Agreement.

4. Safeguard measures shall be notified immediately to the Association Committee and shall be the subject of periodic consultations within the Committee, particularly with a view to their abolition as soon as circumstances permit.

ARTICLE 25

1. Where compliance with the provisions of Article 17(3) leads to:

- (i) re-export towards a third country against which the exporting Party maintains, for the product concerned, quantitative export restrictions, export duties, or measures having equivalent effect, or

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

and where the situations referred to above give rise, or are likely to give rise, to major difficulties for the exporting Party, that Party may take appropriate measures, according to the procedures laid down in paragraph 2.

2. The difficulties arising from the situations referred to in paragraph 1 shall be submitted for examination to the Association Committee. The Committee may take any decision needed to put an end to the difficulties. If it has not taken such a decision within thirty days of the matter being referred to it, the exporting Party may apply appropriate measures on the exportation of the product concerned. The measures shall be non-discriminatory and be eliminated when conditions no longer justify their maintenance.

ARTICLE 26

Nothing in this Agreement shall preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security, of the protection of health and life of humans, animals or plants, of the protection of national treasures possessing artistic, historic or archaeological value, of the protection of intellectual property or of regulations concerning gold and silver. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between the Parties.

ARTICLE 27

The concept of "originating products" for the application of the provisions of this Title and the methods of administrative cooperation relating to them are set out in Protocol 4.

ARTICLE 28

The Combined Nomenclature of goods shall be applied to the classification of goods for imports into the Community. The Egyptian customs tariff shall be applied to the classification of goods for imports into Egypt.

TITLE III

RIGHT OF ESTABLISHMENT AND SUPPLY OF SERVICES

ARTICLE 29

1. The Parties reaffirm their respective commitments under the terms of the General Agreement on Trade in Services (GATS) annexed to the Agreement establishing the WTO, and in particular the commitment to accord each other most-favoured-nation treatment in trade in service sectors covered by these commitments.

2. In accordance with the GATS, this treatment shall not apply to:

- (a) advantages accorded by either Party under the provisions of an agreement as defined in Article V of the GATS or under measures adopted on the basis of such an agreement;
- (b) other advantages accorded pursuant to the list of most-favoured-nation exemptions annexed by either Party to the GATS.

ARTICLE 30

1. The Parties will consider extending the scope of the Agreement to include the right of establishment of companies of one Party in the territory of another Party and the liberalisation of the supply of services by companies of one Party to service consumers in another Party.

2. The Association Council shall make the necessary recommendations for the implementation of the objective set out in paragraph 1.

When formulating these recommendations, the Association Council shall take into account the experience gained by the implementation of the MFN treatment granted to each other by the Parties in accordance with their respective obligations under the GATS, and in particular Article V thereof.

3. The objective set out in paragraph 1 of this Article shall be subject to a first examination by the Association Council at the latest five years after the entry into force of this Agreement.

TITLE IV

CAPITAL MOVEMENTS AND OTHER ECONOMIC MATTERS

CHAPTER 1

PAYMENTS AND CAPITAL MOVEMENTS

ARTICLE 31

Subject to the provisions of Article 33, the Parties undertake to authorise, in fully convertible currency, any payments to the current account.

ARTICLE 32

1. The Community and Egypt will ensure, from the entry into force of the Agreement, the free circulation of capital for direct investments made in companies formed in accordance with the laws of the host country, and the liquidation or repatriation of these investments and of any profit stemming therefrom.
2. The Parties will hold consultations with a view to facilitating the movement of capital between the Community and Egypt and achieve its complete liberalisation as soon as conditions are met.

ARTICLE 33

Where one or several Member States of the Community or Egypt face, or risk facing, serious difficulties concerning balance of payments, the Community or Egypt respectively may, in conformity with the conditions laid down within the framework of the GATT and Articles VIII and XIV of the Statutes of the International Monetary Fund, take restrictive measures with regard to current payments if such measures are strictly necessary. The Community or Egypt, as appropriate, shall inform the other Party immediately thereof and shall provide as soon as possible a timetable for the removal of such measures.

