**Chapter 15**

**DISPUTE SETTLEMENT**

Article 15.1: Cooperation

The Parties shall endeavour to agree on the interpretation and application of this Agreement, and shall make every attempt through cooperation to arrive at a mutually satisfactory resolution of any matter that might affect its operation.

Article 15.2: Scope of Application

Unless otherwise provided in this Agreement, this Chapter shall apply to the settlement of disputes between the Parties regarding the implementation, interpretation and application of this Agreement or wherever a Party considers that:

(a) a measure of the other Party is inconsistent with its obligations under this Agreement; or

(b) the other Party has otherwise failed to carry out its obligations under this Agreement.

Article 15.3: Contact Points

1. Each Party shall designate a contact point to facilitate communications between the Parties with respect to any dispute initiated under this Chapter.

2. Any request, notification, written submission or other document made in accordance with this Chapter shall be delivered to the other Party through its designated contact point.

Article 15.4: Choice of Forum

1. Unless otherwise provided in this Article, this Chapter is without prejudice to the rights of the Parties to have recourse to dispute settlement procedures available under other international trade agreements to which they are both parties.

2. Where a dispute regarding any matter arises under this Agreement and under another international trade agreement to which both Parties are party, the complaining Party may select the forum in which to settle the dispute.

3. Once the complaining Party has requested the establishment of, or referred a matter to, a dispute settlement panel or arbitral tribunal, the forum selected shall be used to the exclusion of the others.

Article 15.5: Consultations

1. Either Party may request consultations with the other Party with respect to any matter described in Article 15.2 by delivering written notification to the other Party.

2. In this notification, the complaining Party shall set out the reasons for the request, including identification of the measure at issue and an indication of the factual and legal basis for the complaint.

3. If a request for consultations is made, the Party to which the request is made shall reply promptly to the request 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) 10 days after the date of receipt of the request for matters of urgency concerning perishable goods; or

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

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

5. In conducting the consultations, the Parties shall:

(a) provide sufficient information to enable a full examination of how the matter might affect the operation and application of this Agreement; and

(b) treat any confidential or proprietary information exchanged in the course of consultations on the same basis as the Party providing the information.

6. If the Party complained against does not enter into consultations within the timeframe specified in paragraph 3(a) or 3(b), then the complaining Party may proceed directly to request the establishment of an arbitral tribunal.

Article 15.6: Good Offices, Mediation and Conciliation

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. If the Parties agree, good offices, conciliation or mediation may continue while the dispute proceeds for resolution before an arbitral tribunal convened under Article 15.7.

Article 15.7: Establishment and Composition of an Arbitral Tribunal

1. If the consultations fail to resolve a dispute within:

(a) 20 days after the date of receipt of the request for consultations regarding a matter of urgency concerning perishable goods; or

(b) 60 days after the date of receipt of the request for consultations regarding any other matter;

the Party that made the request for consultations may request, in writing, the establishment of an arbitral tribunal to consider the matter.

2. The request to establish an arbitral tribunal shall identify:

(a) the specific measures at issue; and

(b) the factual and legal basis of the complaint, including the provisions alleged to have been breached and any other relevant provisions of this Agreement, sufficient to present the problem clearly.

3. When a request is made by the complaining Party in accordance with paragraph 1, an arbitral tribunal shall be established.

4. An arbitral tribunal shall be composed of three arbitrators.

5. Within 15 days after the establishment of an arbitral tribunal, each Party shall appoint one arbitrator, who may be its national.

6. The Parties shall, by common agreement, designate the third arbitrator within 30 days after the establishment of the arbitral tribunal. The arbitrator thus appointed shall be the Chair of the arbitral tribunal.

7. If any arbitrator of the arbitral tribunal has not been designated or appointed within 30 days after the establishment of the arbitral tribunal, either Party may request that the Director-General of the WTO designate an arbitrator within 30 days of that request.

8. All arbitrators shall:

(a) have expertise or experience in 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 judgement;

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

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

(e) comply with the code of conduct set out in Annex 15-A.

9. The Chair of the arbitral tribunal shall:

(a) not be a national of either Party; and

(b) not have his or her usual place of residence in the territory of either Party.

10. If an arbitrator appointed in accordance with 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 the successor shall have all the powers and duties of the original arbitrator. The work of the arbitral tribunal shall be suspended during the appointment of the successor arbitrator.

11. Where an arbitral tribunal is reconvened in accordance with Articles 15.15 through 15.17, the reconvened arbitral tribunal shall, where possible, have the same arbitrators as in the original arbitral tribunal. If the arbitral tribunal cannot be reconvened with its original arbitrators, the procedures for selection of arbitrators set out in this Article shall apply.

