EC/Egypt Euro-Mediterranean Association Agreement: Dispute Settlement Mechanism applicable to disputes under the trade provisions. Protocol

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PURPOSE: to **conclude** a Protocol between the EU and Egypt establishing a Dispute Settlement Mechanism applicable to disputes under the trade provisions of the EU-Egypt Euro-Mediterranean Agreement.

PROPOSED ACT: Council Decision.

BACKGROUND: the Euro-Mediterranean Agreements contain provisions liberalising trade in goods, but the dispute settlement rules applicable to any disputes concerning these provisions rely mainly on a diplomatic approach which can be easily blocked by the party against which a complaint is lodged. In the context of a widening and upgrading of Euro-Mediterranean trade relations, it was opportune to create a dispute settlement mechanism applicable to trade disputes based on streamlined and effective procedures within firm time limits, and modelled on the dispute settlement mechanisms of the most recent agreements concluded by the European Union and on the World Trade Organization (WTO) Dispute Settlement Understanding. Such a mechanism will increase the security and predictability of our bilateral trade relations.

The Commission negotiated in regional and bilateral mode with several Mediterranean partners. Negotiations with Egypt progressed well and resulted in a draft Agreement that was initialled at the EU-Egypt Association Council held in Luxembourg on 27 April 2010.

IMPACT ASSESSMENT: no impact assessment was carried out.

LEGAL BASIS: Article 207(4), first sub-paragraph, in conjunction with Article 218(6)(a)(v) of the Treaty on the Functioning of the European Union (TFEU).

CONTENT: this Agreement follows the model of the dispute settlement chapter of current FTA negotiations, and is based on the WTO Dispute Settlement Understanding, adapted to a bilateral context.

The scope of the dispute settlement mechanism includes Title II of the EU-Egypt Association Agreement, with the usual exception of the Articles on trade defence.

The text also foresees:

- streamlined and effective procedures (including on the composition of the panel and compliance proceedings) with clear time-limits;
- opportunities to settle disputes before having to establish a panel, via consultations and mediation;
- rules on openness and transparency (open hearings, "*amicus curiae*" unsolicited submissions, publication of the panel report), as well as an article on the connection with the WTO Dispute Settlement Understanding.

It should be noted that in parallel, a separate proposal on the **signature of this Agreement** is also submitted. Following the conclusion of this Agreement by the European Union and the Egyptian authorities, this Protocol will be annexed to the Association Agreement.

BUDGETARY IMPLICATION: the proposal has no implication on the EU budget.