CHAPTER 2

COMPETITION AND OTHER ECONOMIC MATTERS

ARTICLE 34

1. The following are incompatible with the proper functioning of the Agreement, insofar as they may affect trade between the Community and Egypt:

- (i) 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;
- (ii) abuse by one or more undertakings of a dominant position in the territories of the Community or Egypt as a whole or in a substantial part thereof;
- (iii) any public aid which distorts, or threatens to distort, competition by favoring certain undertakings or the production of certain goods.

2. The Association Council shall, within five years of the entry into force of the Agreement, adopt by decision the necessary rules for the implementation of paragraph 1.

Until these rules are adopted, the provisions of Article 23 shall be applied as regards the implementation of paragraph 1(iii).

3. Each Party shall ensure transparency in the area of public aid, inter alia by reporting annually to the other Party on the total amount and the distribution of the aid given and by providing, upon request, information on aid schemes. Upon request by one Party, the other Party shall provide information on particular individual cases of public aid.

4. With regard to agricultural products referred to in Title II, Chapter 2, paragraph 1(iii) does not apply. The WTO Agreement on Agriculture and the relevant provisions on WTO Agreement on Subsidies and Countervailing Duties shall apply with regard to these products.

5. If the Community or Egypt considers that a particular practice is incompatible with the terms of paragraph 1, and:

- is not adequately dealt with under the implementing rules referred to in paragraph 2, or
- in the absence of such rules, and if such practice causes, or threatens to cause, serious prejudice to the interest of the other Party or material injury to its domestic industry, including its services industry.

it may take appropriate measures after consultation within the Association Committee or after thirty working days following referral for such consultation.

With reference to practices incompatible with paragraph 1(iii), such appropriate measures, when the WTO rules are applicable to them, may only be adopted in accordance with the procedures and under the conditions laid down by the WTO or by any other relevant instrument negotiated under its auspices and applicable to the Parties.

6. Notwithstanding any provisions to the contrary adopted in conformity with paragraph 2, the Parties shall exchange information taking into account the limitations imposed by the requirements of professional and business secrecy.

ARTICLE 35

The Member States and Egypt shall progressively adjust, without prejudice to their commitments to the GATT, any State monopolies of a commercial character, so as to ensure that, by the end of the fifth year following the entry into force of this Agreement, no discrimination regarding the conditions under which goods are procured and marketed exists between nationals of the Member States and Egypt. The Association Committee will be informed of the measures adopted to implement this objective.

ARTICLE 36

With regard to public enterprises and enterprises to which special or exclusive rights have been granted, the Association Council shall ensure that, as from the fifth year following the date of entry into force of this Agreement, there is neither enacted nor maintained any measure distorting trade between the Community and Egypt contrary to the Parties' interests. This provision should not obstruct the performance in law or in fact of the particular tasks assigned to these enterprises.

ARTICLE 37

1. Pursuant to the provisions of this Article and of Annex VI, the Parties shall grant and ensure adequate and effective protection of intellectual property rights in accordance with the prevailing international standards, including effective means of enforcing such rights.

2. The implementation of this Article and of Annex VI shall be regularly reviewed by the Parties. If problems in the area of intellectual property affecting trading conditions were to occur, urgent consultations shall be undertaken, at the request of either Party, with a view to reaching mutually satisfactory solutions.

ARTICLE 38

The Parties agree on the objective of a progressive liberalisation of public procurement. The Association Council will hold consultations on the implementation of this objective.

TITLE V

ECONOMIC COOPERATION

ARTICLE 39

Objectives

1. The Parties undertake to intensify economic cooperation in their mutual interest.
2. The aim of economic cooperation shall be to:
 - encourage the implementation of the overall objectives of this Agreement;

- promote balanced economic relations between the Parties;
- support Egypt's own efforts to achieve sustainable economic and social development.