Article 15.8: Functions of Arbitral Tribunals

1. The function of an arbitral tribunal is to make an objective assessment of the matter before it, including an objective assessment of:

(a) the facts of the case;

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

(c) whether:

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

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

2. Unless the Parties otherwise agree within 20 days after the date of the establishment of the arbitral tribunal, 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 tribunal pursuant to Article 15.7 and to make findings of law and fact together with the reasons therefor for the resolution of the dispute."

3. The findings of the arbitral tribunal shall be binding on the Parties.

Article 15.9: Rules of Interpretation

1. The arbitral tribunal shall interpret this Agreement in accordance with customary rules of interpretation of public international law, including as reflected in the *Vienna Convention on the Law of Treaties*, done at Vienna on 23 May 1969.

2. The arbitral tribunal shall have regard to any relevant interpretation established in rulings and recommendations of the WTO Dispute Settlement Body.

3. The rulings and recommendations of the arbitral tribunal cannot add to or diminish the rights and obligations provided for in this Agreement.

Article 15.10: Rules of Procedure of an Arbitral Tribunal

1. Unless the Parties otherwise agree, the arbitral tribunal shall follow the model rules of procedure set out in Annex 15-B.

2. The arbitral tribunal may, after consulting with the Parties, adopt additional rules of procedure not inconsistent with the model rules.

Article 15.11: Suspension or Termination of Proceedings

1. The Parties may agree that the arbitral tribunal suspend its work at any time for a period not exceeding 12 months from the date of such agreement. Within this period, the tribunal shall resume its work if requested by either Party. If the work of the arbitral tribunal has been suspended for more than 12 months, the authority for establishment of the tribunal shall lapse, unless the Parties otherwise agree.

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

3 Before the arbitral tribunal presents its final report, it may at any stage of the proceedings propose to the Parties that the dispute be settled amicably.

Article 15.12: Report of the Arbitral Tribunal

1. In order to enable the Parties to have an opportunity for review and comment, the arbitral tribunal shall present the Parties with its initial report within 90 days of appointment of the final arbitrator setting out its findings of facts, its reasoning, and its determination as to whether:

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

(b) a Party has otherwise failed to carry out its obligations under this Agreement.

2. The arbitral tribunal 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 its rules of procedure. The arbitral tribunal may also, on the joint request of the Parties, suggest ways in which the Party complained against could implement the recommendations.

3. In exceptional cases, if the arbitral tribunal considers it cannot present its initial report within 90 days, it shall inform the Parties in writing of the reasons for the delay, together with an estimate of the period within which it will issue its report. Any delay shall not exceed a further period of 30 days, unless the Parties otherwise agree.

4. Each Party may submit written comments to the arbitral tribunal within 10 days of the presentation of the initial report. After considering these written comments by the Parties and making any further examination it considers appropriate, the arbitral tribunal shall present the Parties its final report within 30 days of presentation of the initial report, unless the Parties otherwise agree.

5. The final report of the arbitral tribunal shall be made available to the public within 10 days from the date of its presentation to the Parties.

Article 15.13: Implementation of the Final Report

1. Where the arbitral tribunal makes a finding that a measure is inconsistent with this Agreement, or that a Party has otherwise failed to carry out its obligations under this Agreement, the Party complained against shall bring the measure into conformity with this Agreement.

2. Within 30 days of the presentation of the final report of the arbitral tribunal to the Parties, the Party complained against shall inform the complaining Party of its intentions with respect to implementation of the findings of the arbitral tribunal. If it is impracticable to comply immediately with the findings, the Party complained against shall have a reasonable period of time in which to do so.

Article 15.14: Reasonable Period of Time

1. The reasonable period of time shall be mutually determined by the Parties. Where the Parties fail to agree on the reasonable period of time within 45 days of the presentation of the arbitral tribunal's final report, either Party may refer the matter to the original arbitral tribunal, to the extent this is possible, which shall determine the reasonable period of time.

2. The arbitral tribunal shall provide its determination to the Parties within 30 days after the date of the referral of the matter to it. Prior to making its determination, the arbitral tribunal shall seek written submissions from the Parties and, if requested by either Party, hold a meeting with the Parties where each will be given an opportunity to present its submission. As a guideline, the reasonable period of time should not exceed 15 months from the date of the issuance of the arbitral tribunal’s final report. However, that time may be shorter or longer depending upon the particular circumstances.

3. When the arbitral tribunal considers that it cannot provide its determination 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 determination. Any delay shall not exceed a further period of 15 days, unless the Parties otherwise agree.

