CHAPTER 19
DISPUTE SETTLEMENT

Article 19.1 : Objectives

1. The objective of this Chapter is to provide an effective, efficient and transparent process for consultations and the settlement of disputes arising under this Agreement.

2. The Parties shall make every attempt through co-operation and consultations to arrive at a mutually satisfactory resolution of any matter that might affect the operation of this Agreement.

Article 19.2 : Definitions

For the purposes of this Chapter:

arbitration panel means an arbitration panel established under Article 19.8;

complaining Party means the Party that requests consultations under Article 19.6; and

responding Party means the Party to which the request for consultations is made under Article 19.6.

Article 19.3 : Scope

Except as otherwise provided in this Agreement, this Chapter shall apply:

(a) with respect to the avoidance or settlement of all disputes between the Parties regarding the interpretation or application of this Agreement; or

(b) wherever a Party considers that:

(i) a measure of the other Party is not in conformity with its obligations under this Agreement;

(ii) the other Party has otherwise failed to carry out its obligations under this Agreement; or

(iii) any benefit it could reasonably have expected to accrue to it under Chapter 2 (Market Access for Goods), 3 (Rules of Origin and Origin Procedures), 4 (Customs Procedures and Trade Facilitation), 8 (Cross-Border Trade in Services), or 13 (Government Procurement) is being nullified or impaired as a result of the application of a measure, whether such measure is in conformity or not with this Agreement.
Article 19.4 : Choice of Forum

1. Where a dispute regarding any matter arises under this Agreement and under the WTO Agreement or any other agreement to which both Parties are party, the complaining Party may select the forum in which to settle the dispute.

2. Once the complaining Party has requested the establishment of, or referred a matter to, an arbitration panel under an agreement referred to in paragraph 1, the forum selected shall be used to the exclusion of other fora.

Article 19.5 : Rules of Interpretation

1. For the avoidance of doubt, the Parties agree that the provisions of this Agreement shall be interpreted in accordance with the customary rules of treaty interpretation of public international law, including as reflected in the Vienna Convention on the Law of Treaties.

2. The findings and rulings of the arbitration panel cannot add to or diminish the rights and obligations provided in this Agreement.

Article 19.6 : Consultations

1. Each Party shall accord adequate opportunity for consultations with respect to any matter referred to in Article 19.3. Any differences shall, as far as possible, be settled by consultation between the Parties.

2. Either Party may request consultations with the other Party with respect to any matter described in Article 19.3 by delivering written notification to the other Party. The complaining Party shall set out the reasons for the request, including identification of the measure or other matter at issue and an indication of the legal basis for the complaint.

3. If a request for consultations is made, the responding Party shall reply to the request promptly in writing and shall enter into consultations in good faith with a view to reaching a mutually satisfactory solution within a period of no more than:

   (a) 15 days after the date of receipt of the request for urgent matters, including those concerning perishable goods; or

   (b) 30 days after the date of receipt of the request for all other matters.

4. Each Party shall:

   (a) provide sufficient information in the consultations to enable a full examination of the matter subject to consultations, including how the measure at issue might affect the operation or application of this Agreement; and
(b) treat any information exchanged in the course of consultations which is designated by the other Party as confidential or proprietary in nature, on the same basis as the Party providing the information.

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

**Article 19.7 : Goods Offices, Conciliation or Mediation**

1. The Parties may at any time agree to good offices, conciliation or mediation. They may begin at any time and be terminated at any time.

2. Proceedings involving good offices, conciliation and mediation, and in particular positions taken by the Parties during these proceedings, shall be confidential and without prejudice to the rights of either Party in any further proceedings.

**Article 19.8 : Establishment of an Arbitration Panel**

1. The complaining Party may request, by means of a written notification addressed to the responding Party, the establishment of an arbitration panel if the consultations fail to settle a dispute within:
   
   (a) 30 days of the date of receipt of the request for consultations regarding urgent matters, including those concerning perishable goods; or
   
   (b) 60 days of the date of receipt of the request for consultations regarding all other matters.

2. The Parties may agree during the consultations to vary the periods set out in paragraph 1.

3. The request to establish an arbitration panel shall identify:
   
   (a) the specific measure or measures at issue;
   
   (b) the legal basis of the complaint sufficient to present the problem clearly; and
   
   (c) the factual basis for the complaint.