ARTICLE 40

Scope

1. Cooperation shall focus primarily on sectors suffering from internal difficulties or affected by the overall process of liberalisation of the Egyptian economy, and in particular by the liberalisation of trade between Egypt and the Community.
2. Similarly, cooperation shall focus on areas likely to bring the economies of the Community and Egypt closer together, particularly those which will generate growth and employment.
3. Cooperation shall encourage the implementation of measures designed to develop intra-regional cooperation.
4. Conservation of the environment and ecological balance shall be taken into account in the implementation of the various sectors of economic cooperation to which it is relevant.
5. The Parties may agree to extend the economic cooperation to other sectors not covered by the provisions of this Title.

ARTICLE 41

Methods and Modalities

Economic cooperation shall be implemented in particular by:

- (a) a regular economic dialogue between the Parties, which covers all areas of macro-economic policy;
- (b) regular exchange of information and ideas in every sector of cooperation including meetings of officials and experts;
- (c) transfer of advice, expertise and training;
- (d) implementation of joint actions such as seminars and workshops;
- (e) technical, administrative and regulatory assistance.

ARTICLE 42

Education and Training

The Parties shall cooperate with the objective of identifying and employing the most effective means to improve significantly education and vocational training, in particular with regard to public and private enterprises, trade-related services, public administrations and authorities, technical agencies, standardisation and certification bodies and other relevant organisations. In this context, the access of women to higher education and training will receive special attention.

Cooperation shall also encourage the establishment of links between specialised bodies in the Community and in Egypt and shall promote the exchange of information and experience and the pooling of technical resources.

ARTICLE 43

Scientific and Technological Cooperation

Cooperation shall have the objective of:

- (a) encouraging the establishment of durable links between the scientific communities of the Parties, notably through:
 - the access of Egypt to Community R&D programmes, in conformity with existing provisions concerning the participation of third countries;
 - the participation of Egypt in networks of decentralised cooperation;
 - the promotion of synergy between training and research;
- (b) strengthening research capacity in Egypt;
- (c) stimulating technological innovation, transfer of new technologies, and dissemination of know-how.

ARTICLE 44

Environment

1. Cooperation shall aim at preventing deterioration of the environment, controlling pollution and ensuring the rational use of natural resources, with a view to ensuring sustainable development.

2. Cooperation shall focus, in particular, on:

- desertification;
- quality of Mediterranean water and the control and prevention of marine pollution;
- water resource management;
- energy management;
- waste management;
- salinisation;
- environmental management of sensitive coastal areas;
- the impact of industrial development and the safety of industrial plant in particular;
- the impact of agriculture on soil and water quality;
- environmental education and awareness.

ARTICLE 45

Industrial Cooperation

Cooperation shall promote and encourage in particular:

- the debate regarding industrial policy and competitiveness in an open economy;
- industrial cooperation between economic operators in the Community and in Egypt, including access for Egypt to the Community's networks for the rapprochement of businesses and to networks created in the context of decentralised cooperation;
- modernisation and restructuring of Egyptian industry;
- the establishment of an environment favourable to the development of private enterprise, in order to stimulate the growth and the diversification of industrial production;
- technology transfer, innovation and R&D;
- the enhancement of human resources;
- access to the capital market for the financing of productive investments.

ARTICLE 46

Investments and promotion of investments

Cooperation shall aim at increasing the flow of capital, expertise and technology to Egypt through, inter alia:

- appropriate means of identifying investment opportunities and information channels on investment regulations;
- providing information on European investment regimes (such as technical assistance, direct financial support, fiscal incentives and investment insurance) related to outward investments and enhancing the possibility for Egypt to benefit from them;
- a legal environment conducive to investment between the two Parties, where appropriate through the conclusion by the Member States and Egypt of investment protection agreements, and agreements to prevent double taxation;
- examining the creation of joint ventures, especially for SMEs and, when appropriate, the conclusion of agreements between the Member States and Egypt;
- establishing mechanisms for encouraging and promoting investments.

Cooperation may extend to the planning and implementation of projects demonstrating the effective acquisition and use of basic technologies, the use of standards, the development of human resources and the creation of jobs locally.

