FREE TRADE AGREEMENT BETWEEN THE GOVERNMENT OF ICELAND AND THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA

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Preamble

The Government of Iceland ("Iceland") and the Government of the People's Republic of China ("China"), hereinafter referred to as "the Parties";

CONSIDERING the important links existing between the Parties;

WISHING to strengthen these links through the creation of a free trade area, thus establishing close and lasting relations;

CONVINCED that the free trade area will create an expanded and secure market for goods and services in their territories and create a stable and predictable environment for investment, thus enhancing the competitiveness of their firms in global markets;

RESOLVED by way of the removal of obstacles to trade through the creation of a free trade area to contribute to the harmonious development and expansion of world trade and provide a catalyst to broader international co-operation, in particular between Europe and Asia;

CONVINCED that this Agreement will create conditions encouraging economic, trade and investment relations between them;

AIMING to create new employment opportunities and improve living standards of the people through trade, investment and co-operation;

BUILDING on their respective rights and obligations under the Marrakesh Agreement Establishing the WTO and other agreements negotiated thereunder (hereinafter referred to as "the WTO Agreement") and other multilateral and bilateral instruments of co-operation to which they are both parties; and

MINDFUL that economic development, social development and environmental protection are interdependent and mutually reinforcing components of sustainable development, and that closer economic partnership can play an important role in promoting sustainable development;

HAVE AGREED, in pursuit of the above, as follows:

CHAPTER 1 GENERAL PROVISIONS

Article 1

Establishment of a Free Trade Area

The Parties, consistent with Article XXIV of the General Agreement on Tariffs and Trade 1994 (hereinafter referred to as “the GATT 1994”) and Article V of the General Agreement on Trade in Services (hereinafter referred to as “the GATS”), hereby establish a free trade area.

Article 2

Objectives

1. The objectives of this Agreement are to:

   (a) encourage expansion anwd diversification of trade between the Parties;

   (b) eliminate barriers to trade in, and facilitate the cross-border movement of, goods and services between the Parties;

   (c) promote conditions of fair competition in the free trade area;

   (d) achieve further understanding of the government procurement of the Parties;

   (e) ensure adequate and effective protection of intellectual property rights, in accordance with the Parties’ respective obligations under international agreements on the protection of intellectual property rights;

   (f) create effective procedures for the implementation and application of this Agreement, for its joint administration, and for the resolution of disputes;

   (g) establish a framework for further bilateral, regional and multilateral co-operation to expand and enhance the benefits of this Agreement.

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

Article 3

Geographical Applicability

1. This Agreement shall apply to the entire customs territory of China.

2. This Agreement shall apply to the territory of Iceland.

3. Each Party is fully responsible for the observance of all provisions of this Agreement and shall take such reasonable measures as may be available to it to ensure their observance by local government and authorities in its territory.

Article 4

Relation to Other Agreements

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

2. In the case of any inconsistency between the provisions of this Agreement and other agreements referred to in paragraph 1, the Parties shall consult to arrive at a mutually satisfactory resolution in accordance with customary rules of interpretation of public international law, unless otherwise provided in this Agreement.

CHAPTER 2 TRADE IN GOODS

Article 5

Scope

This Chapter applies to trade in goods between the Parties, except as otherwise provided.

Article 6

National Treatment

Each Party shall accord national treatment to the goods of the other Party in accordance with Article III of the GATT 1994, including its interpretative notes, and to this end Article III of the GATT 1994 and its interpretative notes are incorporated into and made part of this Agreement.

Article 7

Tariff Elimination

1. Except as otherwise provided in this Agreement, neither Party may increase any existing import customs duty, or adopt any new import customs duty, on goods of the other Party.

2. Except as otherwise provided in this Agreement, each Party shall progressively eliminate its import customs duties on originating goods of the other Party in accordance with Annex I.

3. For each product the base rate of customs duties, to which the successive reductions set out in Annex I are to be applied, shall be the most-favoured nation customs duty rate applied on 1 January 2012. If a Party reduces its applied most favoured nation import customs duty rate after the entry into force of this Agreement and before the end of the tariff elimination period, the tariff elimination schedule (hereinafter referred to as the "Schedule") of that Party shall apply to the reduced rate.

4. On the request of either Party, the Parties shall consult to consider accelerating elimination of import customs duties set out in their Schedules. An agreement between the Parties to accelerate the elimination of an import customs duty on a good shall supersede any duty rate or staging category determined pursuant to their Schedules for such good when approved by each Party in accordance with their respective applicable legal procedures, and enter into force according to Article 126.

5. "Import customs duty" means the duties which are collected in connection with the importation of a good, but does not include:

(a) charges equivalent to an internal tax imposed consistently with Article III:2 of the GATT 1994; in respect of like, directly competitive or substitutable goods of the Party, or in respect of goods from which the imported good has been manufactured or produced in whole or in part;

(b) anti-dumping or countervailing duty; and

(c) fee or other charge in connection with importation commensurate with the cost of services rendered.

Article 8

Import and Export Restrictions

The rights and obligations of the Parties in respect of import and export restrictions shall be governed by Article XI of the GATT 1994, which is hereby incorporated into and made part of this Agreement.

Article 9

Administrative Fees and Formalities

1. Each Party shall ensure, in accordance with Article VIII:1 of the GATT 1994 and its interpretative notes, that all fees and charges of whatever character (other than import customs duties, charges equivalent to an internal tax or other internal charge applied consistently with Article III:2 of the GATT 1994, and anti-dumping and countervailing duties) imposed on or in connection with importation or exportation are limited in amount to the approximate cost of services rendered and do not represent an indirect protection to domestic goods or a taxation of imports or exports for fiscal purposes.

2. Each Party shall make available through the Internet or a comparable computer-based telecommunications network a list of the fees and charges and changes thereto levied by the central government in connection with importation or exportation.

Article 10

Agricultural Export Subsidies

1. The Parties share the objective of the multilateral elimination of export subsidies for agricultural goods and shall work together toward an agreement in the WTO to eliminate those subsidies and prevent their reintroduction in any form.

2. Neither Party shall introduce or maintain any export subsidy, as defined in the WTO Agreement on Agriculture, on any agricultural good destined for the territory of the other Party.

Article 11

General Exceptions

For the purpose of this Agreement, Article XX of the GATT 1994 and its interpretative notes are incorporated into and made part of this Agreement.

Article 12

Essential Security

Nothing in this Agreement shall be construed:

(a) to require a Party to furnish or allow access to any information the disclosure of which it determines to be contrary to its essential security interests;

(b) to prevent a Party from taking any action which it considers necessary for the protection of its essential security interests:

(i) relating to fissionable materials or the materials from which they are derived;

(ii) relating to traffic in arms, ammunition and implements of war and to such traffic in other goods and materials as is carried on directly or indirectly for the purpose of supplying a military establishment; or

(iii) taken in time of war or other emergency in international relations; or

(c) to preclude a Party from applying measures that it considers necessary for the fulfilment of its obligations under the United Nations Charter with respect to the maintenance or restoration of international peace or security.

Article 13

Taxation

1. For the purposes of this Article:

(a) "tax agreement" means an agreement for the avoidance of double taxation or other international taxation agreement or arrangement in force between the Parties; and

(b) "taxation measures" do not include an "import customs duty" as defined in paragraph 5 of Article 7.

2. Except as provided in this Article, nothing in this Agreement shall apply to taxation measures.

3. This Agreement shall only grant rights or impose obligations with respect to taxation measures where corresponding rights or obligations are also granted or imposed under Article III of the GATT 1994.

4. Nothing in this Agreement shall affect the rights and obligations of the Parties under any tax agreement in force between the Parties. In the event of any inconsistency relating to a taxation measure between this Agreement and such tax agreement, the latter shall prevail to the extent of the inconsistency. In the case of a tax agreement between the Parties, the competent authorities under that agreement shall have sole responsibility for determining whether any inconsistency exists between this Agreement and that agreement.

Article 14

Measures to Safeguard the Balance of Payments

Where a Party is in serious balance of payments and external financial difficulties or threat thereof, it may, in accordance with the WTO Agreement and consistent with the Articles of the Agreement of the International Monetary Fund, adopt measures deemed necessary.

Article 15

Countervailing Measures

1. The Parties maintain their rights and obligations under Article VI of the GATT 1994 and the Agreement on Subsidies and Countervailing Measures which form part of the WTO Agreement.

2. Countervailing actions taken pursuant to the WTO Agreement on Subsidies and Countervailing Measures shall not be subject to Chapter 11 of this Agreement.

3. Before a Party initiates an investigation to determine the existence, degree and effect of any alleged subsidy, as provided for in Article 11 of the WTO Agreement on Subsidies and Countervailing Measures, the Party considering initiating an investigation shall notify in writing as soon as possible the Party whose products are subject to investigation and allow for a consultation with a view to finding a mutually acceptable solution. The consultation shall take place under the framework of the FTA Joint Commission established under Chapter 10, if either Party so requests within 10 days from the receipt of the notification.

Article 16

Anti-Dumping

1. The Parties maintain their rights and obligations under Article VI of the GATT l994 and the WTO Agreement on Implementation of Article VI of the GATT 1994.

2. Anti-dumping actions taken pursuant to Article VI of the GATT 1994 and the WTO Agreement on Implementation of Article VI of the GATT 1994 shall not be subject to Chapter 11 of this Agreement.

Article 17

Global Safeguard Measures

1. The Parties maintain their rights and obligations under Article XIX of the GATT l994 and the WTO Agreement on Safeguards.

2. Actions taken pursuant to Article XIX of the GATT 1994 and the WTO Agreement on Safeguards shall not be subject to Chapter 11 of this Agreement.

Article 18

Bilateral Safeguard Measures

1. During the transition period only, if as a result of the reduction or elimination of a customs duty under this Agreement, an originating good of a Party is being imported into the other Party's territory in such increased quantities in absolute terms or relative to domestic production, and under such conditions as to constitute a substantial cause of serious injury or threat of serious injury to domestic industry producing a like or directly competitive product, the importing Party may:

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

(b) increase the rate of customs duty on the good to a level not to exceed the lesser of:

(i) the MFN applied rate of customs duty on the good in effect at the time the measure is taken; or

(ii) the MFN applied rate of customs duty on the good in effect on the date of entry into force of this Agreement.

