

**FREE TRADE AGREEMENT BETWEEN THE REPUBLIC OF SLOVENIA
AND THE REPUBLIC OF LATVIA**

Communication from the Parties

The following communication has been received from the Permanent Mission of the Republic of Slovenia with the request that it be distributed to WTO Members

I. BACKGROUND INFORMATION ON THE AGREEMENT

1. Date of Signature, Ratification and Entry into Force

The Free Trade Agreement between the Republic of Slovenia and the Republic of Latvia was signed on 22 April 1996 in Riga, Latvia. Latvia already ratified the Agreement in June 1996. Slovenia will ratify it in the near future. Due to the lengthy procedure for the ratification of the agreements a provision was included to the Agreement that allows the Parties to apply the Agreement on a provisional basis from 1 August 1996.

2. Type of Agreement

The Agreement that was concluded between the Republic of Slovenia and the Republic of Latvia is a Free Trade Agreement. The Agreement was concluded with the aim to create favourable conditions for the development and diversification of trade between countries and for the promotion of commercial and economic co-operation in areas of common interest on the basis of equality, mutual benefit and international law and to participate actively in the process of economic integration in Europe. The Parties are expressing their preparedness to co-operate in seeking ways and means to strengthen this process.

The primary objective of the Agreement is to gradually establish a free-trade area by progressively eliminating the obstacles to substantially all their trade in accordance with the provisions of the Agreement and in conformity with those of the GATT and the WTO. The full plans for the reduction of customs duties and other tariff barriers to trade to zero on substantially all the trade between the Parties are contained in the relevant Articles, Annexes and Protocols of the Agreement. (See attachment)

3. Scope and Product Coverage

As evident above, the Free Trade Agreement covers trade in industrial products (HS Chapters 25-97, with the exception of the products listed in Annex I) and agricultural products (Protocol A, including the products listed in Annex I). The Agreement also contains provisions, *inter alia*, on state-aid, state monopolies, competition, public procurement, intellectual property rights

and dumping. The Parties have also expressed their readiness to discuss the extension of the scope of the Agreement to the areas not currently covered (evolutionary clause).

The products excluded from the coverage of the Chapter I (Industrial Products) of the Agreement listed in Annex I are products falling within Chapters 1 to 24 (“agricultural products”) in the nomenclature preceding the Harmonized Description and Coding System (H.S.), but were transferred at the time of the introduction of the Harmonized System into H.S. Chapters 25 to 97 (“industrial products”). These products listed in Annex I are thus products which are excluded from the application of provisions of the Agreement relating to industrial products. However, the products are covered by the provisions relating to agricultural products in Articles 2 and 3 of the Agreement. The Republic of Slovenia and the Republic of Latvia apply a similar system in their relations with the European Community.

The following summary indicates products which are covered by, or excluded from, the Agreement:

- (i) All products falling within H.S. Chapters 25 to 97 are covered.
- (ii) The products contained in Protocol B (agricultural products) are covered.

The trade coverage of the products covered by the Agreement under review and agricultural arrangements, which also form a part of the instruments creating the free-trade area, is presented in detail in Annex I to this note.

Products falling within Chapters 25 to 97 of the Harmonized Commodity Description and Coding System account for 97.2 per cent of imports of all products originating in Latvia being imported in Slovenia.

Products falling within Chapters 25 to 97 of the Harmonized Commodity Description and Coding System account for 96.84 per cent of imports of all products originating in Slovenia being imported in Latvia.

Products falling within Chapters 1 to 24 of the Harmonized Commodity Description and Coding System for which the customs duties have been decreased within the limits of quotas since 1 August 1996 account for 0 per cent of imports of all products originating in Latvia being imported in Slovenia and for 0 per cent of imports of agricultural products originating in Latvia being imported in Slovenia (see Annex I).

Products falling within Chapters 1 to 24 of the Harmonized Commodity Description and Coding System for which the MFN rate of duty is applied account for 2.8 per cent of imports of all products originating in Latvia being imported in Slovenia and for 100 per cent of imports of agricultural products originating in Latvia being imported in Slovenia (see Annex I).

The FTA covers substantially all the trade between the Republic of Slovenia and the Republic of Latvia in products originating in these territories.