4. Unless the Parties otherwise agree, the Parties shall apply the following procedures in selecting an arbitration panel:
   
   (a) the arbitration panel shall consist of three members;
(b) within 30 days of receipt of the request to establish an arbitration panel, each Party shall appoint one arbitrator, who may be its national, and provide to the other Party a list of up to three nominees for appointment to serve as the third arbitrator who shall be the chair of the arbitration panel;

(c) the Parties shall appoint by common agreement the third arbitrator within 45 days of the receipt of the request to establish an arbitration panel, taking into account the nominees proposed pursuant to subparagraph (b);

(d) the chair shall be a national of a non-Party who shall not have his or her usual place of residence in the territory of either of the Parties; and

(e) if any of the arbitrators have not been appointed within 60 days of the date of receipt of the request to establish an arbitration panel, any of the remaining arbitrators shall be appointed on request of either Party by random drawing from the lists of nominees for appointment provided under subparagraph (b).

5. All arbitrators shall:

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

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

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

(d) not have dealt with the matter under dispute in any capacity; and

(e) comply with the code of conduct for arbitrators established under the Understanding on Rules and Procedures Governing the Settlement of Disputes, which is part of the WTO Agreement.

6. The date of establishment of an arbitration panel shall be the date the last arbitrator is appointed in accordance with paragraph 4.

7. If an arbitrator appointed under this Article resigns or becomes unable to act, a successor arbitrator shall be appointed in the same manner as prescribed for the appointment of the original arbitrator and shall have all the powers and duties of the original arbitrator. The work of the arbitration panel shall be suspended during the appointment of the successor arbitrator.

8. Where an arbitration panel is established under Articles 19.13 through 19.16, it shall, where possible, have the same arbitrators as the original arbitration panel. Where this is not possible, any replacement arbitrator shall be appointed in the same manner as prescribed
for the appointment of the original arbitrator and shall have all the powers and duties of the original arbitrator. The arbitration panel may comprise only the chair of the original arbitration panel if the Parties so agree.

**Article 19.9 : Functions of Arbitration Panels**

1. An arbitration panel shall make:

   (a) an objective assessment of the matter before it, including an objective assessment of:

      (i) the facts of the case;

      (ii) the applicability of the relevant provisions of this Agreement cited by the Parties; and

      (iii) the conformity with this Agreement; and

   (b) such other findings and rulings necessary for the resolution of the dispute as it thinks fit.

2. The findings and rulings of the arbitration panel shall be final and binding on the Parties.

3. Unless the Parties otherwise agree within 20 days of the date of the receipt of the request for the establishment of an arbitration panel, the arbitration panel’s terms of reference shall be:

   “to examine, in the light of the relevant provisions of this Agreement cited by the Parties, the matter referenced in the request for the establishment of an arbitration panel, to make findings, rulings, and, if applicable, recommendations as provided in Articles 19.11.2 and 19.11.3 together with the reasons therefore for the resolution of the dispute, and to provide the written reports referred to in Articles 19.11.2 and 19.11.7.”

4. Unless the Parties otherwise agree, the arbitration panel shall be established and perform its functions in a manner consistent with the provisions of this Chapter.

**Article 19.10 : Rules of Procedure**

1. Unless the Parties otherwise agree, the arbitration panel shall follow the model rules of procedure set out in Annex 19-A.

2. The arbitration panel may, after consulting with the Parties, adopt additional rules of procedure not inconsistent with this Chapter and Annex 19-A.
3. The arbitration panel shall make its decisions by consensus, provided that where an arbitration panel is unable to reach consensus, the decisions may be made by majority vote. The arbitration panel shall not disclose which arbitrators are associated with majority or minority opinions.

4. On the request of a Party, or on its own initiative, the arbitration panel may seek information and technical advice from any person or body that it deems appropriate, provided that the Parties so agree and subject to such terms and conditions as the Parties may agree. The Parties shall have an opportunity to comment on any information or advice so obtained.

Article 19.11: Reports of the Arbitration Panel

1. The reports of the arbitration panel shall be drafted without the presence of the Parties.

2. Unless the Parties otherwise agree, the arbitration panel shall provide to the Parties its initial report within 90 days of the date of establishment of an arbitration panel or in cases of urgency including those concerning perishable goods, within 45 days of the date of establishment of the arbitration panel. The initial report shall contain:

   (a) findings of fact;

   (b) the ruling of the arbitration panel as to whether:

      (i) the measure at issue is inconsistent with the obligations of this Agreement;

      (ii) a Party has otherwise failed to carry out its obligations under this Agreement; or

      (iii) the measure at issue is causing nullification or impairment in the sense of Article 19.3(b)(iii);

   (c) the panel’s ruling on any other issue of concern that the Parties have jointly requested that the arbitration panel address; and

   (d) the reasons for its findings and rulings.

