

EMERGENCY ACTION

Article 4.5: Bilateral Emergency Actions

1. Subject to paragraphs 2 and 3, if a good originating in the territory of one Party is, as a result of the reduction or elimination of a duty provided for in Chapter Two, being imported into the territory of the other Party in such increased quantities, in absolute terms, and under such conditions so that the imports of such good from the exporting Party alone constitute a substantial cause of serious injury to a domestic industry producing a like or directly competitive good, the importing Party may, to the extent necessary to remedy the injury:

- (a) suspend the further reduction of any rate of duty provided for under this Agreement on such good; or
- (b) increase the rate of duty on such good to a level not to exceed the lesser of:
 - (i) the most-favoured nation (MFN) rate of duty in effect at the time,
 - (ii) the *applicable* MFN or GPT rate of duty in effect on the day immediately preceding the date of the entry into force of this Agreement.

2. The following conditions and limitations shall apply to an action authorized by paragraph 1:

- (a) notification and consultation shall precede the action;
- (b) no action shall be maintained for a period exceeding three years;
- (c) no action may be taken or maintained by a Party against any particular good originating in the territory of the other Party after July 1, 1999; and
- (d) upon the termination of the action, the rate of duty shall be the rate which would have been in effect but for the action.

3. The Party taking an action pursuant to this Article may provide to the Party against whose good the action is taken 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 action. If the Parties are unable to agree on compensation, the Party against whose good the action is taken may take action having trade effects substantially equivalent to the action taken under paragraph 1.