2. The following conditions and limitations shall apply to an investigation or the application of a measure.

(a) A Party shall immediately deliver written notice to the other Party upon:

(i) initiating an investigatory process relating to serious injury or threat thereof and the reasons for it;

(ii) taking a provisional safeguard measure according to paragraph 3;

(iii) making a finding of serious injury or threat thereof caused by increased imports;

(iv) taking a decision to apply or extend a safeguard measure; and

(v) taking a decision to modify a measure previously undertaken.

(b) In making the notification referred to in sub-paragraphs (a)(ii) to (v), the Party proposing to apply or extend a safeguard measure shall provide the other Party with all pertinent information, which shall include evidence of serious injury or threat thereof caused by the increased imports, precise description of the good involved and the proposed measure, proposed date of introduction and expected duration; the Party proposing to apply a measure shall also provide any additional information which the other Party considers pertinent;

(c) a Party proposing to apply a measure shall provide adequate opportunity for prior consultations with the other Party as far in advance of taking any such measure as practicable, with a view to reviewing the information arising from the investigation, exchanging views on the measure and reaching an agreement on compensation set out in paragraph 4. The Parties shall in such consultations review, *inter alia*, the information provided under sub-paragraph (b), to determine:

(i) compliance with the other provisions of this Article;

(ii) whether any proposed measure should be taken; and

(iii) the appropriateness of the proposed measure, including consideration of alternative measures;

(d) a Party shall apply the measure only following an investigation by the competent authorities of such Party in accordance with Articles 3 and 4.2(c) of the WTO Agreement on Safeguards; and to this end, Articles 3 and 4.2(c) of the WTO Agreement on Safeguards are incorporated into and made part of this Agreement *mutatis mutandis*;

(e) in undertaking the investigation described in paragraph (d), a Party shall comply with the requirements of sub-paragraphs 2(a) and (b) of Article 4 of the WTO Agreement on Safeguards; and to this end, sub-paragraphs 2(a) and (b) of Article 4 are incorporated into and made part of this Agreement *mutatis mutandis*;

(f) no bilateral safeguard measure shall be maintained:

(i) except to the extent and for such time as may be necessary to remedy serious injury and to facilitate adjustment;

(ii) for an initial period exceeding one year, with an extension exceeding one year; or

(iii) beyond the expiration of the transition period, regardless of its duration or whether it has been subject to extension;

(g) no measures shall be applied to the import of a product, which has previously been subject to such a measure, for a period of, at least, two years from the expiry of the measure;

(h) no bilateral safeguard measure shall be taken against a particular product while a global safeguard measure in respect of that product is in place; in the event that a global safeguard measure is taken in respect of a particular product, any existing bilateral safeguard measure which is taken against that product shall be terminated; and

(i) upon the termination of the safeguard measure under this Article, the rate of duty shall be the duty set out in the Party's Schedule in Annex I as if the measure had never been applied.

3. In critical circumstances where delay would cause damage that would be difficult to repair, a Party may take a provisional safeguard measure pursuant to a preliminary determination that there is clear evidence that increased imports have caused or are threatening to cause serious injury. The duration of the provisional measure shall not exceed 200 days. Such a measure should take the form of tariff increase, to be promptly refunded if the subsequent investigation does not determine that increased imports have caused or threatened to cause serious injury to a domestic industry. The duration of any such provisional measure shall be counted as a part of the initial period and any extension of a definitive measure.

4. The Party proposing to apply a measure described in paragraph 1 shall provide to the other Party a mutually agreed adequate means of trade liberalising compensation in the form of concessions having substantially equivalent trade effects or equivalent to the value of the additional duties expected to result from the measure. If the Parties are unable to agree on compensation within 30 days in the consultations referred to in sub-paragraph 2(c), the Party against whose originating goods the measure is applied may take action having trade effects substantially equivalent to the measure applied under this Article. This action shall be applied only for the minimum period necessary to achieve the substantially equivalent effects, and in any case shall be terminated no later than the date of the termination of the safeguard measure.

5. In applying measures under this Article, each Party shall:

(a) ensure the consistent, impartial and reasonable administration of its laws, regulations, decisions and rulings governing all safeguard investigation proceedings;

(b) entrust determinations of serious injury or threat thereof in safeguard investigation proceedings to a competent investigating authority; and

(c) adopt or maintain equitable, timely, transparent and effective procedures for safeguard investigation proceedings.

6. For the purposes of this Article:

(a) “domestic industry” means, with respect to an imported product, the producers as a whole of the like or directly competitive product or those producers whose collective production of the like or directly competitive product constitutes a major proportion of the total domestic production of such product;

(b) “provisional safeguard measure” means a provisional safeguard measure described in paragraph 3;

(c) “safeguard measure” means a safeguard measure described in paragraph 1;

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

(e) “threat of serious injury” means serious injury that, on the basis of facts and not merely on allegation, conjecture or remote possibility, is clearly imminent; and

(f) “transition period” means the three year period beginning on the date of entry into force of this Agreement; except that in the case of a product where the liberalisation process lasts five or more years, the transition period shall last until such a product reaches zero tariff according to the Schedule as set out in Annex I.

Article 19

Sanitary and Phytosanitary Measures

1. The objectives of this Article are to:

(a) avoid unfair distortion in trade of animals, products of animal origin, plants and products of plant origin between the Parties, while protecting at the same time the human, animal or plant life or health;

(b) ensure that the Parties’ sanitary and phytosanitary measures (hereinafter referred to as “SPS measures”) do not arbitrarily or unjustifiably discriminate between the Parties;

(c) resolve the trade issues in this field in a prompt and efficient manner; and

(d) provide opportunities to expand trade between the Parties.

2. This Article applies to all SPS measures of the Parties which may, directly or indirectly, affect trade between the Parties.

3. The rights and obligations of the Parties in respect of SPS measures shall be governed by the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (hereinafter referred to as “the SPS Agreement”). The Parties agree to follow the principles of scientific justification, harmonisation, equivalence and regionalisation of the SPS Agreement when they establish the relevant SPS measures.

4. The Parties agree to the full implementation of Article 7 (Transparency) of the SPS Agreement in accordance with the provisions of Annex B to the SPS Agreement.

5. The competent authorities of the Parties are responsible for the implementation of the measures referred to in this Article. The names and addresses of the competent authorities and the contact points are identified in Annex II. The Parties shall inform each other of any significant change with regard to the structure, organisation and division of responsibility of their respective competent authorities.

6. The contact points referred to in paragraph 5 shall be responsible for communication and exchange of information. The Parties shall, through the contact points, exchange information on SPS issues arising from bilateral trade and the SPS measures taken by the Parties, which may affect trade between the Parties.

7. The Parties recognise that the principle of equivalence as set out in Article 4 (Equivalence) of the SPS Agreement, as applied to SPS measures, has mutual benefits for both exporting and importing countries. The importing Party shall give favourable consideration to accept the SPS measures of the exporting Party as equivalent, if the exporting Party objectively demonstrates to the importing Party that its measures achieve the importing Party’s appropriate level of sanitary or phytosanitary protection.

8. The Parties shall strengthen their co-operation in the field of SPS measures, with a view to increasing mutual understanding of their respective regulatory systems and facilitating access to their respective markets.

9. At the written request of a Party, expert consultations shall be convened as soon as possible if that Party considers that the other Party has taken measures which are likely to affect, or have affected, access to its market. Such consultations shall aim at finding an appropriate solution in conformity with the SPS Agreement. In order to permit the efficient use of resources, the Parties shall, to the extent possible, endeavour to use modern technological means of communication, such as electronic communication, video or telephone conference. If necessary, the results of expert consultations shall be reported to the FTA Joint Commission established under Chapter 10.

Article 20

Technical Barriers to Trade

1. The objectives of this Article are to:

(a) facilitate the establishment of a more comprehensive mechanism of information exchange and co-operation between the Parties, and enhance mutual understanding of each Party’s administrative system;

(b) strengthen co-operation between the Parties in the field of technical regulations, standards and conformity assessment procedures, reduce the costs of trade, promote and facilitate bilateral trade between the Parties; and

(c) effectively solve any problem arising from bilateral trade.

2. This Article applies to all technical regulations, standards and conformity assessment procedures that may, directly or indirectly, affect the trade in goods between the Parties, except SPS measures which are covered by Article 19.

3. The rights and obligations of the Parties in respect of technical regulations, standards and conformity assessment procedures shall be governed by the WTO Agreement on Technical Barriers to Trade (hereinafter referred to as "the TBT Agreement"). Nothing in this Article shall prevent a Party from adopting or maintaining technical regulations, standards and conformity assessment procedures in accordance with its rights and obligations under the TBT Agreement.

4. The competent authorities of the Parties are responsible for the implementation of the measures referred to in this Article. The names and addresses of the competent authorities and the contact points are identified in Annex III. The Parties shall inform each other of any significant change with regard to the structure, organisation and division of responsibility of their respective competent authorities.

5. The contact points referred to in paragraph 4 shall be responsible for communication and exchange of information.

6. The Parties shall establish a mechanism for exchange of information between the TBT National Enquiry Points as per transparency requirements set out in the TBT Agreement.

7. Where relevant international standards exist or their completion is imminent, the Parties shall use them, or the relevant parts of them, as a basis for their technical regulations and related conformity assessment procedures, except when such international standards or their relevant parts are ineffective or inappropriate to fulfil legitimate regulatory objectives.

8. The Parties recognise that the principle of equivalence as set out in Article 2 of the TBT Agreement has mutual benefits for both exporting and importing countries. If the technical regulations of a Party can achieve the same results in fulfilling legitimate objectives and the same level of protection as the other Party, the other Party shall give positive consideration to accepting these as equivalent technical regulations.