ARTICLE 47

Standardisation and Conformity assessment

The Parties shall aim to reduce differences in standardisation and conformity assessment. Cooperation in this field shall focus in particular on:

- (a) rules in the field of standardisation, metrology, quality standards, and recognition of conformity, in particular as regards sanitary and phytosanitary standards for agricultural products and foodstuffs;
- (b) upgrading the level of Egyptian conformity assessment bodies, with a view to the establishment, in due time, of mutual recognition agreements in the area of conformity assessment;
- (c) developing structures for the protection of intellectual, industrial and commercial property rights, for standardisation and for setting quality standards.

ARTICLE 48

Approximation of laws

The Parties shall use their best endeavours to approximate their respective laws in order to facilitate the implementation of this Agreement.

ARTICLE 49

Financial services

The Parties shall cooperate with a view to the rapprochement of their standards and rules, in particular:

- (a) to encourage the strengthening and restructuring of the financial sector in Egypt;
- (b) to improve accounting and supervisory and regulatory systems of banking, insurance and other parts of the financial sector in Egypt.

ARTICLE 50

Agriculture and Fisheries

Cooperation shall be aimed at:

- (a) the modernisation and restructuring of agriculture and fisheries, including: the modernisation of infrastructures and of equipment; the development of packaging, storage and marketing techniques; the improvement of private distribution channels;
- (b) the diversification of production and of external outlets, inter alia through the encouragement of joint ventures in the agri-business sector;

- (c) the promotion of cooperation in veterinary and phytosanitary matters and in growing techniques, with the objective of facilitating trade between the Parties. In this regard, the Parties shall exchange information.

ARTICLE 51

Transport

Cooperation shall be aimed at:

- the restructuring and modernisation of road, port and airport infrastructures linked to the main trans-European lines of communication of common interest;
- the establishment and enforcement of operating standards comparable to those prevailing in the Community;
- the upgrading of technical equipment for road/rail transport, container traffic and transshipment;
- the improvement of management of airports, railways and air traffic control, including cooperation between the relevant national bodies;
- the improvement of navigation aids.

ARTICLE 52

Information society and telecommunications

The Parties recognise that information and communication technologies constitute a key element of modern society, vital to economic and social development and a cornerstone of the emerging information society.

The cooperation activities between the Parties in this field shall aim at :

- a dialogue on issues related to the different aspects of the information society, including telecommunications policies;
- the exchanges of information and eventual technical assistance with regulatory matters, standardisation, conformity testing and certification in relation to information technologies and telecommunications;
- the diffusion of new information and communications technologies and the refinement of new applications in these fields;
- the implementation of joint projects for research, technical development or industrial applications in information technologies, communications, telematics and information society;

- the participation of Egyptian organisations in pilot projects and European programmes within the established frameworks;
- interconnection between networks and the interoperability of telematic services in the Community and Egypt.

ARTICLE 53

Energy

The priority areas of cooperation shall be:

- the promotion of renewable energies;
- the promotion of energy-saving and energy efficiency;
- applied research into data bank networks in the economic and social sectors, linking Community and Egyptian operators in particular;
- support for the modernisation and development of energy networks and for their linking to European Community networks.

ARTICLE 54

Tourism

Priorities for cooperation shall be:

- promoting investments in tourism;
- improving the knowledge of the tourist industry and ensuring greater consistency of policies affecting tourism;
- promoting a good seasonal spread of tourism;
- promoting cooperation between regions and cities of neighbouring countries;
- highlighting the importance of the cultural heritage for tourism;
- ensuring that the interaction between tourism and the environment is suitably maintained;
- making tourism more competitive through support for increased professionalism.

ARTICLE 55

Customs

1. The Parties shall develop customs cooperation to ensure that the provisions on trade are observed. Cooperation will focus in particular on:
 - (a) the simplification of controls and procedures concerning the customs clearance of goods;
 - (b) the introduction of the single administrative document and a system to link up the Community's and Egypt's transit arrangements.
2. Without prejudice to other forms of cooperation envisaged in this Agreement, notably for the fight against drugs and money laundering, the Parties' administrations will provide mutual assistance in accordance with the provisions of Protocol 5.