4. Trade Data

See country specific table in Annex II to this note on development of trade between Slovenia and Latvia. In addition compiled economic and trade indicators of Slovenia and Latvia are provided in Annex III to this note.

II. TRADE PROVISIONS

Industrial Products

1. Import Restrictions

1.1 Duties and charges

All customs duties on imports and charges having equivalent effect for the products falling within H.S. Chapters 25-97, with the exception of the products listed in Annex I, were abolished on 1 August 1996.

The provisions concerning the prohibition and abolition of customs duties on imports also apply to customs duties of a fiscal nature.

1.2. Quantitative restrictions

All quantitative restrictions (QRs) on imports and measures having equivalent effect were abolished on 1 August 1996.

2. Export Restrictions

2.1 Duties and charges

All duties on exports and charges having equivalent effect were abolished upon entry into force of the Free Trade Agreement, with the following exceptions:

- (a) *Slovenia* abolished on erga omnes basis all export charges equivalent to customs duties on 1 January 1998;
- (b) *Latvia* shall abolish export duties for products specified in Annex II at the latest on 1 January 1999.

2.2 Quantitative restrictions

All QRs on exports and measures having equivalent effect were abolished on 1 August 1996.

3. Rules of Origin and Co-operation in Customs Administration

The provisions on rules of origin laid out in Protocol B to the Agreement are conceived for the purpose of the Agreement. These rules are based on the concept of pan-European cumulation which is applied in a number of Free Trade Agreements within Europe. As a consequence of the implementation of this origin network, semi-finished products originating in a partner country linked to the system, Slovenia and Latvia are linked to it, may now be used without restrictions for manufacturing and processing in whatever other partner country connected to the system. Under the new rules finished products originating in the European Union and exported to Latvia can be re-exported under the agreed preferential terms (either duty-free or preferential duties in accordance to the duty dismantling schedules established under the Agreement) to Slovenia and vice-versa.

4. Standards

4.1. Technical barriers to trade

The Parties shall co-operate and exchange information in the field of standardization, metrology and certification with the aim of reducing technical barriers to trade. The relevant bodies of the Parties shall elaborate the rules of mutual recognition of the accreditation of testing and calibration laboratories and certification bodies and product and quality systems certificates of conformity issued in the Parties. Such rules shall include the rules of mutual recognition of the type of approval of measuring equipment which are issued in the Parties and procedures for recognition of the results of the measurements, calibration and conformity with requirements.

4.2. Sanitary and phytosanitary measures

The Parties shall apply their regulations in veterinary, plant health and health matters in a non-discriminatory fashion and shall not introduce any new measures that have the effect of unduly obstructing trade.

5. Safeguards

The following emergency measures and other safeguard mechanisms applicable to intra-trade are provided for in the Agreement:

- Re-export and serious shortage

Any export restrictions introduced under these provisions shall be applied in the sense of the requirements of Article XI of the GATT 1994 unless they are based on Article XX.

- Balance of payments difficulties

Any measures for balance-of-payments purposes shall be applied in accordance with the provisions of the GATT.

6. Anti-Dumping

The Parties may only take anti-dumping measures in accordance with the Agreement on Implementation of Article VI of the GATT 1994. The Agreement contains provisions for the procedures for the application of safeguard measures which are applicable to anti-dumping measures.

7. State-Aid and Countervailing Measures

Any aid granted by a Party or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall be, insofar as it may affect trade between the Parties, incompatible with the proper functioning of the Agreement, and in particular, the Parties shall not maintain or introduce export aid as listed in Annex V to the Agreement in trade between the Parties. The Parties shall ensure transparency of state-aid measures by exchanging information upon the request of either Party. Any Party can introduce, if it considers that a particular practice is incompatible with the Agreement's provisions, appropriate countervailing measures in conformity with the procedure laid down in the Article on Procedure for the Application of Safeguard Measures.

8. Sector-Specific Provisions

Agricultural products

The Parties declared their intention to foster, insofar as their agricultural policies allow, the harmonious development of trade in agricultural and fisheries products.

The Parties granted each other concessions on trade in agricultural and fisheries products falling within Chapters 1 to 24 of the Harmonized Commodity Description and Coding System and the products listed in Annexes I, II and III as provided for in Protocol A.