9. As regards conformity assessment procedures:

(a) the Parties recognise the differences of legal systems regarding conformity assessment between the Parties and agree to explore the possibilities of mutual recognition of conformity assessment procedures in accordance with the TBT Agreement;

(b) the Parties shall exchange information on conformity assessment systems with a view to promoting the recognition of conformity assessment procedures between the Parties; and

(c) a Party shall give favourable consideration to a request by the other Party to recognise the conformity assessment procedures conducted by bodies in the other Party's territory through a mutual recognition agreement or arrangement.

10. With a view to increasing mutual understanding of their respective systems and facilitating access to their respective markets, the Parties shall in particular strengthen co-operation in the following areas, including but not limited to:

(a) strengthening co-operation, communication and co-ordination while participating in the activities of international standardisation bodies and the WTO TBT Committee;

(b) intensifying communication between administrative organisations of each other and exchanging promptly information in the respect of technical regulations, standards, conformity assessment procedures and each other's good regulatory practice; and

(c) with a view to implementing the requirements of this Article, expeditiously broadening the information exchange in respect of technical regulations, standards and conformity assessment procedures, and give favourable consideration to any written request for consultation.

11. Without prejudice to paragraph 3, upon written request of a Party, the Parties shall hold expert consultations as soon as possible to address any matter that may arise from the application of specific technical regulations, standards and conformity assessment procedures and that according to a Party has created or is likely to create an obstacle to trade between the Parties, with a view to finding an appropriate solution in conformity with the TBT Agreement.

12. In order to permit the efficient use of resources, the Parties shall, to the extent possible, endeavour to use modern technological means of communication, such as electronic communication, video or telephone conference. If necessary, the findings of expert consultations shall be reported to the FTA Joint Commission established under Chapter 10.

CHAPTER 3 RULES OF ORIGIN

Section 1 Rules of Origin

Article 21

Definitions

For the purposes of this Chapter:

(a) "Customs Valuation Agreement" means the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994, which is part of the WTO Agreement;

(b) "CIF" means the value of the good imported, inclusive of the costs of freight and insurance up to the port or place of entry into the country of importation;

(c) "FOB" means the value of the good free on board, independent of the means of transportation, at the port or site of final shipment abroad;

(d) "material" means a good or product that is used in the production or transformation of another good, including a part or an ingredient;

(e) "production" means growing, raising, mining, harvesting, fishing, trapping, hunting, manufacturing, processing, or assembling a good; and

(f) "producer" means a person who grows, raises, mines, harvests, fishes, traps, hunts, manufactures, processes or assembles a good.

Article 22

Originating Goods

For the purposes of this Agreement, a good shall be considered as originating in a Party when:

(a) the good is wholly obtained or produced entirely in the territory of a Party, within the meaning of Article 23; or

(b) the good is produced entirely in the territory of one or both Parties, exclusively from materials whose origin conform to the provisions of this Chapter; or

(c) the good is produced in the territory of one or both Parties, using non-originating materials that conform to a change in tariff classification, a regional value content, a process requirement or other requirements specified in Annex IV, and the good meets the other applicable provisions of this Chapter.

Article 23

Wholly Obtained Goods

For the purpose of sub-paragraph (a) of Article 22, the following shall be considered as wholly obtained in a Party:

(a) mineral products extracted from the soil or from the seabed of a Party;

(b) plants and plant products harvested in a Party;

(c) live animals, born and raised in a Party;

(d) products from live animals referred to in paragraph (c);

(e) products obtained by hunting, trapping or fishing in inland waters conducted in a Party;

(f) products of sea fishing and other products taken from the territorial sea of a Party;

(g) products of sea fishing and other products taken beyond the territorial sea of a Party, including the exclusive economic zone of that Party, by a vessel registered in a Party and flying the flag of that Party;

(h) products manufactured on board a factory ship registered in a Party and flying the flag of that Party, exclusively from products referred to in sub-paragraphs (f) and (g);

(i) products extracted from the seabed or beneath the seabed outside the territorial sea of a Party, provided that they have sole rights to exploit such seabed;

(j) used articles collected in a Party fit only for the recovery of raw materials;

(k) waste and scrap resulting from manufacturing operations conducted in a Party and are fit only for the recovery of raw materials; and

(l) products manufactured in a Party exclusively from products specified in sub-paragraphs (a) to (k).

Article 24

Change in Tariff Classification

A change in tariff classification under Annex IV requires that the non-originating materials used in the production of the goods undergo a change of tariff classification as a result of processes performed in the territory of one or both Parties.

Article 25

Regional Value Content

1. For the purpose of sub-paragraph (c) of Article 22, the regional value content of a good shall be calculated on the basis of the following method:

$$RVC = \frac{V - VNM}{V} \times 100\,\%$$

where:

(a) "RVC" means the regional value content expressed as a percentage;

(b) "V" means the value of the good, as defined in the WTO Customs Valuation Agreement, adjusted on a FOB basis; and

(c) "VNM" means the value, as defined in the WTO Customs Valuation Agreement, of the non-originating materials, adjusted on a CIF basis.

2. The value of the non-originating materials used by the producer in the production of a good shall not include, for purposes of calculating the regional value content of the good, pursuant to paragraph 1, the value of non-originating materials used to produce originating materials that are subsequently used in the production of the good.

Article 26

Accumulation

Where originating goods or materials of a Party are incorporated into a good in the other Party, the goods or materials so incorporated shall be regarded to be originating in the latter Party.

Article 27

Operations that do not Confer Origin

1. The following operations shall be considered as insufficient working or processing to confer the status of originating goods:

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

(b) breaking-up and assembly of packages;

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

(d) ironing or pressing of textiles;

(e) simple painting and polishing operations;

(f) husking, partial or total bleaching, polishing, and glasing of cereals and rice;

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

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

(i) sharpening, simple grinding or simple cutting;

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

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

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

(m) simple mixing of goods, whether or not of different kinds;

(n) simple assembly of parts of articles to constitute a complete article or disassembly of goods into parts;

(o) operations whose sole purpose is to ease port handling;

(p) slaughtering of animals; and

(q) a combination of two or more operations specified in sub-paragraphs (a) to (p).

2. For purposes of this Article:

(a) "simple" generally describes activities which need neither special skills nor special machines, apparatus or equipment specially produced or installed for carrying out the activity; and

(b) "simple mixing" generally describes activities which need neither special skills nor machines, apparatus or equipment especially produced or installed for carrying out the activity. However, simple mixing does not include chemical reaction.

Article 28

De Minimis

A good that does not meet tariff classification change requirements, pursuant to the provisions of Annex IV, shall nonetheless be considered to be an originating good, if:

(a) the value of all non-originating materials determined pursuant to Article 25, including materials of undetermined origin, that do not meet the tariff classification change requirement does not exceed 10% of the FOB value of the given good; and

(b) the good meets all the other applicable criteria of this Chapter.

Article 29

Accessories, Spare Parts, and Tools

Accessories, spare parts, or tools presented with the good upon importation shall be disregarded when determining the origin of the good, provided that:

(a) the accessories, spare parts, or tools are classified with and not invoiced separately from the good; and

(b) the quantities and the value of said accessories, spare parts, or tools are the normal ones for the good.

Article 30

Packing and Containers for Transportation

Containers and packing materials used for the transport of goods shall not be taken into account in determining the origin of the goods.

Article 31

Packaging Materials and Containers for Retail Sale

Where goods are subject to a change in tariff classification criterion set out in Annex IV, the origin of the packaging materials and containers in which goods are packaged for retail sale shall be disregarded in determining the origin of the goods, provided that the packaging materials and containers are classified with the goods. However, if the goods are subject to a Regional Value Content requirement, the value of the packaging materials and containers used for retail sale shall be taken into account as originating materials or non-originating materials as the case may be when determining the origin of the goods.

Article 32

Neutral Elements

1. In order to determine whether a good originates, the origin of the neutral elements defined in paragraph 2 shall not be taken into account.

2. "Neutral elements" mean articles used in the production of a good which are not physically incorporated into or form part of the good, including:

(a) fuel, energy, catalysts and solvents;

(b) equipment, devices, and supplies used for testing or inspecting the good;

(c) gloves, glasses, footwear, clothing, safety equipment and supplies;

(d) tools, dies and moulds;

(e) spare parts and materials used in the maintenance of equipment and buildings;

(f) lubricants, greases, compounding materials and other materials used in production or used to operate equipment and buildings; and

(g) any other goods that are not incorporated into the good but whose use in the production of the good can reasonably be demonstrated to be a part of that production.

Article 33

Direct Transport

1. Preferential tariff treatment provided for in this Agreement shall be applied to goods which satisfy the requirements of this Chapter and are directly transported between the Parties.

2. Notwithstanding paragraph 1, the following shall be considered as transported directly from the exporting Party to the importing Party:

(a) goods that are transported without passing through a non-Party; and

(b) goods whose transport involves transit through one or more non-Parties with or without trans-shipment or temporary storage in such non-Parties, provided that:

(i) the transit is justified by geographical reasons or by consideration related exclusively to transport requirements;

(ii) the goods do not enter into trade or consumption there; and

(iii) the goods do not undergo subsequent production or any operation there other than unloading, reloading, splitting-up of consignments or any other operation necessary to preserve them in good condition, provided that the goods remain under customs control during transit through non-Parties.

3. Compliance with the provisions set out in paragraph 2 shall be authenticated by presenting to the customs authorities of the importing Party either with customs documents of the non-Parties or with any other documents to the satisfaction of the customs authorities of the importing Party.

Section 2: Operational Procedures

Article 34

Definitions

For purposes of this Section:

(a) "authorised body" means any body designated under the domestic law of a Party or by the governmental authority of a Party to issue a Certificate of Origin; and

(b) "competent authority" means:

(i) in the case of China, the General Administration of Customs is responsible for the organisation and implementation of the Rules of Origin under this Agreement in accordance with domestic laws, the General Administration of Quality Supervision, Inspection and Quarantine is responsible for the administration of issuance of the Certificate of Origin in accordance with domestic laws; and

(ii) in the case of Iceland, the Directorate of Customs.

Article 35

Documentary Evidence of Origin

To qualify for preferential tariff treatment under this Agreement, either of the following documents shall be submitted to the customs of the importing Party upon importation:

(a) a Certificate of Origin referred to in Article 36; or

(b) a Declaration of Origin referred to in Article 37.