ARTICLE 56

Cooperation on statistics

The main objective of cooperation in this field shall be to harmonise methodology in order to create a reliable basis for handling statistics in all the fields that are covered by this Agreement and lend themselves to the establishment of statistics.

ARTICLE 57

Money laundering

1. The Parties shall cooperate with a view in particular to preventing the use of their financial systems to launder the proceeds arising from criminal activities in general and drug trafficking in particular.
2. Cooperation in this field shall include, in particular, technical and administrative assistance aimed at establishing effective standards relating to the fight against money laundering in line with international standards.

ARTICLE 58

Fight against drugs

1. The Parties shall cooperate with a view in particular to:
 - improving the effectiveness of policies and measures to counter the supply of, and illicit trafficking in, narcotic drugs and psycho-tropic substances and the reduction of the abuse of these products;
 - encouraging a joint approach to reducing demand.
2. The Parties shall determine together, in accordance with their respective legislation, the strategies and cooperation methods appropriate for attaining these objectives. Their operations, other than joint operations, shall form the subject of consultations and close coordination.

The relevant governmental and non-governmental sector bodies, in accordance with their own powers, working with the competent bodies of Egypt, the Community and its Member States, may take part in these operations.

3. Cooperation shall take the form of exchanges of information and, where appropriate, joint activities on:

- establishment or extension of social and health institutions and information centres for the treatment and rehabilitation of drug addicts;
- implementation of projects in the areas of prevention, training and epidemiological research;
- establishment of effective standards relating to the prevention of the diversion of precursors and other essential substances used for the illicit production of narcotic drugs and psychotropic substances, in line with international standards.

ARTICLE 59

Fight against terrorism

In accordance with international conventions and with their respective national legislations, the Parties shall cooperate in this field and focus in particular on:

- exchange of information on means and methods used to counter terrorism;

- exchange of experiences in respect of terrorism prevention;
- joint research and studies in the area of terrorism prevention.

ARTICLE 60

Regional Cooperation

Regional cooperation shall focus on:

- development of economic infrastructures;
- scientific and technological research;
- intra-regional trade;
- customs matters;
- cultural matters;
- environmental issues.

ARTICLE 61

Consumer Protection

Cooperation in this field should be geared to making consumer protection schemes in the European Community and Egypt compatible and should, as far as possible, involve:

- increasing the compatibility of consumer legislation in order to avoid barriers to trade;
- establishment and development of systems of mutual information on dangerous food and industrial products and interconnecting them (rapid alert systems);
- exchanges of information and experts;
- organising training schemes and supplying technical assistance.

TITLE VI

CHAPTER 1

DIALOGUE AND COOPERATION ON SOCIAL MATTERS

ARTICLE 62

The Parties reaffirm the importance they attach to the fair treatment of their workers legally residing and employed in the territory of the other Party. The Member States and Egypt, at the request of any of them, agree to initiate talks on reciprocal bilateral agreements related to the working conditions and social security rights of Egyptian and Member State workers legally resident and employed in their respective territory.

ARTICLE 63

1. The Parties shall conduct regular dialogue on social matters which are of interest to them.
2. This dialogue shall be used to find ways to achieve progress in the field of movement of workers and equal treatment and social integration of Egyptian and Community nationals legally residing in the territories of their host countries.
3. The dialogue shall notably cover all issues related to:
 - (a) migrant communities' living and working conditions;
 - (b) migration;

- (c) illegal migration;
- (d) actions to encourage equal treatment between Egyptian and Community nationals, mutual knowledge of cultures and civilizations, the furthering of tolerance and the removal of discrimination.

ARTICLE 64

Dialogue on social matters shall be conducted in accordance with the same procedures as those provided for in Title I of this Agreement.

ARTICLE 65

With a view to consolidating cooperation between the Parties in the social field, projects and programmes shall be carried out in any area of interest to them.

