

ARTICLE 10: SAFEGUARD MEASURES

1. If as a result of the reduction or elimination of a duty¹ under this Agreement, an originating good of the other Party is being imported into the territory of a Party in such increased quantities, in absolute terms or relative to domestic production, and under such conditions that the imports of such good from the other Party constitute a substantial cause of serious injury, or threat thereof, to a domestic industry producing a like or directly competitive product, such Party may:

- (a) suspend the further reduction of any rate of duty provided for under this Agreement for the good; or
- (b) increase the rate of duty on the good to a level not to exceed the lesser of
 - (i) the most-favored-nation (MFN) applied rate of duty in effect at the time the measure is taken; and
 - (ii) the MFN applied rate of duty in effect on the day immediately preceding the date of entry into force of this Agreement; or
- (c) in the case of a duty applied to a good on a seasonal basis, increase the rate of duty to a level not to exceed the lesser of the MFN applied rate of duty that was in effect on the good for the immediately preceding corresponding season or the date of entry into force of this Agreement.

2. The following conditions and limitations shall apply to a measure described in paragraph 1:

- (a) a Party shall take 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 a part of this Agreement, *mutatis mutandis*;
- (b) in the investigation described in subparagraph (a), a Party shall comply with the requirements of Article 4.2(a) of the WTO Agreement on Safeguards;

¹A determination that an originating good is being imported as a result of the reduction or elimination of a duty provided for in this Agreement shall be made only if such reduction or elimination is a cause which contributes significantly to the increase in imports, but need not be equal to or greater than any other cause. The passage of a period of time between the commencement or termination of such reduction or elimination and the increase in imports shall not by itself preclude the determination referenced in this footnote. If the increase in imports is demonstrably unrelated to such reduction or elimination, the determination referenced in this footnote shall not be made.

and to this end, Article 4.2(a) is incorporated into and made a part of this Agreement, *mutates mutandis*;

(c) a Party shall notify the other Party upon initiation of an investigation described in subparagraph (a) and shall consult with the other Party prior to taking the measure; and, if a Party takes a provisional measure pursuant to paragraph 3, the Party shall also notify the other Party prior to taking such measure, and shall initiate consultations with the other Party immediately after such measure is taken;

(d) no measure shall be maintained:

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

(ii) for a period exceeding four years; or

(iii) beyond the expiration of the transition period, except with the consent of the Party against whose originating good the measure is taken;

(e) no measure may be applied against the same originating good on which a measure has previously been taken;

(f) where the expected duration of the measure is over one year, the importing Party shall progressively liberalize it at regular intervals during the period of application; and

(g) on termination of the measure, the rate of duty shall be the rate that, according to the Party's schedule in Annex 2.1 to this Agreement, would have been in effect one year after initiation of the measure. Beginning on January 1 of the year following the termination of the action, the Party that has applied the measure shall:

(i) apply the rate of duty set out in its schedule in Annex 2.1 to this Agreement as if the measure had never been applied; or

(ii) eliminate the tariff in equal annual stages ending on the date corresponding to the staging category set out in its schedule in Annex 2.1 or its schedule to Annex 2.1.

3. In critical circumstances where delay would cause damage which it would be difficult to repair, a Party may take a measure described in paragraph 1(a), 1(b), or 1(c) on a provisional basis pursuant to a preliminary determination that there is clear evidence that imports from the other Party have increased as a result of the preferential treatment under this Agreement, and such imports constitute a substantial cause of serious injury, or threat thereof, to the domestic industry. The duration of such provisional measure shall not exceed 200 days, during which time the requirements of subparagraphs 2(a) and 2(b) shall be met. Any tariff increases shall be promptly refunded if the investigation described in subparagraph 2(a) does not result in a finding that the requirements of paragraph 1 are met. The duration of any provisional measure shall be counted as part of the period described in subparagraph 2(d).

4. The Party applying a measure described in paragraph 1 shall provide to the other Party mutually agreed trade liberalizing 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, the Party against whose originating good the measure is applied may take tariff action having trade effects substantially equivalent to the measure applied under this Article. The Party taking the tariff action shall apply the action only for the minimum period necessary to achieve the substantially equivalent effects. However, the right to take tariff action shall not be exercised for the first 24 months that the measure is in effect, provided that the measure has been applied as a result of an absolute increase in imports and that such measure conforms to the provisions of this Article.

5. The Parties recognize that, because it has recently begun to produce a like or directly competitive product described in paragraph 1, an infant industry may face challenges that more mature industries do not encounter. Each Party shall ensure that the procedures described in paragraph 2 do not create obstacles to infant industries that seek the imposition of such measures.

6. At its regularly scheduled session for the year commencing 14 years after the date of entry into force of this Agreement, the Joint Committee shall conduct a review of the operation of this Article. Based on the results of this review and on the agreement of the Joint Committee, the transition period may be extended.

7. For purposes of this Article:

domestic industry means the producers as a whole of the like or directly competitive product operating in the territory of a Party, or those whose collective output of the like or directly competitive products constitutes a major proportion of the total domestic production of those products;

serious injury means a significant overall impairment of a domestic industry;

substantial cause means a cause which is important and not less than any other cause;

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

transition period means the 15-year period beginning on January 1 of the year following entry into force of this Agreement, except if such period is extended in accordance with paragraph 6 of this Article.

8. Each Party retains its rights and obligations under Article XIX of GATT 1994 and the WTO Agreement on Safeguards. This Agreement does not confer any additional rights or obligations on the Parties with regard to actions taken pursuant to Article XIX and the Agreement on Safeguards, except that a Party taking a safeguard measure under Article XIX and the Agreement on Safeguards may exclude imports of an originating good from the other Party if such imports are not a substantial cause of serious injury or threat thereof.