

ANNEX 7-B

MFN TREATMENT EXEMPTION

1. For the purposes of Articles 7.8.2 and 7.14.2, to be of a significantly higher level, obligations stipulated in a regional economic integration agreement shall either create an internal market on services and establishment¹ or encompass both the right of establishment and the approximation of legislation. The evaluation of the level of the obligations shall be conducted on the basis of sectoral or horizontal commitments.
 - (a) The **right of establishment** referred to in this paragraph means an obligation to abolish in substance all barriers to establishment among the parties to the regional economic integration agreement by the entry into force of that agreement. The right of establishment shall include the right of nationals of the parties to the regional economic integration agreement to set up and manage undertakings under the conditions laid down for nationals by the legislation of the country where such establishment is effected.
 - (b) The **approximation of legislation** referred to in this paragraph means:
 - (i) the alignment of the legislation of one or more of the parties to the regional economic integration agreement with the legislation of the other party or parties to that agreement; or
 - (ii) the incorporation of common legislation into the legal order of the parties to the regional economic integration agreement. Such alignment or incorporation shall be taking place, and is deemed to take place only from such time that it has been enacted into the domestic legal order of the party or parties to the regional economic integration agreement.
2. The Parties shall notify the Committee referred to in Article 7.3 of any regional economic integration agreement which fulfils the conditions of Articles 7.8.2 and 7.14.2. Such a notification shall be made in writing within 60 days of the signature of the regional economic integration agreement.
3. Upon the request of a Party, and further to the notification mentioned in paragraph 2 of this Annex, the Parties shall discuss and review, at the Committee or in separate consultations, the conformity of the regional economic integration agreement with the conditions of Articles 7.8.2 and 7.14.2 and this Annex.

¹ An internal market on services and establishment means an area without internal frontiers in which the free movement of services, capital and persons is ensured.