Priority will be given to:

- (a) reducing migratory pressures, notably by improving living conditions, creating jobs, and income generating activities and developing training in areas from which emigrants come;
- (b) promoting the role of women in economic and social development;
- (c) bolstering and developing Egyptian family planning and mother and child protection programmes;
- (d) improving the social protection system;
- (e) improving the health care system;
- (f) improving living conditions in poor areas;
- (g) implementing and financing exchange and leisure programmes for mixed groups of Egyptian and European young people residing in the Member States, with a view to promoting mutual knowledge of their respective cultures and fostering tolerance.

ARTICLE 66

Cooperation schemes may be carried out in cooperation with the Member States and the relevant international organisations.

ARTICLE 67

A working group shall be set up by the Association Council by the end of the first year following the entry into force of this Agreement. It shall be responsible for the continuous and regular evaluation of the implementation of Chapters 1 to 3.

CHAPTER 2

COOPERATION FOR THE PREVENTION AND CONTROL OF ILLEGAL IMMIGRATION AND OTHER CONSULAR ISSUES

ARTICLE 68

The Parties agree to cooperate in order to prevent and control illegal immigration. To this end:

- each of the Member States agrees to readmit any of its nationals illegally present on the territory of Egypt, upon request by the latter and without further formalities once such persons have been positively identified as such;

- Egypt agrees to readmit any of its nationals illegally present on the territory of a Member State, upon request by the latter and without further formalities once such persons have been positively identified as such.

The Member States and Egypt will also provide their nationals with appropriate identity documents for such purposes.

In respect of the Member States of the European Union, the obligations in this Article shall apply only in respect of those persons who are to be considered their nationals for Community purposes.

In respect of Egypt, the obligation in this Article shall apply only in respect of those persons who are considered nationals of Egypt in accordance to the Egyptian legal system and all the relevant laws concerning citizenship.

ARTICLE 69

After the entry into force of the Agreement, the Parties, at the request of any of them, shall negotiate and conclude bilateral agreements with each other, regulating specific obligations for the readmission of their nationals. These agreements shall also cover, if deemed necessary by any of the Parties, arrangements for the readmission of third country nationals. Such agreements will lay down the details about the categories of persons covered by these arrangements as well as the modalities of their readmission.

Adequate financial and technical assistance to implement these agreements will be provided to Egypt.

ARTICLE 70

The Association Council shall examine what other joint efforts can be made to prevent and control illegal immigration as well as deal with other consular issues.

CHAPTER 3

CO-OPERATION IN CULTURAL MATTERS, AUDIO-VISUAL MEDIA AND INFORMATION

ARTICLE 71

1. The Parties agree to promote cultural cooperation in fields of mutual interest and in a spirit of respect for each other's cultures. They shall establish a sustainable cultural dialogue. This cooperation shall promote in particular:

- conservation and restoration of historic and cultural heritage (such as monuments, sites, artefacts, rare books and manuscripts);
- exchange of art exhibitions, troupes of performing arts, artists, men of letters, intellectuals and cultural events;
- translations;
- training of persons working in the cultural field.

2. Cooperation in the field of audiovisual media shall seek to encourage cooperation in such areas as co-production and training. The Parties shall seek ways to encourage Egyptian participation in Community initiatives in this sector.

3. The Parties agree that existing cultural programmes of the Community and of one or more of the Member States and further activities of interest to both sides can be extended to Egypt.

4. The Parties shall, in addition, work to promote cultural cooperation of a commercial nature, particularly through joint projects (production, investment and marketing), training and exchange of information.

5. The Parties shall, in identifying cooperation projects, programmes and joint activities, give special attention to young people, self-expression, heritage conservation issues, the dissemination of culture, and communication skills using written and audiovisual media.

6. Cooperation shall be implemented in particular through:

- a regular dialogue between the Parties;
- regular exchange of information and ideas in every sector of cooperation including meetings of officials and experts;
- transfer of advice, expertise and training;
- implementation of joint actions such as seminars and workshops;
- technical, administrative and regulatory assistance;
- dissemination of information on cooperation initiatives.

TITLE VII

FINANCIAL COOPERATION

ARTICLE 72

In order to achieve the objectives of this Agreement, a financial cooperation package shall be made available to Egypt in accordance with the appropriate procedures and the financial resources required.