Article 15.15: Compliance Review

1. Where the Parties disagree on the existence or consistency with this Agreement of measures taken to comply with the obligations in Article 15.13.1, such dispute shall be referred to an arbitral tribunal under this Chapter, including wherever possible by resort to the original arbitral tribunal.

2. Such request may only be made after:

(a) the expiry of the reasonable period of time; or

(b) the Party complained against has given written notification to the complaining Party that it has complied with the obligations in Article 15.13.1.

3. The arbitral tribunal convened under this Article shall reconvene as soon as possible after the delivery of the request and shall issue its final report on the matter within 60 days of the date of delivery of the written notification.

4. The arbitral tribunal shall make an objective assessment of the matter before it, including an objective assessment of:

(a) the facts of any implementation action taken by the Party complained against to comply with the obligations in Article 15.13.1; and

(b) whether the Party complained against has complied with the obligations in Article 15.13.1,

and set out its findings on both elements in its report.

Article 15.16: Compensation and Suspension of Concessions and Obligations

1. If the Party complained against:

(a) fails to comply with the findings of the arbitral tribunal within the reasonable period of time;

(b) expresses in writing that it will not comply with the findings of the arbitral tribunal, or

(c) has been found through the compliance review process set out in Article 15.15 to have not complied with the obligations in Article 15.13.1,

that Party shall, if so requested, enter into negotiations with the complaining Party with a view to reaching a mutually satisfactory agreement on any necessary compensation.

2. If the Parties do not reach agreement on compensation in accordance with paragraph 1 within 20 days, the complaining Party may provide written notification to the Party complained against that it intends to suspend the application to the Party complained against of concessions and obligations under this Agreement of equivalent effect to the level of non-conformity that the arbitral tribunal has found. The notification shall specify the level of concessions or other obligations that the complaining Party proposes to suspend.

3. The complaining Party may begin suspending concessions and obligations 30 days after it provides notification of its intention to suspend, or after an arbitral tribunal issues its determination under paragraph 6.

4. Any suspension of concessions and obligations shall be restricted to benefits accruing to the other Party under this Agreement.

5. In considering what concessions and obligations to suspend in accordance with paragraph 2, the complaining Party shall apply the following principles:

(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 tribunal has found to be inconsistent with the obligations 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 it announces such a decision shall indicate the reasons on which it is based.

6. If the Party complained against objects to the level of suspension proposed, or considers that the principles set out in paragraph 5 have not been applied, it may make a written request to reconvene the original arbitral tribunal to examine the matter. The arbitral tribunal shall determine whether the level of concessions and obligations to be suspended by the complaining Party in accordance with paragraph 2 is equivalent to the level of non-conformity. If the arbitral tribunal cannot be established with its original arbitrators, the proceeding set out in Article 15.7 shall be applied.

7. The arbitral tribunal shall present its determination within 60 days of the request made in accordance with paragraph 6 or, if an arbitral tribunal cannot be established with its original arbitrators, from the date on which the last arbitrator is designated. The determination of the arbitral tribunal shall be final and binding and shall be made publicly available.

8. The suspension of concessions and obligations shall be temporary and shall only be applied until such time as the measure found to be inconsistent with this Agreement has been removed, or a mutually satisfactory solution is reached.

Article 15.17: Post Suspension Review

1. Where the right to suspend concessions and obligations has been exercised in accordance with Article 15.16, if the Party complained against considers that it has complied with its obligations in Article 15.13.1, it may provide written notice to the complaining Party with a description of how it has complied. If the complaining Party disagrees, it may refer the matter to the original arbitral tribunal within 30 days after receipt of such written notice. If the arbitral tribunal cannot be established with its original arbitrators, the proceeding set out in Article 15.7 shall be applied. Otherwise, the complaining Party shall promptly stop the suspension of concessions and obligations.

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

**Annex 15-A**

**Code of Conduct**

**Definitions**

1. For the purposes of this Annex:

(a) **assistant** means a person who, under the terms of appointment of an arbitrator, conducts research or provides support for the arbitrator;

(b) **arbitrator** means a member of an arbitral tribunal established under Article 15.7;

(c) **proceeding**, unless otherwise specified, means the proceeding of an arbitral tribunal under this Chapter; and

(d) **staff**, in respect of an arbitrator, means persons under the direction and control of the arbitrator, other than assistants.

**Responsibilities to the Process**

2. Every arbitrator shall avoid impropriety and the appearance of impropriety, shall be independent and impartial, shall avoid direct and indirect conflicts of interests and shall observe high standards of conduct so that the integrity and impartiality of the dispute settlement process are preserved. Former arbitrators shall comply with the obligations established in paragraphs 17 through 20.