Article 36

Procedure for the Issue of a Certificate of Origin

1. A Certificate of Origin as set out in Annex V shall be issued by the authorised bodies of a Party on application by the exporter, subject to the condition that the goods concerned fulfil the requirements of this Chapter.

2. The Certificate of Origin shall:

(a) contain a unique certificate number;

(b) cover one or more goods under one consignment;

(c) state the basis on which the goods are deemed to qualify as originating for the purposes of this Chapter;

(d) contain security features, such as specimen signatures or stamps as advised to the importing Party by the exporting Party; and

(e) be completed in English by typing.

3. The Certificate of Origin shall be issued before or at the time of exportation of the goods in question. It shall be valid for one year from the date of issuance in the exporting Party.

4. Each Party shall inform the customs authority of the other Party of the name of each authorised body, as well as relevant contact details, and shall provide details of any security features for relevant forms and documents used by each authorised body, prior to the issuance of any certificates by that body. Any change in the information provided above shall be promptly notified to the customs authority of the other Party.

5. If the Certificate of Origin has not been issued before or at the time of exportation due to force majeure, or involuntary errors, omissions or other valid causes, the Certificate of Origin may be issued retrospectively but no longer than one year from the date of shipment, bearing the words "ISSUED RETROACTIVELY" or "ISSUED RETROSPECTIVELY", which shall be inserted in the "Remarks" box of the Certificate of Origin.

6. In the event of theft, loss or damage of a Certificate of Origin, the exporter or manufacturer may make a written request to the authorised bodies of the exporting Party for issuing a certified copy, provided that the exporter or manufacturer makes sure that the original copy previously issued has not been used. The certified copy shall bear the words "CERTIFIED TRUE COPY of the original certificate of origin number ___ dated ___", which shall be inserted in the "Remarks" box of the Certificate of Origin. If the importing customs authority ascertains that the original copy has been used, the certified copy shall be invalid and vice versa.

Article 37

Declaration of Origin

1. An approved exporter under Article 38 in a Party may, for the purposes of obtaining preferential tariff treatment in the other Party, complete a Declaration of Origin in the version provided in Annex VI.

2. A Declaration of Origin shall be completed only by an approved exporter within the meaning of Article 38.

3. A Declaration of Origin shall be produced only if the good concerned can be considered as an originating good of a Party according to the provisions of this Chapter.

4. Where the approved exporter in the customs territory of the exporting Party is not the producer of the product, a Declaration of Origin for the product may be completed by the approved exporter in accordance with the laws and regulations of the exporting Party.

5. A Declaration of Origin shall be completed prior to the importation in the importing Party of the products to which it relates.

6. A Declaration of Origin shall be valid for 12 months from the date of issuance.

Article 38

Approved Exporter

1. The importing Party shall grant preferential tariff treatment to the goods covered by a Declaration of Origin completed by the approved exporter of the exporting Party. The format of the Declaration of Origin is set out in Annex VI.

2. The Approved exporter authorised by the exporting Party to complete a Declaration of Origin shall be given a unique authorisation number required to be marked on the Declaration of Origin when in use. The use of such number shall be closely monitored and supervised by the exporting Party.

3. Each Party shall provide the other Party with detailed information on the approved exporters, such as the names, registration numbers and contact details of the approved exporters and specimen of the stamp used by the exporters, prior to the actual exportation of their goods. Any change in the information above shall be promptly notified to the other Party.

4. Before 31 March each year a Party shall provide the other Party with information on the name and registration number of each approved exporter, along with corresponding serial numbers of all the Declarations of Origin completed in the preceding year. If any discrepancies are discovered because of this information, a Party shall inform the other Party of such discrepancies fur further investigation or clarification on behalf of that Party.

Article 39

Waiver of Certificate of Origin or Declaration of Origin

1. For the purpose of granting preferential treatment under this Chapter, a Party may waive the requirements for the presentation of a Certificate of Origin or Declaration of Origin and grant preferential tariff treatment to:

(a) any consignment of originating products of a value not exceeding US$ 600 or its equivalent amount in the Party’s currency; or

(b) other originating products as provided under its domestic legislation.

2. Waivers provided for in paragraph 1 shall not be applicable when it is established by the customs authorities of the importing Party that the importation forms part of a series of importations that may reasonably be considered to have been undertaken or arranged for the purpose of avoiding the submission of Certificate of Origin or Declaration of Origin.

Article 40

Obligations Regarding Importations

The importer claiming preferential tariff treatment for a good under this Agreement shall:

(a) make a written statement in the customs declaration, on his own initiative, indicating that the good qualifies as an originating good;

(b) possess a valid Certificate of Origin or Declaration of Origin, at the time the import customs declaration referred to in sub-paragraph (a) is made; and

(c) submit the original Certificate of Origin or Declaration of Origin, and other documentary evidence related to the importation of the goods, upon request of the customs authority of the importing Party.

Article 41

Refund of Import Duties or Deposits

1. If a good is imported into the territory of a Party without the submission of a Certificate of Origin or a Declaration of Origin under this Agreement, the customs authority of the importing Party may, where applicable, impose the applied non-preferential customs duty, or require payment of a deposit or guarantee equivalent to the full amount of the customs duty on that good, provided that the importer formally declare to the customs authority upon importation that the good in question qualifies as an originating good.

2. The importer may apply for a refund of any excess customs duties imposed or deposit paid within the period specified in the legislation of the importing Party.

Article 42

Preservation of Documents

1. Each Party shall require its producers, exporters and importers to retain documents that prove the originating status of the goods as well as the fulfilment of the other requirements of this Chapter for at least three years.

2. Each Party shall require that its authorised bodies retain copies of Certificates of Origin and other documentary evidence of origin for at least three years.

Article 43

Verification

1. For the purpose of determining the authenticity or accuracy of the Certificate of Origin or the Declaration of Origin, the originating status of the goods concerned, or the fulfilment of the other requirements of this Chapter, the customs authority of the

importing Party may conduct origin verification by means of a request to the competent authority of the exporting Party, or such other procedures as the customs authorities of the Parties may jointly decide.

2. The customs authority of the importing Party requesting a verification to the competent authority of exporting Party shall specify the reasons, and provide any documents and information justifying the verification.

3. The competent authority of the exporting Party to whom a request for verification is made under paragraph 1, shall respond to the verification request within six months from the date of the receipt of the request.

4. If no reply is received within the periods mentioned above, or if the reply does not contain sufficient information to determine the authenticity of the documents or the originating status of the goods in question, the requesting customs authorities may deny preferential tariff treatment.

Article 44

Denial of Preferential Tariff Treatment

Except as otherwise provided in this Chapter, the importing Party may deny claim for preferential tariff treatment, if:

(a) the goods do not meet the requirements of this Chapter;

(b) the importer, exporter or producer fails to comply with the relevant requirements of this Chapter; or

(c) the Certificate of Origin or the Declaration of Origin does not meet the requirements of this Chapter.

Article 45

Contact Points

Each Party shall designate contact points to ensure the effective and efficient implementation of this Chapter.

CHAPTER 4 CUSTOMS PROCEDURES AND TRADE FACILITATION

Article 46

General Principles

1. The Parties recognise their common objectives of serving the interests of their respective business communities and creating a trading environment allowing them to take advantage of the opportunities offered by this Agreement.

2. The Parties agree that the following principles, *inter alia*, are the basis for the development and administration by competent authorities, of trade facilitation measures:

(a) transparency, efficiency, simplification, harmonisation and consistency of trade procedures;

(b) promotion of international standards;

(c) consistency with multilateral instruments;

(d) the best possible use of information technology;

(e) high standard of public service in the interest of their respective business communities;

(f) governmental controls based on risk management principles;

(g) co-operation within each Party among customs and other border authorities;

(h) consultations with their respective business communities; and

(i) assurance of trade security and facilitation.

Article 47

Co-operation

While recognising the need for strengthening co-operation in multilateral fora and for applying the procedures in the major instruments governing trade facilitation to which both Parties are signatories, the Parties affirm their commitment to the use of efficient trade procedures aiming to reduce costs and unnecessary delays in the trade between them.

Article 48

Transparency

1. Each Party shall promptly publish on the Internet, as far as practicable in English, all laws, regulations and rules of general application relevant to trade in goods between the Parties.

2. Each Party shall establish inquiry points for customs and other matters covered under this Chapter that may be contacted as far as practicable in English via the Internet.

3. The Parties shall consult their respective business communities on their needs with regard to the development and implementation of trade facilitation measures, noting that particular attention should be given to the interests of small and medium-sized enterprises.

4. Each Party shall publish in advance, and in particular on the Internet, draft laws and regulations of general application relevant to international trade, with a view to affording the public, especially interested persons, an opportunity to provide comment on them.

5. Each Party shall ensure that a reasonable interval is provided between the publication of laws and regulations of general application relevant to international trade in goods and their entry into force.

6. Each Party shall administer in a uniform, impartial and reasonable manner all its laws, regulations, rules and administrative decisions relevant to international trade in goods.

Article 49

Advance Rulings

1. Each Party shall in a reasonable, time-bound manner, upon written request, issue a binding, written advance ruling, which contains all information necessary to an importer, exporter or producer that has registered with the Party's customs administration as required by its domestic laws, before the date of importation of a product , with regard to:

(a) tariff classification of the product;

(b) the rules of origin that the Party will apply to the product; and

(c) such other matters as the Parties may agree.

2. A Party that declines to issue an advance ruling shall promptly notify the requesting importer, producer or exporter in writing, setting forth the basis for its decision.

3. Each Party shall provide that advance rulings take effect on the date they are issued, or on another date specified in the ruling, provided that the facts or circumstances on which the ruling is based remain unchanged.

4. Each Party may limit the validity of advance rulings to a period determined by domestic legislation.

5. Each Party shall endeavour to make information on advance rulings, which it considers to be of significant interest to other traders, publicly available, taking into account the need to protect confidential information.