Financial cooperation shall focus on:

- promoting reforms designed to modernise the economy;
- upgrading economic infrastructure;
- promoting private investment and job-creating activities;
- responding to the economic repercussions for Egypt of the gradual introduction of a free trade area, notably by upgrading and restructuring industry and enhancing Egypt's export capacity;
- accompanying measures for policies implemented in the social sector;
- promoting Egypt's capacity and capabilities in the field of the protection of intellectual property rights;

- where appropriate, supplementary measures for the implementation of bilateral agreements to prevent and control illegal immigration;
- accompanying measures for the establishment and implementation of competition legislation.

ARTICLE 73

In order to ensure that a coordinated approach is adopted to any exceptional macro-economic and financial problems that might arise as a result of the implementation of this Agreement, the Parties shall use the regular economic dialogue provided for in Title V to give particular attention to monitoring trade and financial trends in relations between the Community and Egypt.

TITLE VIII

INSTITUTIONAL, GENERAL AND FINAL PROVISIONS

ARTICLE 74

An Association Council is hereby established which shall meet at ministerial level once a year and when circumstances require, at the initiative of its President and in accordance with the conditions laid down in its rules of procedure.

It shall examine any major issues arising within the framework of this Agreement and any other bilateral or international issues of mutual interest.

ARTICLE 75

1. The Association Council shall consist of the members of the Council of the European Union and of the Commission of the European Communities, on the one hand, and members of the Government of Egypt, on the other.
2. Members of the Association Council may arrange to be represented in accordance with the provisions laid down in its rules of procedure.
3. The Association Council shall establish its rules of procedure.
4. The Association Council shall be presided in turn by a member of the Council of the European Union and a member of the Government of Egypt, in accordance with the provisions laid down in its rules of procedure.

ARTICLE 76

The Association Council shall, for the purpose of attaining the objectives of the Agreement, have the power to take decisions in the cases provided for therein.

The decisions taken shall be binding on the Parties, which shall take the measures necessary to implement them. The Association Council may also make appropriate recommendations.

The Association Council shall draw up its decisions and recommendations by agreement between the two Parties.

ARTICLE 77

1. Subject to the powers of the Association Council, an Association Committee is hereby established which shall be responsible for the implementation of the Agreement.
2. The Association Council may delegate to the Association Committee, in full or in part, any of its powers.

ARTICLE 78

1. The Association Committee, which shall meet at official level, shall consist of representatives of members of the Council of the European Union and of the Commission of the European Communities, on the one hand, and of representatives of the Government of Egypt, on the other.
2. The Association Committee shall establish its rules of procedure.
3. The Association Committee shall be presided in turn by a representative of the Presidency of the Council of the European Union and by a representative of the Government of Egypt.

ARTICLE 79

1. The Association Committee shall have the power to take decisions for the management of the Agreement as well as in the areas in which the Association Council has delegated its powers to it.

2. The Association Committee shall draw up its decisions by agreement between the two Parties. These decisions shall be binding on the Parties which shall take the measures necessary to implement the decisions taken.

ARTICLE 80

The Association Council may decide to set up any working group or body necessary for the implementation of the Agreement. It shall define the terms of reference of any such working group or body that shall be subordinate to it.

ARTICLE 81

The Association Council shall take all appropriate measures to facilitate cooperation and contacts between the European Parliament and the Egyptian People's Assembly.

ARTICLE 82

1. Each of the Parties may refer to the Association Council any dispute relating to the application or interpretation of this Agreement.
2. The Association Council may settle the dispute by means of a decision.

3. Each Party shall be bound to take the measures involved in carrying out the decision referred to in paragraph 2.

4. In the event of it not being possible to settle the dispute in accordance with paragraph 2, either Party may notify the other of the appointment of an arbitrator; the other Party must then appoint a second arbitrator within two months. For the application of this procedure, the Community and the Member States shall be deemed to be one party to the dispute.

The Association Council shall appoint a third arbitrator.

