

ANNEX I

Geneva, 16 August 2005

Mr. John Lockhart
World Trade Organization
Centre William Rappard
Rue de Lausanne 154
1211 Geneva 21

Dominican Republic – Measures Affecting the Importation and Internal Sale of Cigarettes

Arbitration under Article 21.3(c) of the DSU

Sir,

The Dominican Republic and Honduras have mutually agreed that the reasonable periods of time for the Dominican Republic to implement the recommendations and rulings of the Dispute Settlement Body (the "DSB") in *Dominican Republic – Measures Affecting the Importation and Internal Sale of Cigarettes* (WT/DS202) are as follows:

1. In respect of the finding of the Panel specified in paragraph 8.1(b) of the Panel Report relative to the transitional surcharge for economic stabilisation, found to be inconsistent with the provisions of Article II:1(b) of the GATT 1994, the Dominican Republic shall immediately bring the measure into conformity with its obligations under the GATT 1994.
2. In respect of the finding of the Panel specified in paragraph 8.1(e) of the Panel Report relative to the requirement that a tax stamp be affixed to all cigarette packets in its territory and under the supervision of the local tax authorities, found to be inconsistent with Article III:4 of the GATT 1994, the Dominican Republic shall immediately bring the measure into conformity with its obligations under the GATT 1994.
3. In respect of the finding of the Panel specified in paragraph 8.1(c) of the Panel Report relative to the foreign exchange fee, found to be inconsistent with the provisions of Article II:1(b) of the GATT 1994, the Dominican Republic shall bring the measure into conformity within twenty four (24) months from 19 May 2005, the date of the adoption of the Panel and Appellate Body Reports.

In respect of the measures that have to be brought into conformity immediately (the measures referred to in paragraphs 8.1(b) and 8.1(e) of the Panel Report, *i.e.*, the transitional surcharge for economic stabilisation and the requirement that a tax stamp be affixed to all cigarette packets in the territory of the Dominican Republic and under the supervision of the local tax authorities), the Dominican Republic and Honduras have likewise agreed that Honduras may, at its discretion, exercise its rights under Article 21.5 or Article 22.6 of the *Understanding on Rules and Procedures Governing the Settlement of Disputes* (the "DSU") at anytime starting sixty (60) days from the date of this notification, without prejudice to the rights of Honduras relative to the bringing into conformity of the measure referred to in paragraph 8.1(c) of the Panel Report, *i.e.*, the foreign exchange fee.


In addition to the foregoing, the Dominican Republic and Honduras have also agreed that the Dominican Republic shall forthwith desist from requiring importers of cigarettes to post the bond referred to in paragraph 8.1(f) of the Panel Report.

The Dominican Republic and Honduras respectfully request the Arbitrator to issue such rulings reflecting this agreement as he may deem appropriate in the circumstances.



Dacio Castillo
Ambassador
Permanent Mission of Honduras

Yours sincerely,



Homero Hernández
Ambassador
Permanent Mission of the
Dominican Republic

cc: H.E. Mr. Eirik Glenne
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