3. The arbitration panel may, on the joint request of the Parties, make recommendations for the resolution of the dispute.

4. The arbitration panel shall base its report on the relevant provisions of this Agreement, the submissions and arguments of the Parties, and any information or technical advice it has obtained in accordance with Article 19.10.4.

5. In exceptional cases, if the arbitration panel considers it cannot provide its initial report within the timeframe specified under paragraph 2, it shall inform the Parties in writing of the reasons for the delay together with an estimate of the period within which it will
provide its report. Any delay shall not exceed a further period of 30 days unless the Parties otherwise agree.

6. Each Party may submit written comments to the arbitration panel on its initial report within 14 days of the presentation of the report, or within such other period as the Parties may agree. After considering any written comments by the Parties on the initial report, the arbitration panel may modify its report and make any further examination it considers appropriate.

7. The arbitration panel shall provide a final report to the Parties within 30 days of presentation of the initial report, unless the Parties otherwise agree.

8. If in its final report, the arbitration panel finds that a Party’s measure does not conform with this Agreement or is causing nullification or impairment in the sense of Article 19.3, it shall include in its findings and rulings a requirement to remove the non-conformity or address the nullification or impairment.

9. The Parties shall release the final report of the arbitration panel as a public document within 15 days of the date of its presentation to the Parties, subject to the protection of confidential information.

Article 19.12 : Suspension and Termination of Proceedings

1. The Parties may agree that the arbitration panel suspend its work at any time for a period not exceeding 12 months from the date of such agreement. Within this period, the suspended arbitration panel shall be resumed upon the request of either Party. If the work of the arbitration panel has been continuously suspended for more than 12 months, the authority for establishment of the arbitration panel shall lapse unless the Parties otherwise agree.

2. The Parties may agree to terminate the proceedings of an arbitration panel in the event that a mutually satisfactory solution to the dispute has been found. In such event the Parties shall jointly notify the chair of the arbitration panel.

3. Before the arbitration panel provides its final report, it may at any stage of the proceedings propose to the Parties that the dispute be settled amicably.

Article 19.13 : Implementation

1. Where the arbitration panel has made findings and rulings in accordance with Article 19.11.8, the responding Party shall immediately comply with the findings and rulings of the arbitration panel. Where it is not practicable to comply immediately, the responding Party shall comply with the findings and rulings within a reasonable period of time. Such reasonable period of time shall, whenever possible, be mutually agreed by the Parties.

2. Where the Parties are unable to agree on the reasonable period of time within 45 days of the presentation of the final report, either Party may refer the matter to the original
arbitration panel, in accordance with Article 19.8.8, which shall determine the reasonable period of time following consultation with the Parties.

3. The arbitration panel shall provide its report to the Parties within 45 days of the date on which the arbitration panel is established, in accordance with Article 19.8.8, to consider the matter referred to in paragraph 2. The report shall contain the ruling of the arbitration panel as to the reasonable period of time and the reasons for its ruling. Prior to making this ruling, the arbitration panel shall seek written submissions from the Parties, and if requested by either Party, hold a meeting with the Parties where each Party will be given an opportunity to present its submission.

**Article 19.14 : Compliance within Reasonable Period of Time**

1. The responding Party shall notify the complaining Party in writing before the end of the reasonable period of time of the measures that it has taken to comply with the arbitration panel’s findings and rulings, or that it does not intend to comply.

2. Where there is disagreement as to the existence, or consistency with this Agreement, of measures taken within a reasonable period of time to comply with the findings and rulings of the arbitration panel, such dispute shall be decided through recourse to the dispute settlement procedures in this Chapter, including wherever possible by resort to the original arbitration panel, in accordance with Article 19.8.8.

3. The arbitration panel shall provide its report to the Parties within 45 days of the date on which the arbitration panel is established to consider the matter referred to in paragraph 2. When the arbitration panel considers that it cannot provide its report within this timeframe, 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 report. Any delay shall not exceed a further period of 30 days unless the Parties otherwise agree.