The arbitrators' decisions shall be taken by majority vote.

Each party to the dispute must take the steps required to implement the decision of the arbitrators.

ARTICLE 83

Nothing in this Agreement shall prevent a Party from taking any measures:

- (a) which it considers necessary to prevent the disclosure of information contrary to its essential security interests;
- (b) which relate to the production of, or trade in, arms, munitions or war materials or to research, development or production indispensable for defence purposes, provided that such measures do not impair the conditions of competition in respect of products not intended for specifically military purposes;

- (c) which it considers essential to its own security in the event of serious internal disturbances affecting the maintenance of law and order, in time of war or serious international tension constituting threat of war or in order to carry out obligations it has accepted for the purpose of maintaining peace and international security.

ARTICLE 84

In the fields covered by this Agreement and without prejudice to any special provisions contained therein:

- the arrangements applied by Egypt in respect of the Community shall not give rise to any discrimination between the Member States, their nationals or their companies or firms;
- the arrangements applied by the Community in respect of Egypt shall not give rise to discrimination between Egyptian nationals or its companies or firms.

ARTICLE 85

As regards direct taxation, nothing in this Agreement shall have the effect of:

- extending the fiscal advantages granted by either Party in any international agreement or arrangement by which it is bound;

- preventing the adoption or application by either Party of any measure aimed at preventing the avoidance or evasion of taxes;
- opposing the right of either Party to apply the relevant provisions of its tax legislation to taxpayers who are not in identical situation, in particular as regards their place of residence.

ARTICLE 86

1. The Parties shall take any general or specific measures required to fulfil their obligations under this Agreement. They shall see to it that the objectives set out in this Agreement are attained.

2. If either Party considers that the other Party has failed to fulfil an obligation under this Agreement, it may take appropriate measures. Before so doing, except in cases of a material breach of this Agreement by the other Party, it shall supply the Association Council with all relevant information required for a thorough examination of the situation with a view to seeking a solution acceptable to the Parties.

A material breach of this Agreement shall consist of the repudiation of this Agreement not sanctioned by the general rules of international law or a grave violation of an essential element of this Agreement, creating an environment not conducive for consultations or where a delay would be detrimental to the objectives of this Agreement.

3. In the selection of the appropriate measures referred to in paragraph 2, priority must be given to those which least disturb the functioning of this Agreement. The Parties also agree that these measures shall be taken in accordance with international law and shall be proportional to the violation.

The measures shall be notified immediately to the Association Council and shall be the subject of consultations within the Association Council if the other Party so requests. If one Party takes a measure as a result of a material breach of this Agreement referred to in paragraph 2, the other Party may invoke the dispute settlement procedure.

ARTICLE 87

Protocols 1 to 5 and Annexes I to VI shall form an integral part of this Agreement.

ARTICLE 88

For the purpose of this Agreement the term "Parties" shall mean Egypt on the one hand and the Community, or the Member States, or the Community and the Member States, in accordance with their respective powers, on the other hand._

ARTICLE 89

This Agreement is concluded for an unlimited period.

Each of the Parties may denounce this Agreement by notifying the other Party. This Agreement shall cease to apply six months after the date of such notification.

ARTICLE 90

This Agreement shall apply, on the one hand, to the territories in which the Treaties establishing the European Community, and the European Coal and Steel Community are applied and under the conditions laid down in those Treaties and, on the other hand, to the territory of Egypt.

ARTICLE 91

This Agreement shall be drawn up in duplicate in the Danish, Dutch, English, Finnish, French, German, Greek, Italian, Portuguese, Spanish, Swedish and Arabic languages, each of these texts being equally authentic.

ARTICLE 92

1. This Agreement will be approved by the Parties in accordance with their own procedures.

This Agreement shall enter into force on the first day of the second month following the date on which the Parties notify each other that the procedures referred to in the first subparagraph have been completed.

2. Upon its entry into force, this Agreement shall replace the Agreement between the European Economic Community and Egypt, and the Agreement between the European Coal and Steel Community and Egypt, signed in Brussels on 18 January 1977.