Article 50

Customs Valuation

The Parties shall apply Article VII of the GATT 1994 and the Agreement on Implementation of Article VII of the General Agreement on Tariff and Trade 1994 to goods traded between them.

Article 51

Tariff Classification

The Parties shall apply the International Convention on the Harmonised Commodity Description and Coding System to goods traded between them.

Article 52

Simplification of Customs Procedures

1. Each Party's customs procedures shall be simple, reasonable, objective and impartial.

2. Each Party shall adopt or maintain simplified customs procedures for the efficient release of goods in order to facilitate trade between the Parties.

3. The Parties shall limit controls, formalities and the number of documents required in the context of trade in goods between the Parties to those necessary and appropriate to ensure compliance with legal requirements and thereby simplify to the greatest extent possible the respective procedures.

4. Pursuant to paragraph 3, each Party shall adopt or maintain procedures that:

   (a) provide for advance electronic submission and processing of information before the physical arrival of goods subject to the satisfaction of certain conditions or requirements, to expedite their clearance;

   (b) may allow importers to obtain the release of goods prior to meeting all import requirements of that Party if the importer provides sufficient and effective guarantees and where it is decided that neither further examination, physical inspection nor any other submission is required. A Party is not required to release goods where the Party's legitimate import requirements have not been satisfied; and

   (c) provide for a guarantee to be discharged without delay once it is no longer required.

5. Each Party shall base its procedures for trade in goods and related services to the greatest extent possible on internationally agreed standards that are applied by each Party respectively, aiming to reduce costs and unnecessary delays in trade between them, in

particular the standards and recommended practices of the World Customs Organisation (hereinafter referred to as "the WCO"), including the principles of the revised International Convention on the Simplification and Harmonisation of Customs Procedures (Revised Kyoto Convention).

Article 53

Risk Management

1. In the application of customs control, the Parties shall use risk management. Each Party shall determine which persons and which goods, including means of transport, should be examined, and the extent of the examination based on current risk assessments. The Parties shall adopt a compliance measurement strategy to support risk management. This shall not preclude the Parties from conducting quality control and compliance reviews which may require more extensive examinations.

2. Each Party shall focus measures of control on high-risk goods and facilitate the clearance of low-risk goods in administering customs procedures.

3. Each Party's customs procedures, including its documentary examinations, physical examinations or post-audit examinations, shall not be more onerous than necessary to limit the Party's exposure to the risks referred to in paragraph 2.

Article 54

Application of Information Technology

The Parties shall apply information technology to support customs operations, where it is cost-effective and efficient, particularly in the paperless trading context, taking into account developments in this area within the WCO.

Article 55

Authorised Economic Operator System

A Party operating an Authorised Economic Operator System or security measures affecting international trade flows shall:

(a) afford the other Party the possibility to negotiate a mutual recognition of authorisation and security measures for the purpose of facilitating international trade while ensuring effective customs control; and

(b) draw on relevant international standards, in particular the WCO Framework of Standards.

Article 56

Temporary Admission of Goods

1. Each Party shall facilitate temporary admission of goods in accordance with its domestic laws and regulations and international standards that are applied by each Party respectively.

2. For the purposes of this Article, “temporary admission” means customs procedures under which certain goods may be brought into a customs territory conditionally relieved from payment of customs duties. Such goods shall be imported for a specific purpose, and shall be intended for re-exportation within a specified period and without having undergone any change except normal depreciation due to the use made of them.

Article 57

Review and Appeal

Each Party shall ensure that importers, exporters and producers have the right to at least one level of independent administrative review and judicial appeal in accordance with its domestic legislation.

Article 58

Border Agency Co-operation

Each Party shall ensure co-operation and co-ordination in the procedures of its authorities and agencies involved in border enforcement and import and export controls in order to facilitate trade.

Article 59

Confidentiality

All information provided in relation to importation, exportation or other related matters shall be treated as confidential by the Parties and shall be covered by the obligation of professional secrecy, in accordance with the respective laws of each Party. Such information shall not be disclosed by the authorities of a Party without the express permission of the person or authority providing the information.

Article 60

Consultation

1. Either Party may request consultations on matters arising from the operation or implementation of this Chapter. Such consultations shall be conducted through the relevant contact points, designated by the Parties. Information on contact points shall be provided to the other Party, who shall be notified promptly of any amendments of the said information.

2. With the objective of developing further steps to facilitate trade under this Agreement, the Parties shall establish and notify each other, as appropriate, identify and submit, for the consideration of the FTA Joint Commission established under Chapter 10, further measures aimed at facilitating trade between the Parties, such as, *inter alia*, the following:

(a) general measures to facilitate trade;

(b) official controls;

(c) transport;

(d) the promotion and use of standards;

(e) the use of computers and EDI;

(f) the availability of information;

(g) customs operations in general;

(h) customs and other official procedures concerning means of transport and transport equipment, including containers;

(i) official requirements for imported goods;

(j) customs clearance of exports;

(k) the origin of goods;

(l) transhipment of goods;

(m) goods in international transit;

(n) commercial trade practices;

(o) advance rulings;

(p) customs brokers;

(q) payment procedures; and

(r) such other matters as the Parties may agree.

3. The FTA Joint Commission will review relevant international initiatives on trade facilitation, to identify areas where further joint action would promote their common objectives.

Article 61

Definitions

For the purposes of this Chapter:

(a) "customs administration" means:

(i) in relation to China, the General Administration of Customs, the People's Republic of China; and

(ii) in relation to Iceland, the Directorate of Customs, Iceland.

(b) "customs law" means the statutory and regulatory provisions of a Party relating to the importation, exportation, movement or storage of goods, the administration and enforcement of which are specifically charged to the Customs, and any regulations made by the Customs under their statutory powers;

(c) "customs procedures" means the treatment applied by the customs administration of a Party to goods and the means of transport that are subject to that Party's customs law; and

(d) "means of transport" means various types of vessels, vehicles, aircraft and pack-animals which enter or leave the territory carrying persons, goods or articles.

CHAPTER 5 COMPETITION

Article 62

Rules of Competition

1. The Parties recognise that anti-competitive business conduct may frustrate the benefits arising from this Agreement. Such conduct is therefore incompatible with the proper functioning of this Agreement in so far as it may affect trade between the Parties.

2. This Chapter also applies to undertakings with privilege and exclusive rights authorised by law. Such application shall not prevent the above undertakings from fulfilling their legal functions.

3. The provisions of this Chapter shall not be construed to create any legally binding obligations for the undertakings and are also without prejudice to the independence of the Parties' competition authorities according to their respective competition laws.

4. The Parties undertake to apply their respective competition laws with a view to removing anti-competitive business conduct. The co-operation between the Parties may include the exchange of information in accordance with the respective laws and regulations of the Parties, as well as their confidentiality obligations.

5. The competition authorities of the Parties shall co-operate and consult on matters pertaining to this Chapter.

6. Any dispute under this Chapter shall be settled through consultation between the Parties. Neither Party may have recourse to dispute settlement mechanism under this Agreement in respect of any issue arising from or relating to this Chapter.

CHAPTER 6 INTELLECTUAL PROPERTY RIGHTS

Article 63

General Provisions

1. The Parties recognise the importance of intellectual property rights in promoting economic and social development, particularly in the new digital economy, technological innovation and trade, as well as the need to achieve a balance between the rights of right holders and the legitimate interests of users and the community with regard to protected subject matter.

2. For the purpose of this Chapter, the term "intellectual property rights" refers to copyright and related rights, rights in trademarks, geographical indications, industrial designs, patents, undisclosed information, layout designs of integrated circuits, and rights in plant varieties as defined in the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (hereinafter referred to as "the TRIPS Agreement").

3. Each Party shall establish and maintain transparent intellectual property rights regimes and systems that:

(a) provide certainty over the protection and enforcement of those rights against infringement, including counterfeiting and piracy;

(b) minimise compliance costs for business; and

(c) facilitate international trade through the dissemination of ideas, technology and creative works.

Article 64

International Conventions

Each Party reaffirms its obligation to the TRIPS Agreement, which is hereby incorporated into and made part of this Agreement. The Parties also reaffirm their obligations set out in the following multilateral agreements relating to intellectual property rights to which both are parties:

(a) Paris Convention of 20 March 1883 for the protection of Industrial Property, as revised by the Stockholm Act of 1967 (referred to as the "Paris Convention");

(b) Berne Convention of 9 September 1886 for the protection of Literary and Artistic Works, as revised by the Paris Act of 1971 (referred to as the "Berne Convention");

(c) Patent Cooperation Treaty of 19 June 1970, as revised by the Washington Act of 2001;

(d) Budapest Treaty of 28 April 1977 on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure;

(e) Protocol of 27 June 1989 relating to the Madrid Agreement concerning the International Registration of Marks; and

(f) Nice Agreement of 25 June 1957 Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks, as revised by the Geneva Act of 1979.

Article 65

Co-operation and Exchange of Information

1. The Parties aim to further strengthen their co-operation in the field of intellectual property rights in general. The Parties may co-operate in the following fields, inclusively but not exclusively:

(a) the exchange of information, experience and views on issues of common concern relating to intellectual property rights;

(b) the exchange of information concerning the protection and enforcement of intellectual property rights;

(c) personnel training and the information systems on intellectual property rights;

(d) the promotion of mutual understanding of each Party's policy, activities and experiences in the field of intellectual property rights;

(e) the promotion of education on and awareness of intellectual property rights; and

(f) other activities and initiatives as may be mutually determined by the Parties.

2. Each Party shall designate a contact point or points within 60 days of the entry into force of this Agreement to facilitate communications between the Parties on any matter covered by this Chapter, and provide details of such contact points to the other Party. The Parties shall promptly notify each other of any amendments to the details of their contact points.

3. The designated contact points shall be responsible for the exchange of information pursuant to paragraph 1.

Article 66

Dialogue and Review

1. A Party may at any time request dialogue with the other Party, with a view to seeking a timely and mutually satisfactory resolution of any intellectual property issue within the scope of this Chapter. Unless the Parties agree otherwise, such dialogue shall

be conducted through the Parties' designated contact points within 60 days of the receipt of the request for dialogue. Only in the case that such dialogue fails to resolve any such issue a Party can take actions pursuant to Chapter 11.