**Article 19.15 : Compensation and Suspension of Benefits in Case of Non-Compliance**

1. If the responding Party, before the expiry of the reasonable period of time, fails to notify any measure taken to comply with the arbitration panel’s findings and rulings, or notifies in writing that it does not intend to comply with the arbitration panel’s findings and rulings, or if the arbitration panel established under Article 19.14.2 rules that no measure taken to comply with its findings and rulings exists, or that the measure notified under Article 19.14.1 is inconsistent with that Party’s obligations under this Agreement, the responding Party shall, if so requested, enter into negotiations with the complaining Party within 10 days of the receipt of such request with a view to reaching a mutually satisfactory agreement on any necessary compensatory adjustment.

2. If no agreement on compensation is reached within 30 days of the receipt of the request under paragraph 1, the complaining Party may at any time thereafter provide written notification to the responding Party that it intends to suspend the application to the responding Party of benefits of equivalent effect. The notification shall specify the level of benefits that
the complaining Party intends to suspend. The complaining Party shall have the right to begin suspending those benefits 30 days after the receipt of such notification. However, the right to suspend benefits arising under this paragraph shall not be exercised if an arbitration panel has been established under paragraph 4 and has not yet provided its report.

3. In considering what benefits to suspend pursuant to paragraph 2:

   (a) the complaining Party shall first seek to suspend benefits in the same sector or sectors as that affected by the measure or other matter that the arbitration panel has found to be not in conformity with this Agreement or to have caused nullification or impairment; and

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

4. Within 30 days of the receipt of the notification made under paragraph 2, if the responding Party objects to the level of suspension proposed, the responding Party may, by means of written notification addressed to the complaining Party, request the establishment of an arbitration panel to consider whether the benefits intended to be suspended by the complaining Party are of equivalent effect.

5. Except as otherwise provided in this Article, such matters shall be decided through recourse to the dispute settlement procedures in this Chapter, including wherever possible by resort to the original arbitration panel established in accordance with Article 19.8. Where an arbitration panel is reconvened pursuant to this paragraph, it shall reconvene within 15 days of the date of such request. An arbitration panel established under this Article shall provide a single final report containing its findings and rulings on the matter to the Parties within 45 days of the date that the arbitration panel is established. If the arbitration panel finds that the level of benefits intended to be suspended by the complaining Party is not of equivalent effect, the complaining Party shall modify the level of suspension of benefits accordingly.

6. Where the right to suspend concessions has been exercised under this Article, if the responding Party considers that the level of benefits suspended by the complaining Party is not of equivalent effect, it may by means of written notification addressed to the complaining Party request the establishment of an arbitration panel to consider the matter. The procedures in paragraph 5 shall apply. The complaining Party may continue to suspend benefits while the arbitration panel considers the matter.

7. Compensation and suspension of benefits shall be temporary. Neither compensation nor the suspension of benefits shall be preferred to full compliance with the findings and rulings of the arbitration panel. Compensation and suspension of benefits shall only be applied by the complaining Party until the measure found to be inconsistent with the obligations of this Agreement has been withdrawn or amended so as to bring it into conformity with this Agreement, or the Parties have otherwise reached agreement on a resolution of the dispute.
Article 19.16: Review

1. Where the Parties disagree on the existence or consistency with this Agreement of measures taken to comply with the obligation in Article 19.13.1, such dispute shall be decided by recourse to an arbitration panel requested for this purpose by means of written notification by either Party.

2. Such request may only be made after the earlier of:
   
   (a) the expiry of the reasonable period of time; or
   
   (b) the date of receipt of a notification by the responding Party to the complaining Party that it has complied with its obligations in Article 19.13.

3. Except as otherwise provided in this Article, such matter shall be decided through recourse to the dispute settlement procedures in this Chapter, including wherever possible by resort to the original arbitration panel established in accordance with Article 19.8.

4. Where an arbitration panel is reconvened pursuant to this paragraph, it shall reconvene within 15 days of the date of such request. The arbitration panel shall provide its initial report to the Parties within 60 days of the date on which it is established, and its final report 15 days thereafter. When the arbitration panel considers that it cannot provide its report within this timeframe it shall inform the Parties in writing of the reasons for the delay together with an estimate of the period within which it will provide its report. Any delay shall not exceed a further period of 15 days unless the Parties otherwise agree.

5. If the arbitration panel finds that the responding Party has complied with its obligations in Article 19.13, the complaining Party shall promptly reinstate any benefits it has suspended under the Article 19.15.

Article 19.17: Expenses

Unless the arbitration panel decides otherwise because of the particular circumstances of the case, each Party shall bear the cost of its appointed arbitrator and its own expenses. The cost of the chair of the arbitration panel and other expenses associated with the conduct of arbitration panel proceedings shall be borne by the Parties in equal shares.