Annexes I and II provide for reduction of customs duties by 50 per cent within the limits of tariff quotas; Annex I provides for reduction by Latvia, Annex II provides for reduction by Slovenia.

Annex III provides for abolishment of customs duties and charges having equivalent effect applicable in both Parties for fishery products, with exemptions specified in Annex III.

For products within Chapters 1 to 24 of the Harmonized Commodity Description and Coding System the most-favoured-nation duty is applied, unless otherwise specified in the Annexes to this Protocol on 1 August 1996.

The Agreement provides better access conditions for those products. Furthermore, the Agreement abolishes customs duties and measures having equivalent effect for the number of fisheries products.

The Parties agreed to assess, two years after the entry into force of the Agreement, within the Joint Committee the effects of the concessions given for products in Protocol A and may decide on possible changes to the mutual concessions and product coverage.

III. GENERAL PROVISIONS

1. Exceptions and Reservations

- General exceptions

The Agreement shall not preclude prohibitions or restrictions on imports, exports, or goods in transit justified on grounds of public morality, public policy or public security; the protection of health and life of humans, animals, or plants; the protection of the environment; the protection of national treasures of artistic, historic or archaeological value; the protection of intellectual property; or the rules relating to gold or silver. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between the Parties.

- Security exceptions

Nothing in the Agreement shall prevent a Party from taking any measure which it considers necessary to prevent the disclosure of information contrary to its essential security interests; for the protection of its essential security interests or for the implementation of international obligations or national policies: relating to the traffic of arms, ammunition and implements of war, provided that such measures do not impair the conditions of competition in respect of products not intended for specifically military purposes, and to such traffic in other goods, materials and services as is carried on directly or indirectly for the purpose of supplying a military establishment; or relating to the

non-proliferation of biological and chemical weapons, nuclear weapons or other nuclear explosive devices; or taken in time of war or other serious international tension.

IV. OTHER

1. Internal Taxation

There are no measures or practices of an internal fiscal nature applied by the Parties, implying directly or indirectly discrimination against the products of the Parties. As an example of direct taxation one can mention income tax or corporate tax, whereas turnover tax and value-added tax are examples of indirect taxation.

2. State Monopolies

The provisions on state monopolies ensure that procurement or marketing of products by any state monopolies of commercial nature, as defined in the Article of the Agreement also include monopolies delegated by the Parties to others. The Parties shall ensure that any state monopoly of a commercial character be adjusted so that no discrimination regarding the conditions under which goods are procured and marketed will exist between nationals of the Parties. These goods shall be procured and marketed in accordance with commercial considerations.

3. Payments

The Agreement provides freedom of payments relating to trade and transfer of such payments to the territory of the Party where the creditor resides. They include a commitment to refrain from any exchange or administrative restrictions on grant, repayment or acceptance of credits covering commercial transactions.

4. Public Procurement

The Parties progressively developed their respective regulations for public procurement and have granted suppliers of the other Party on 1 August 1996, access to contract award procedures on their respective government procurement markets according to the provisions of the World Trade Organization Agreement on Government Procurement.

5. Protection of Intellectual Property

The Parties grant and ensure the protection of intellectual property rights on a non-discriminatory basis, including measures for granting and enforcing such rights. The term intellectual property protection is defined in the Agreement. In the field of intellectual property the Parties, on 1 August 1996, granted to each other's nationals and companies treatment no less favourable than that accorded to nationals and companies of any other country under international agreements.

6. Evolutionary Clause

A future deepening and extension of the coverage of the Agreement as provided for by this provision may be defined by the Parties.

7. Validity and Termination

The Agreement was concluded for an indefinite period of time. Each Party may terminate this Agreement by a written notification to the other Party. The termination shall take effect six months after the date on which the notification was received by the other Party.