**Disclosure Obligations**

3. Prior to confirmation of his or her selection as an arbitrator under this Agreement, a candidate shall disclose any interest, relationship or matter that is likely to affect his or her independence or impartiality or that might reasonably create an appearance of impropriety or bias in the proceeding. To this end, a candidate shall make all reasonable efforts to become aware of any such interests, relationships and matters.

4. Once selected, an arbitrator shall continue to make all reasonable efforts to become aware of any interests, relationships and matters referred to in paragraph 3 and shall disclose them by communicating them in writing to the FTA Joint Commission for consideration by the Parties. The obligation to disclose is a continuing duty, which requires an arbitrator to disclose any such interests, relationships and matters that may arise during any stage of the proceeding.

**Performance of Duties by Arbitrators**

5. An arbitrator shall comply with the provisions of this Chapter and the applicable rules of procedure.

6. On selection, an arbitrator shall perform his or her duties thoroughly and expeditiously throughout the course of the proceeding with fairness and diligence.

7. An arbitrator shall not deny other arbitrators the opportunity to participate in all aspects of the proceeding.

8. An arbitrator shall consider only those issues raised in the proceeding and necessary to rendering a decision and shall not delegate the duty to decide to any other person.

9. An arbitrator shall take all appropriate steps to ensure that the arbitrator’s assistant and staff are aware of, and comply with, paragraphs 2, 3, 4, 19, 20 and 21.

10. An arbitrator shall not engage in *ex parte* contacts concerning the proceeding.

11. An arbitrator shall not communicate matters concerning actual or potential violations of this Annex by another arbitrator unless the communication is to both Parties or is necessary to ascertain whether that arbitrator has violated or may violate this Annex.

**Independence and Impartiality of Arbitrators**

12. An arbitrator shall be independent and impartial. An arbitrator shall act in a fair manner and shall avoid creating an appearance of impropriety or bias.

13. An arbitrator shall not be influenced by self-interest, outside pressure, political considerations, public clamour, loyalty to a Party or fear of criticism.

14. An arbitrator shall not, directly or indirectly, incur any obligation or accept any benefit that would in any way interfere, or appear to interfere, with the proper performance of the arbitrator’s duties.

15. An arbitrator shall not use his or her position on the arbitral tribunal to advance any personal or private interests. An arbitrator shall avoid actions that may create the impression that others are in a special position to influence the arbitrator. An arbitrator shall make every effort to prevent or discourage others from representing themselves as being in such a position.

16. An arbitrator shall not allow past or existing financial, business, professional, family or social relationships or responsibilities to influence the arbitrator’s conduct or judgment.

17. An arbitrator shall avoid entering into any relationship, or acquiring any financial interest, that is likely to affect the arbitrator’s impartiality or that might reasonably create an appearance of impropriety or bias.

**Duties in Certain Situations**

18. An arbitrator or former arbitrator shall avoid actions that may create the appearance that the arbitrator was biased in carrying out the arbitrator’s duties or would benefit from the decision or report of the arbitral tribunal.

**Maintenance of Confidentiality**

19. An arbitrator or former arbitrator shall not at any time disclose or use any non-public information concerning the proceeding or acquired during the proceeding except for the purposes of the proceeding and shall not, in any case, disclose or use any such information to gain personal advantage, or advantage for others, or to affect adversely the interest of others.

20. An arbitrator shall not disclose an arbitral tribunal report, or parts thereof, prior to its publication.

21. An arbitrator or former arbitrator shall not at any time disclose the deliberations of an arbitral tribunal, or any arbitrator’s view, except as required by legal or constitutional requirements.

**Annex 15-B**

**model Rules of Procedure for the Arbitral Tribunal**

**Timetable**

1. After consulting the Parties, an arbitral tribunal shall, whenever possible within 10 days of the appointment of the final arbitrator, fix the timetable for the arbitral tribunal process. The indicative timetable attached to these Rules should be used as a guide.

2. The arbitral tribunal process shall, as a general rule, not exceed 270 days from the date of establishment of the arbitral tribunal until the date of the final report, unless the Parties otherwise agree.

3. Should the arbitral tribunal consider there is a need to modify the timetable, it shall inform the Parties in writing of the proposed modification and the reason for it.

**Written Submissions and other Documents**

4. Unless the arbitral tribunal otherwise decides, the complaining Party shall deliver its first written submission to the arbitral tribunal no later than 14 days after the date of appointment of the final arbitrator. The Party complained against shall deliver its first written submission to the arbitral tribunal no later than 30 days after the date of delivery of the complaining Party’s first written submission. Copies shall be provided for each arbitrator.