2. Notwithstanding paragraph 1, after the commencement of such dialogue, if a Party considers that the dialogue fails to resolve the issue, it may take actions pursuant to Chapter 11 after notifying the other Party of such a decision.

3. The Parties agree, upon request of any Party to the FTA Joint Commission established under Chapter 10 and subject to both Parties' and the FTA Joint Commission's consensus, to review the provisions of this Chapter, with a view to further improving the levels of protection and to ensure the good functioning of the provisions of this Chapter.

CHAPTER 7 TRADE IN SERVICES

Article 67

Scope and Coverage

1. This Agreement applies to measures by the Parties affecting trade in services taken by central, regional or local governments and authorities as well as by non-governmental bodies in the exercise of powers delegated by central, regional or local governments or authorities.

2. This Agreement shall not apply to:

(a) services supplied in the exercise of governmental authority within the territory of each Party; or

(b) regulations or requirements governing the procurement by governmental agencies of services purchased for governmental purposes and not with a view to commercial resale or with a view to use in the supply of services for commercial sale.

3. This Chapter does not apply to measures affecting air traffic rights or measures affecting services directly related to the exercise of air traffic rights, except as provided for in paragraph 3 of the GATS Annex on Air Transport Services.

Article 68

Incorporation of Provisions from the GATS

Wherever a provision of this Chapter provides that a provision of the GATS is incorporated into and made part of this Chapter, the meaning of the terms used in the GATS provision shall be understood as follows:

(a) “Member” shall mean “Party”, except that “among Members” shall mean “among Members of the WTO”;

(b) “Schedules” shall mean the Schedules referred to in Article 84 and contained in Annex VII; and

(c) “Specific Commitment” shall mean a specific commitment in a Schedule referred to in Article 84.

Article 69

Definitions

For purposes of this Chapter:

1. The following definitions of Article I of the GATS are incorporated into and made part of this Agreement:

(a) "trade in services";

(b) "services";

(c) "measures by the Parties"; and

(d) "a service supplied in the exercise of governmental authority".

2. "Service supplier" means any person that supplies services.[1]

3. "Natural person of a Party" means a natural person who is a national or a permanent resident of a Party under its respective legislation.[2]

4. The following definitions of Article XXVIII of the GATS are hereby incorporated into and made part of this Agreement:

(a) "measure";

(b) "supply of a service";

(c) "measures by Members affecting trade in services";

(d) "commercial presence";

(e) "sector" of a service;

(f) "service of another Member";

(g) "monopoly supplier of a service";

(h) "service consumer";

(i) "person";

(j) "juridical person";

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[1] Where the service is not supplied directly by a juridical person but through other forms of commercial presence such as a branch or a representative office, the service supplier (i.e. the juridical person) shall, nonetheless, through such commercial presence be accorded the treatment provided for service suppliers under this Chapter. Such treatment shall be extended to the commercial presence through which the service is supplied or sought to be supplied and need not be extended to any other parts of the service supplier located outside the territory where the service is supplied or sought to be supplied.

[2] Until such time as China enacts its domestic law on the treatment of permanent residents of foreign countries, the obligation of each Party with respect to the permanent residents of the other Party shall be limited to the extent of its obligations under GATS.

(k) "juridical person of the other party";

(l) "owned", "controlled" and "affiliated"; and

(m) "direct taxes".

Article 70

Market Access

Commitments on market access shall be governed by Article XVI of the GATS, which is hereby incorporated into and made part of this Agreement.

Article 71

National Treatment

Commitments on national treatment shall be governed by Article XVII of the GATS, which is hereby incorporated into and made part of this Agreement.

Article 72

Additional Commitments

Additional commitments shall be governed by Article XVIII of the GATS, which is hereby incorporated into and made part of this Agreement.

Article 73

Domestic Regulation

The rights and obligations of the Parties in respect of domestic regulation shall be governed by Article VI of the GATS, which is hereby incorporated into and made part of this Agreement.

Article 74

Recognition

1. Where a Party recognises, by agreement or arrangement, the education or experience obtained, requirements met or licenses or certifications granted in the territory of a non-Party, that Party shall accord the other Party adequate opportunity to negotiate its accession to such an agreement or arrangement, whether existing or future, or to negotiate a comparable agreement or arrangement with it. Where a Party accords recognition autonomously, it shall afford adequate opportunity for the other Party to

demonstrate that the education or experience obtained, requirements met or licenses or certifications granted in the territory of that other Party should also be recognised.

2. Any such agreement or arrangement or autonomous recognition shall be in conformity with the relevant provisions of the WTO Agreement and, in particular, Article VII of the GATS.

Article 75

Movement of Natural Persons

Annex VIII on Movement of Natural Persons Supplying Services forms an integral part of this Agreement.

Article 76

Monopolies and Exclusive Service Suppliers

The rights and obligations of the Parties in respect of monopolies and exclusive service suppliers shall be governed by paragraphs 1, 2 and 5 of Article VIII of the GATS, which are hereby incorporated into and made part of this Agreement.

Article 77

Business Practices

The rights and obligations of the Parties in respect of business practices shall be governed by Article IX of the GATS, which is hereby incorporated into and made part of this Agreement.

Article 78

Safeguards

The Parties note the multilateral negotiations pursuant to Article X of the GATS on the question of emergency safeguard measures based on the principle of non-discrimination. Upon the conclusion of such multilateral negotiations, the Parties shall conduct a review for the purpose of discussing appropriate amendments to this Agreement so as to incorporate the results of such multilateral negotiations.

Article 79

Financial Services

The GATS Annex on Financial Services is hereby incorporated into and made part of this Agreement.

Article 80

Payments and Transfers

1. Except under the circumstances envisaged in Article 81, a Party shall not apply restrictions on international transfers and payments for current transactions relating to its specific commitments.

2. Nothing in this Agreement shall affect the rights and obligations of a Party who is a member of the International Monetary Fund under the Articles of Agreement of the Fund, including the use of exchange actions which are in conformity with the Articles of Agreement of the Fund, provided that a Party shall not impose restrictions on any capital transactions inconsistently with its specific commitments regarding such transactions, except under Article 81 or at the request of the Fund.

Article 81

Restrictions to Safeguard the Balance of Payments

The rights and obligations of the Parties in respect of restrictions to safeguard the balance of payments shall be governed by paragraphs 1 to 3 of Article XII of the GATS, which are hereby incorporated into and made part of this Chapter.

Article 82

Exceptions

The rights and obligations of the Parties in respect of general and security exceptions shall be governed by Articles XIV and paragraph 1 of XIV *bis* of the GATS, which are hereby incorporated into and made part of this Chapter.

Article 83

Subsidies

1. The Parties shall review the issue of disciplines on subsidies related to trade in services in the light of any disciplines agreed under Article XV of GATS with a view to their incorporation into this Agreement.

2. At the request of a Party which considers that it is adversely affected by a subsidy of the other Party, the Parties shall enter into consultations on such matters with a view to reaching an amicable solution on the matter.

Article 84

Schedule of Specific Commitments

1. Each Party shall set out in a schedule the specific commitments it undertakes under Articles 70, 71 and 72. With respect to sectors where such commitments are undertaken, each Schedule shall specify:

(a) the sectors in which such commitments are undertaken;

(b) terms, limitations and conditions on market access;

(c) conditions and qualifications on national treatment;

(d) undertakings relating to additional commitments; and

(e) where appropriate, the time-frame for the implementation of such commitments.

2. Measures inconsistent with both Articles 70 and 71 shall be inscribed in both the columns relating to Article 70. In this case the inscription will also be considered to provide a condition or qualification to Article 71.

3. The Parties' schedules of Specific Commitments in Annex VII form an integral part of this Agreement.

Article 85

Modification of Schedules

1. A Party may modify or withdraw any commitment in its Schedule, at any time after three years from the date on which that commitment has entered into force, provided that:

(a) it notifies the other Party of its intention to modify or withdraw a commitment no later than three months before the intended date of implementation of the modification or withdrawal; and

(b) it enters into negotiations with the other Party to agree to the necessary compensatory adjustment.

2. In achieving a compensatory adjustment, the Parties shall ensure that the general level of mutually advantageous commitment is not less favourable to trade than provided for in the Schedules prior to such negotiations.

3. If the modifying Party implements its proposed modification or withdrawal and does not comply with the findings of the arbitration, the other Party may modify or withdraw substantially equivalent benefits in conformity with those findings.

Article 86

Transparency

Article III of the GATS is incorporated into and shall form an integral part of this Agreement.

Article 87

Disclosure of Confidential Information

Article III *bis* of the GATS is incorporated into and shall form an integral part of this Agreement.

Article 88

Review

1. With the objective of further liberalisation of trade in services between them, the Parties commit themselves to review every two years their Schedules of specific commitments.

2. If a Party enters into an agreement with any non-Party countries under Article V or Article V *bis* of the GATS, it shall upon request from the other Party afford opportunity to discuss the possibility to accord treatment to the other Party no less favourable than the treatment it accords to like services and service suppliers of any non-Party.

Article 89

Denial of Benefits

Article XXVII of the GATS is incorporated into and shall form an integral part of this Agreement.

CHAPTER 8 INVESTMENT

Article 90

Objective

The objective of this Chapter shall be to help the Parties to promote, within the bounds of their own competence, an attractive and stable reciprocal investment climate.

Article 91

Information Exchange

The Parties will promote the establishment of information exchange channels and facilitate full communication and exchange in the following aspects:

(a) on investment policy, laws, as well as economic, trade and commercial information;

(b) exploring the possibility of establishing investment promotion mechanisms; and

(c) providing national information for the potential investors and on investment co-operative parties.

Article 92

Bilateral Investment Agreement

The Parties recognise the importance of the Agreement between the Parties concerning the Promotion and Reciprocal Protection of Investments of 31 March 1994 in creating favourable conditions for investments between the Parties, and thus its contribution to the creation of the free trade area established by this Agreement.