ATTACHMENTSummary of the Structure of the Agreement, including Annexes and Protocols

Preamble	
Objectives	Article 1
Scope	Article 2
- Annex I (industrial products that count as agricultural)	
- Protocol A	
Trade in agricultural products	Article 3
Rules of origin and co-operation in customs matters	Article 4
- Protocol B	
Customs duties on imports	Article 5
Charges equivalent to customs duties on imports	Article 6
Fiscal duties	Article 7
Customs duties and equivalent charges on exports	Article 8
- Annexes II and III	
QRs on imports or exports and measures having equivalent effect	Article 9
National treatment	Article 10
Internal taxation	Article 11
General exceptions	Article 12
Payments	Article 13
Public procurement	Article 14
Protection of intellectual property	Article 15
Rules of competition concerning undertakings	Article 16
State aid	Article 17
State monopolies	Article 18
Technical regulations	Article 19
Dumping	Article 20
Emergency action on imports of a particular product	Article 21
Re-export	Article 22
Balance of payments difficulties	Article 23
Procedure for the application of safeguard measures	Article 24
Security exceptions	Article 25
The Joint Committee	Article 26
Procedures of the JC	Article 27
Evolutionary clause	Article 28
Services and investments	Article 29
Fulfilment of obligations	Article 30
Annexes and Protocols	Article 31
Customs unions, free-trade areas and frontier trade	Article 32
Amendments	Article 33
Entry into force	Article 34
Provisional application	Article 35
Withdrawal	Article 36

ANNEX I

Slovenian Trade with Latvia
(Value in US Dollars)

	1996	%	1997	%	I-IV 1998	%
IMPORTS						
Agricultural products	128,261.76	8.29	86,754.41	2.8	0.00	0
Annex II	0.00	0	0.00	0	0.00	0
Annex III	37.45	0.01	0.00	0	0.00	0
Industry	1,410,889.73	91.7	2,977,182.83	97.2	808,732.58	100
TOTAL	1,539,190.94	100	3,063,937.25	100	808,732.58	100

Import from Latvia to Slovenia
(Value in 1,000 US Dollars)

Year	Total Import		At Zero Customs Duty		Between Zero and MFN		MFN	
	1,000 USD	%	1,000 USD	%	1,000 USD	%	1,000 USD	%
1996	1,539.2	100	1,410.8	91.6	0	0	128.2	8.4
1997	3,063.9	100	2,977.2	97.2	0	0	86.7	2.8
I-IV '98	808.7	100	808.7	100	0	0	0	0

Latvian Trade with Slovenia
(Value in 1,000 Dollars)

Imports from Slovenia to Latvia						
Year	1996		1997		I-III 1998	
	1,000 US\$	%	1,000 US	%	1,000 US\$	%
Agriculture	28.2	0.75	100.7	3.16	57.5	6.64
Industry	3,735.9	99.25	3,090.3	96.84	808.1	93.36
TOTAL	3,764.1	100.00	3,191	100.00	865.6	100.00

ANNEX II – A

Slovenian Trade with Latvia
(In 1,000 of US Dollars)

	1996	1997	I-V 1997	I-V 1998	1997/96	I-V 1998/97
Import	1,539	3,064	1,145	1,405	199.1	122.7
Export	4,244	3,380	1,504	1,373	79.6	91.3

Source: Office statistical bulletin, June 1998

Latvian Imports from Slovenia
(In 1,000 of US Dollars)

	1996	1997	I-III 1997	I-III 1998	1997/96	I-III 1998/97
Import	3,764	3,191	862	866	84.8	100.4