5. Each Party shall also provide a copy of its first written submission to the other Party at the same time as it is delivered to the arbitral tribunal.

6. Within 20 days of the conclusion of the hearing, each Party may deliver to the arbitral tribunal and the other Party a supplementary written submission responding to any matter that arose during the hearing.

7. All written documents provided to the arbitral tribunal or by one Party to the other Party shall also be provided in electronic form.

8. Minor errors of a clerical nature in any request, notice, written submission or other document related to the arbitral tribunal proceeding may be corrected by delivery of a new document clearly indicating the changes.

**Operation of the Arbitral Tribunal**

9. All arbitrators shall be present at hearings. Only arbitrators may take part in the deliberations of the arbitral tribunal. In consultation with the Parties, assistants, translators or designated note takers may also be present at hearings to assist the arbitral tribunal in its work. Any such arrangements established by the arbitral tribunal may be modified with the agreement of the Parties.

10. The Chair of the arbitral tribunal shall preside at all of its meetings. The arbitral tribunal may delegate to the Chair the authority to make administrative and procedural decisions.

**Hearings**

11. The timetable established in accordance with Rule 1 shall provide for at least one hearing for the Parties to present their cases to the arbitral tribunal.

12. The arbitral tribunal may convene additional hearings if the Parties so agree.

13. The hearings of the arbitral tribunal shall be held in closed session.

14. The hearing shall be conducted by the arbitral tribunal in a manner ensuring that the complaining Party and the Party complained against are afforded equal time to present their case. The arbitral tribunal shall conduct the hearing in the following manner: argument of the complaining Party; argument of the Party complained against; the reply of the complaining Party; and the counter-reply of the Party complained against. The Chair may set time limits for oral arguments to ensure that each Party is afforded equal time.

**Questions**

15. The arbitral tribunal may direct questions to either Party at any time during the proceedings. The Parties shall respond promptly and fully to any request by the arbitral tribunal for such information as the arbitral tribunal considers necessary and appropriate.

16. Where the question is in writing, each Party shall also provide a copy of its response to such questions to the other Party at the same time as it is delivered to the arbitral tribunal. Each Party shall be given the opportunity to provide written comments on the response of the other Party.

**Confidentiality**

17. The arbitral tribunal’s hearings and the documents submitted to it shall be confidential. Each Party shall treat as confidential information submitted to the arbitral tribunal by the other Party which that Party has designated as confidential.

18. Where a Party designates as confidential its written submissions to the arbitral tribunal, it shall, on request of the other Party, provide the arbitral tribunal and the other Party with a non-confidential summary of the information contained in its written submissions that could be disclosed to the public no later than 15 days after the date of request.

19. Nothing in these Rules shall prevent a Party from disclosing statements of its own positions to the public.

**Role of experts**

20. On request of a Party, or on its own initiative, the arbitral tribunal may seek information and technical advice from any individual or body that it deems appropriate, provided that the Parties agree and subject to such terms and conditions as the Parties agree. The arbitral tribunal shall provide the Parties with any information so obtained for comment.

**Working language**

21. The working language of the arbitral tribunal proceedings, including for written submissions, oral arguments or presentations, the report of the arbitral tribunal and all written and oral communications between the Parties and with the arbitral tribunal, shall be English.

**Venue**

22. The venue for the hearings of the arbitral tribunal shall be decided by agreement between the Parties. If there is no agreement, the first hearing shall be held in the territory of the Party complained against, and any additional hearings shall alternate between the territories of the Parties.

**Expenses**

23. Unless the Parties otherwise agree, the expenses of the arbitral tribunal, including the remuneration of the arbitrators, shall be borne by the Parties in equal share.

24. The arbitral tribunal shall keep a record and render a final account of all general expenses incurred in connection with the proceedings, including those paid to its assistants, designated note takers or other individuals that it retains in accordance with Rule 9.

**Attachment to Annex 15-B**

**Model Rules of Procedure for the Arbitral Tribunal**

**Indicative Timetable for the Arbitral Tribunal**

Arbitral tribunal established on xx/xx/xxxx.

1. Receipt of first written submissions of the Parties:

(i) complaining Party: 14 days after the date of appointment of the final arbitrator;

(ii) Party complained against: 30 days after (i);

2. Date of the first hearing with the Parties: 30 days after receipt of the first submission of the Party complained against;

3. Receipt of written supplementary submissions of the Parties: 20 days after the date of the first hearing;

4. Issuance of initial report to the Parties: 30 days after receipt of written supplementary submissions;

5. Deadline for the Parties to provide written comments on the initial report: 10 days after the issuance of the initial report; and

6. Issuance of final report to the Parties: within 30 days of presentation of the initial report.