CHAPTER 9 CO-OPERATION

Article 93

General Objectives

1. The Parties shall establish close co-operation aimed *inter alia* at:

(a) promoting economic and social development;

(b) stimulating productive synergies, creating new opportunities for trade and investment and promoting competitiveness and innovation; and

(c) increasing and deepening the collaboration activities between the Parties in areas of mutual interest.

2. The Parties reaffirm the importance of all forms of co-operation as a means to contribute to implementing the objectives of this Agreement.

Article 94

Economic Co-operation

In order to advance and strengthen their trade and economic relations, the Parties will encourage and facilitate, as appropriate:

(a) policy dialogue and exchange of information and views on ways to promote and expand trade in goods and services between the Parties;

(b) the exchange of information on important economic and trade issues and on any impediments to furthering economic co-operation between the Parties;

(c) the provision of assistance and facilities to business persons and trade missions that visit each other's country with the knowledge and support of the relevant agencies;

(d) development of existing mechanisms for providing information and identifying opportunities for business co-operation, trade in goods and services, and investment; and

(e) actions of public and/or private sectors in areas of economic interest.

Article 95

Research, Science and Technology

1. Building on their existing agreements on co-operation on research, science and technology, the Parties shall, where appropriate, encourage government agencies,

research institutions, universities, private companies and other research organisations in their countries to conclude direct arrangements in support of co-operative activities, programmes or projects within the framework of this Agreement, especially related to trade and commerce.

2. Co-operation in research, science and technology shall in particular focus on the following areas:

(a) seismology, volcanology, geophysics, earthquake engineering and countermeasure for seismic hazard reduction;

(b) marine and polar science as set out in the Memorandum of Understanding on cooperation between the Parties in the field of Marine and Polar Science and Technology, signed on 20 April 2012;

(c) geothermal and geosciences, as set out in the Memorandum of Understanding between the Parties on Geothermal and Geosciences Co-operation, dated 20 April 2012; and

(d) education and research in the health sector.

3. The Parties will encourage and facilitate, as appropriate, the following activities including, but not limited to:

(a) the identification of strategies, in consultation with universities and research centres, to encourage joint postgraduate studies and research visits;

(b) exchange of scientists, researchers and technical experts; and

(c) exchange of information and documentation.

Article 96

Labour and Environment Co-operation

1. The Parties shall enhance their communication and co-operation on labour matters.

2. The Parties will further enhance communication and co-operation in accordance with the Memorandum of Understanding on Environmental Protection Cooperation between the State Environmental Protection Administration of the People's Republic of China and the Ministry for the Environment of Iceland.

Article 97

Development Co-operation

1. The Parties confirm their objective of cooperating in promoting the economic and social development of China.

2. Co-operation referred to in paragraph 1 may for example include material resources, technical assistance and training opportunities, provided by Iceland to China.

3. The Parties shall, in the FTA Joint Commission established under Chapter 10, discuss possible steps to achieve the objective set out in paragraph 1, by jointly identifying priority tasks for development co-operation, and considering the conclusion of a framework agreement on forms and procedures for future co-operation.

Article 98

Education

1. The Parties shall encourage and facilitate, as appropriate, exchanges between their schools and other education-related agencies at all levels.

2. Co-operation in education may focus on:

(a) exchange of information, teaching aids, and demonstration materials;

(b) joint planning and implementation of programs and projects, and joint co-ordination of targeted activities in agreed fields;

(c) development of collaborative training, joint research and development across graduate and postgraduate studies;

(d) exchange of teaching staff, administrators, researchers and students in relation to programs that will be of mutual benefit; and

(e) gaining understanding of the education systems of each Party, education laws and policies including information relevant to the interpretation and evaluation of qualifications.

Article 99

Government Procurement

1. The Parties agree on the importance of co-operation to enhance mutual understanding of their respective government procurement laws and regulations.

2. The Parties shall publish their laws, or otherwise make publicly available their laws, regulations and administrative rulings of general application.

3. The Parties shall, as soon as possible after China concludes successfully its Accession Negotiations to become Party to the plurilateral WTO Agreement on Government Procurement, hold a consultation to consider possible steps to be taken with a view to concluding an agreement on government procurement between the Parties.

4. Co-operation on government procurement is exempt from Article 100.

Article 100

Mechanisms for Co-operation

1. The Parties will establish a national contact point to facilitate communication on possible co-operation activities. The national contact point will work with government agencies, private sector representatives and educational and research institutions in the operation of this Chapter.

2. For the purposes of this Chapter, the FTA Joint Commission established under Chapter 10 shall have the following functions and agreed by the Parties:

(a) to oversee the implementation of the co-operation framework;

(b) to encourage the Parties to undertake co-operation activities under the co-operation framework; and

(c) to make recommendations on the co-operation activities under this Chapter, in accordance with the strategic priorities of the Parties.

Article 101

Dispute Settlement

No Party shall have recourse to Chapter 11 for any issue arising from or relating to this Chapter.

CHAPTER 10 INSTITUTIONAL PROVISIONS

Article 102

Establishment of the China-Iceland Free Trade Agreement Joint Commission

The Parties hereby establish the China-Iceland Free Trade Agreement Joint Commission (FTA Joint Commission), comprising representatives of the Parties as follows:

(a) in the case of China, the Ministry of Commerce (MOFCOM); and

(b) in the case of Iceland, the Ministry for Foreign Affairs and External Trade (MFA).

Article 103

Mandate of the FTA Joint Commission

1. The FTA Joint Commission shall:

(a) supervise and review the implementation and, where appropriate, give interpretation of this Agreement;

(b) facilitate avoidance and settlement of any disputes that may arise regarding the interpretation or application of this Agreement;

(c) supervise the work of all working groups established under this Agreement;

(e) consider any other matter that may affect the operation of this Agreement; and

(f) establish additional working groups as necessary upon agreement between the Parties.

2. The FTA Joint Commission may negotiate modifications to this Agreement and its Annexes. The acceptance by a Party of any modification is subject to the completion of any necessary domestic legal procedures of that Party.

3. The FTA Joint Commission shall establish its rules and procedures.

4. All decisions of the FTA Joint Commission shall be taken by consensus.

Article 104

Meetings of the FTA Joint Commission

1. The FTA Joint Commission shall convene the first session within one year from the entry into force of this Agreement and the following sessions at least every two years on a regular basis, or as otherwise mutually determined by the Parties.

2. When special circumstances arise, the Parties shall, at the request of a Party, meet at any time upon agreement by both Parties.

3. The sessions of the FTA Joint Commission shall be co-chaired by the Parties.

CHAPTER 11 DISPUTE SETTLEMENT

Article 105

Co-operation

The Parties shall at all times endeavour to agree on the application of this Agreement, and shall make every attempt through co-operation and consultations to arrive at a mutually satisfactory resolution of any matter that might affect its operation when a dispute occurs.

Article 106

Scope of Application

Wherever a Party considers that the other Party has failed to carry out its obligations under this Agreement, the dispute settlement provisions of this Chapter shall apply, except if otherwise provided in this Agreement.

Article 107

Choice of Forum

1. Where a dispute arises under this Agreement and under other agreements, including another free trade agreement to which both Parties are parties or the WTO Agreement, the complaining Party may select the forum in which to settle the dispute.

2. Once the complaining Party has requested a panel under other agreements referred to in paragraph 1, the forum selected shall be used to exclude application of dispute settlement provisions under this Agreement.

Article 108

Consultation

1. The Parties shall make every attempt to arrive at a mutually satisfactory resolution of any dispute through consultations under this Article or other consultative provisions of this Agreement.

2. The request for consultations shall be submitted in writing and shall set out the reasons for the request, including identification of the measure at issue and an indication of the legal basis for the complaint. The complaining Party shall deliver the request to the other Party.

3. If a request for consultations is made, the Party complained against shall reply to the request within 10 days from the date of its receipt and shall enter into consultations in good faith within a period of not more than 30 days after the date of receipt of the request, with a view to reaching a mutually satisfactory solution. If the Party complained against

does not respond within the aforesaid 10 days, or does not enter into consultations within the aforesaid 30 days, then the complaining Party may proceed directly to request the establishment of an arbitral panel.

4. The consultations shall be confidential and are without prejudice to the rights of either Party in any further proceedings.

Article 109

Establishment of an Arbitral Panel

1. If the consultation referred to in Article 108 fails to resolve a matter within 60 days from receipt of the request for consultations, the complaining Party may request in writing the establishment of an arbitral panel to consider the matter.

2. The complaining Party shall state in the request the measure complained of, indicate the provisions of this Agreement that it considers relevant, and deliver the request to the other Party. An arbitral panel shall be established upon receipt of a request.

Article 110

Composition of an Arbitral Panel

1. An arbitral panel shall comprise three members.

2. Within 15 days after the establishment of a panel, the two Parties shall each designate one member of that arbitral panel.

3. The Parties shall agree on the appointment of the third panellist within 30 days after the establishment of a panel. The panellist thus appointed shall chair the arbitral panel.

4. If any member of the arbitral panel has not been designated or appointed within 30 days from the establishment of a panel, at the request of either Party, the Director-General of the WTO is expected to designate a member within a further 30 days.

5. The Chair of the arbitral panel shall not be a national of either of the Parties, nor have his or her usual place of residence in the territory of either of the Parties, nor be employed by either of the Parties, nor have dealt with the matter in any capacity.

6. All panellists shall:

(a) have expertise or experience in the field of law, international trade, other matters covered by this Agreement, or the resolution of disputes arising under international trade agreements;

(b) be chosen strictly on the basis of objectivity, reliability and sound judgment;

(c) be independent of, and not be affiliated with or take instructions from, any Party; and

(d) comply with a code of conduct in conformity with the rules established in the document WT/DSB/RC/1 of the WTO.

7. If a panellist appointed under this Article resigns or becomes unable to act, a successor panellist shall be appointed within 15 days in accordance with the selection procedure as prescribed for the appointment of the original panellist. The successor shall have all the powers and duties of the original panellist. The work of the arbitral panel shall be suspended during the appointment of the successor panellist.