Source: Central Statistical Bureau of Latvia

ANNEX II – B

H.S. Chapter	The Republic of Slovenia Total Imports from Latvia			The Republic of Latvia Total Imports from Slovenia		
	1996	1997	I-IV 1998	1996	1997	I-III 1998
	USD					
1	-	-	-	-	-	-
2	-	-	-	-	-	-
3	-	-	-	-	-	-
4	51	-	-	-	-	-
5	-	-	-	-	-	-
6	-	-	-	-	-	-
7	-	-	-	-	-	-
8	-	-	-	-	-	-
9	-	-	-	-	2,000	20,100
10	-	-	-	-	-	-
11	-	-	-	-	-	-
12	-	-	-	-	-	-
13	-	-	-	-	-	-
14	-	-	-	-	-	-
15	-	-	-	-	-	-
16	37	-	-	-	-	-
17	-	182	-	-	4,800	-
18	-	-	-	-	200	-
19	-	-	-	-	-	-
20	-	-	-	-	-	-
21	-	-	-	21,000	-	200
22	-	-	-	-	-	-
23	-	-	-	-	-	-
24	-	4,334	-	7,200	93,700	37,200
25	-	-	-	37,900	-	-
26	-	-	-	100	-	-
27	-	1,707	-	-	-	-
28	-	-	-	900	-	-
29	29,320	24,200	-	-	-	-
30	-	66,592	-	1,528,100	1,811,900	552,600
31	-	-	-	-	-	-
32	3,048	-	-	13,600	-	-
33	-	-	-	8,500	39,900	6,900
34	-	-	517	1,500	3,100	2,000
35	-	-	-	14,700	-	-
36	-	-	-	-	-	-
37	-	-	-	-	-	-
38	-	72	-	300	-	-
39	8,715	11,690	1,289	46,300	1,200	-
40	180	144	-	41,200	17,000	600
41	240	27,654	-	73,100	-	-
42	-	204	-	700	-	-
43	-	-	-	-	-	-
44	431,024	1,025,500	384,755	119,400	20,500	-
45	-	-	-	1,100	-	-
46	-	-	-	-	-	-
47	-	-	-	-	-	-

H.S. Chapter	The Republic of Slovenia Total Imports from Latvia			The Republic of Latvia Total Imports from Slovenia		
	1996	1997	I-IV 1998	1996	1997	I-III 1998
	USD					
48	17	55,842	1,822	92,500	287,100	128,100
49	20	1,693	-	11,500	16,500	3,400
50	-	-	-	-	-	-
51	-	-	-	-	-	-
52	128,158	82,239	-	-	-	-
53	331,700	590,610	121,664	-	-	-
54	-	-	-	-	-	-
55	-	-	-	-	-	-
56	102	-	-	13,400	200	-
57	-	-	-	33,100	-	-
58	-	-	-	-	-	-
59	-	-	-	66,900	118,300	54,900
60	-	-	-	-	-	-
61	7,683	1,214	1,288	100	6,400	-
62	7,338	57,716	9,962	12,900	3,700	5,900
63	144	258	-	9,400	3,000	100
64	-	12,132	-	400	9,100	2,000
65	-	804	-	-	700	-
66	-	-	-	-	-	-
67	-	-	-	-	-	-
68	716	-	-	23,000	700	-
69	-	-	-	46,200	35,600	-
70	169,563	1,036,678	274,215	46,200	500	-
71	-	-	-	-	-	-
72	-	-	-	1,300	-	-
73	117,534	210	259	492,700	6,600	-
74	-	-	-	6,600	200	-
75	-	-	-	-	-	-
76	726	599	-	42,800	300	-
77	-	-	-	-	-	-
78	-	-	-	-	-	-
79	-	-	-	100	200	-
80	-	-	-	-	-	-
81	-	-	-	-	-	-
82	23,449	8,262	-	11,300	9,800	-
83	31	7	-	22,600	61,800	-
84	204,584	5,275	251	128,300	414,400	12,400
85	38,586	7,265	7,377	186,500	17,900	1,600
86	-	-	-	-	-	-
87	23,981	-	-	33,700	22,100	-
88	752	-	-	-	-	-
89	-	-	-	-	-	-
90	4,841	268	-	46,100	200	-
91	-	-	-	-	-	-
92	-	-	-	-	-	-
93	-	-	-	-	-	-
94	6,573	39,885	5,331	510,500	175,900	-
95	-	100	-	2,700	5,400	-
96	-	-	-	2,300	100	-
97	-	600	-	5,400	-	-
TOTAL	1,539,190	3,063,937	808,732	3,764,100	3,919,000	865,600

ANNEX III

Basic Data for 1997

	Slovenia	Latvia
Population	1,982,265	2,479,900
GDP in millions of US Dollars (*data available only for year 1996)	18,858*	5,352
GDP per capita in US Dollars (*data available only for year 1996)	9,471*	2,141
Land area (sq.km)	20,253	64,589
Imports in millions of US Dollars	9,178.7	2,720.7
Exports in millions of US Dollars	8,407.1	1,671.5
Trade balance in millions of US Dollars	-771.6	-1,049.2

Source: Monthly Bulletin of Bank of Slovenia, April 1998
Central Statistical Bureau of Latvia