Article 111

Functions of an Arbitral Panel

1. The function of an arbitral panel is to make an objective assessment of the dispute before it, including an examination of the facts of the case and the applicability of and conformity with this Agreement.

2. Where an arbitral panel concludes that a measure is inconsistent with this Agreement, it shall recommend that the responding Party bring the measure into conformity with this Agreement.

3. The arbitral panel, in its findings and recommendations, cannot add to or diminish the rights and obligations provided in this Agreement.

4. The arbitral panel shall make its award based on the provisions of this Agreement, interpreted in accordance with customary rules of interpretation of public international law.

Article 112

Rules of Procedure of an Arbitral Panel

1. Unless the Parties agree otherwise, the arbitration panel proceedings shall be conducted in accordance with this Chapter and the Rules of Procedure of the Arbitration Panel set out in Annex IX.

2. For all arbitration panel proceedings the procedures shall ensure that:

(a) the Parties have the right to at least one hearing before the arbitration panel as well as the opportunity to provide initial and rebuttal written submissions;

(b) the Parties be invited to all the hearings held by the arbitration panel;

(c) all submissions and comments made to the arbitration panel be available to the Parties, subject to any requirements of confidentiality; and

(d) hearings, deliberations, and all written submissions to and communications with the arbitration panel be confidential.

3. Unless the Parties otherwise agree within 20 days from the date of the establishment of the arbitral panel, the terms of reference shall be:

"To examine, in the light of the relevant provisions of this Agreement, the matter referred to in the request for the establishment of an arbitral panel pursuant to Article 109 and to make findings of law and fact together with the reasons therefore as well as to make recommendations for the resolution of the dispute."

4. The arbitral panel shall take its decisions by consensus. If the arbitral panel is unable to reach consensus it may take its decisions by majority vote. Panellists may furnish separate opinions on matters not unanimously agreed. All opinions expressed in the panel report by individual panellists shall be anonymous.

5. At the request of either Party or on its own initiative, the arbitral panel may seek scientific information and technical advice from experts as it deems appropriate.

6. The remuneration of the panellists and other expenses of the arbitral panel shall be borne by the Parties in equal shares.

Article 113

Withdrawal of Complaint

A complaining Party may withdraw its complaint at any time before the initial report has been issued. Such withdrawal is without prejudice to its right to introduce a new complaint regarding the same issue at a later point in time.

Article 114

Suspension or Termination of Proceedings

1. The Parties may agree that the arbitral panel suspends its work at any time for a period not exceeding 12 months from the date of such agreement. If the work of the arbitral panel has been suspended for more than 12 months, the authority for establishment of the arbitral panel shall lapse unless the Parties agree otherwise.

2. The Parties may agree to terminate the proceedings of an arbitral panel.

Article 115

Initial Report

1. The arbitration panel shall present to the Parties an initial report within 90 days from the date of the establishment of the arbitration panel.

2. The arbitration panel shall base its report on the relevant provisions of this Agreement and the submissions and arguments of the Parties.

3. Either Party may submit written comments to the arbitration panel on the initial report within 14 days from the presentation of the report.

4. In such an event, and after considering the written comments, the arbitration panel, on its own initiative or at the request of either Party, may:

(a) request the views of either of the Parties;

(b) reconsider its report; and/or

(c) make any further examination that it considers appropriate.

Article 116

Final Report

1. The arbitration panel shall present to the Parties the final report, containing the matters referred to in paragraph 2 of Article 115, including any separate opinions on matters not unanimously agreed, within 45 days of presentation of the initial report.

2. Unless the Parties decide otherwise, the final report shall be published 15 days after it is presented to them.

Article 117

Implementation of an Arbitral Report

1. If in its report the arbitral panel concludes that a Party has not conformed with its obligations under this Agreement, the resolution, whenever possible, shall be to eliminate the non-conformity.

2. Unless they reach agreement on compensation or other mutually satisfactory solution, the Parties shall implement the recommendations contained in the report of the arbitral panel.

3. The Parties shall implement the recommendations contained in the report of the arbitral panel within a reasonable period of time if it is not practicable to comply immediately.

Article 118

Reasonable Period of Time

1. The reasonable period of time referred to in paragraph 3 of Article 117 shall be mutually determined by the Parties. If the Parties fail to agree on the reasonable period of time within 45 days from the release of the arbitral panel's report, either Party may, to the extent possible, refer the matter to the original arbitral panel, which shall determine the reasonable period of time following consultation with the Parties.

2. The arbitral panel shall provide its determination concerning the reasonable period of time to the Parties within 60 days from the date of the referral of the matter to the panel. When the arbitral panel considers that it cannot provide its determination within this time frame, it shall inform the Parties in writing of the reasons for the delay together with an estimate of the period within which it will submit its determination**.** Any delay shall not exceed a further period of 30 days unless the Parties otherwise agree.

Article 119

Compliance Review of Implementing Measures

1. Where there is disagreement as to the existence or consistency with this Agreement of measures taken within the reasonable period of time to comply with the recommendations of the arbitral panel, such dispute shall be referred to an arbitral panel proceeding, including wherever possible by resorting to the original arbitral panel.

2. The arbitral panel shall provide its report to the Parties within 60 days from the date of the referral of the matter to it.

Article 120

Suspension of Concessions and Obligations

1. If the arbitral panel finds that the Party complained against fails to bring the measure found to be inconsistent with this Agreement into compliance with the recommendations of the arbitral panel within the reasonable period of time established, or the Party complained against expresses in writing that it will not implement the recommendations, and the Parties fail to reach agreement on compensation, the complaining Party may suspend the application of concessions and obligations of equivalent effect to the responding Party.

2. In considering what concessions and obligations to suspend pursuant to paragraph 1:

   (a) the complaining Party should first seek to suspend concessions and obligations in the same sector(s) as that affected by the measure that the arbitral panel has found to be inconsistent with the obligations derived of this Agreement; and

   (b) if the complaining Party considers that it is not practicable or effective to suspend concessions and obligations in the same sector(s), it may suspend concessions and obligations in other sectors. The communication in which the complaining Party announces such a decision shall indicate the grounds on which the decision is based.

3. The complaining Party shall notify the responding Party 30 days before suspending concessions and obligations.

4. Upon written request of the Party concerned, the original arbitral panel shall determine whether the level of concessions and obligations to be suspended by the complaining Party is excessive pursuant to paragraph 2. If the arbitral panel cannot be

established with its original members, the proceeding set out in Article 110 shall be applied.

5. The arbitral panel shall present its determination within 60 days from the request made pursuant to paragraph 4, or if an arbitral panel cannot be established with its original members, from the date on which the last panellist is selected. The ruling of the arbitral panel shall be final. It shall be delivered to the Parties and be made public, unless the Parties decide otherwise.

6. The Complaining Party shall not suspend the application of concessions and obligations before the conditions in paragraph 1 have been fulfilled.

7. The suspension of benefits shall be temporary and only be applied by the complaining Party until the measure found to violate this Agreement has been brought into conformity with this Agreement, or the Parties have reached agreement on a resolution of the dispute.

Article 121

Post Suspension

1. Without prejudice to the procedures in Article 120, if the responding Party considers that it has eliminated the non-conformity that the arbitral panel has found, it may provide written notice to the complaining Party with a description of how non-conformity has been removed. If the complaining Party disagrees, it may refer the matter to the original arbitral panel within 60 days from receipt of such written notice. Otherwise, the complaining Party shall promptly stop the suspension of concessions and obligations.

2. The arbitral panel shall release its report within 60 days from the referral of the matter. If the arbitral panel concludes that the responding Party has eliminated the non-conformity, the complaining Party shall promptly stop the suspension of concessions and obligations.

Article 122

Private Rights

Neither Party may provide for a right of action under its domestic law against the other Party on the ground that a measure of the other Party is inconsistent with this Agreement.

CHAPTER 12 FINAL PROVISIONS

Article 123

Transparency

1. Each Party shall ensure that its laws, regulations and administrative rulings of general application respecting any matter covered by this Agreement or that may affect the operation of this Agreement are promptly published or otherwise made available.

2. Upon request of the other Party, to the extent possible, a Party shall promptly provide information and respond to specific questions on matters referred to in paragraph 1.

3. The information referred to under this Article shall be considered to have been provided when it has been made available by appropriate notification to the WTO or when it has been made available on the official, public and cost-free accessible website of the Party concerned.

Article 124

Confidential Information

Nothing in this Agreement shall require a Party to disclose confidential information, which would impede law enforcement, otherwise be contrary to the public interest or prejudice the legitimate commercial interests of particular enterprises, public or private.

Article 125

Annexes

The Annexes to this Agreement constitute an integral part of this Agreement.

Article 126

Amendments

1. The Parties may agree on any amendment to this Agreement. Each Party shall notify the other, through written notification, of the completion of the procedures required by its law for the bringing into force of such amendments. Such amendments shall enter into force 60 days after the date of the later of these notifications or after such other period as the Parties may agree.

2. When so agreed, and entered into force according to paragraph 1, the amendment shall constitute an integral part of this Agreement.

Article 127

Amendment of the WTO Agreement

If any provision of the WTO Agreement that the Parties have incorporated into this Agreement is amended, the Parties shall, upon request by either Party, consult on whether to amend this Agreement accordingly.

Article 128

Entry into Force and Termination

1. Each Party shall notify the other, through written notification, of the completion of the procedures required by its law for the bringing into force of this Agreement. This Agreement shall enter into force 60 days after the date of the later of these notifications, or after such other period as the Parties may agree.

2. Either Party may terminate this Agreement by written notification to the other Party. This Agreement shall expire 180 days after the date of receipt of such notification.

Article 129

Authentic Texts

This Agreement is done in duplicate in Icelandic, Chinese and English. The three texts of this Agreement are equally authentic. In the event of divergence of interpretation, the English text shall prevail.

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

Done in duplicate at Beijing this fifteenth day of April two thousand and thirteen.

For the Government of Iceland	For the Government of the People's Republic of China
…………………………………….	…………………………………..
ÖSSUR SKARPHÉÐINSSON Minister for Foreign Affairs and External Trade	GAO HUCHENG Minister of Commerce