

WORLD TRADE ORGANIZATION

RESTRICTED

WT/REG37/3

6 November 1998

(98-4389)

Committee on Regional Trade Agreements

Original: English

FREE TRADE AGREEMENT BETWEEN THE REPUBLIC OF SLOVENIA AND THE REPUBLIC OF ESTONIA

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 Estonia was signed on 26 November 1996 in Tallinn, Estonia. 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 January 1997.

2. Type of Agreement

The Agreement that was concluded between the Republic of Slovenia and the Republic of Estonia is a Free Trade Agreement. The Agreement was concluded with the aim to further develop economic co-operation and trade relations between countries and to participate actively in the process of economic integration as an important dimension of the stability on the European continent and expressing their preparedness to co-operate in seeking ways to strengthen this process, Estonia having objective to become a Member of the WTO.

The primary objective of the Agreement is to gradually establish a free-trade area on substantially all their bilateral trade in accordance with the provisions of the Agreement and in conformity with Article XXIV of the GATT 1994 and with the Understanding on the Interpretation of Article XXIV of the Agreement establishing 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) and agricultural products (HS Chapters 1-24). 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 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) All products falling within H.S. Chapters 1-24 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 97.7 per cent of imports of all products originating in Estonia being imported in Slovenia.

Products falling within Chapters 25 to 97 of the Harmonized Commodity Description and Coding System account for 82.8 per cent of imports of all products originating in Slovenia being imported in Estonia.

Products falling within Chapters 1 to 24 of the Harmonized Commodity Description and Coding System for which the customs duties were abolished on 1 January 1997 account for 2.2 per cent of imports of all products originating in Estonia being imported in Slovenia and for 99.1 per cent of imports of agricultural products originating in Estonia 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 0.1 per cent of imports of all products originating in Estonia being imported in Slovenia and for 0.9 per cent of imports of agricultural products originating in Estonia 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 customs duties were abolished on 1 January 1997 account for 17.8 per cent of imports of all products originating in Slovenia being imported in Estonia and for 100 per cent of imports of agricultural products originating in Slovenia being imported in Estonia.

The FTA covers all products falling within Chapters 1 to 97 of the Harmonized Commodity Description and Coding System.

4. Trade Data

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

II. TRADE PROVISIONS

- Industrial Products and Agricultural 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 were abolished on 1 January 1997. The provisions concerning the prohibition and abolition of customs duties on imports for industrial products also apply to customs duties of a fiscal nature.

Customs duties on imports for products falling within H.S. Chapters 1-24 are reduced in accordance with the provisions laid down in Protocol 1 to the Agreement. In accordance with Annex A customs duties applied in Slovenia for the products listed in that Annex were abolished on 1 January 1997. In accordance with Annex B the Most Favoured National rate of duty is applied for the products specified therein originating in Estonia. Estonia abolished on 1 January 1997 all customs duties for agricultural products originating in Slovenia.

Customs duties referred in Protocol 1 include *ad valorem* and specific customs duties and product specific levies.

Charges having equivalent effect to customs duties on imports for agricultural products were abolished on 1 January 1997.

The provisions concerning the prohibition and abolition of customs duties on imports for agricultural products 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 January 1997.

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.

2.2 Quantitative restrictions

All QRs on exports and measures having equivalent effect were abolished on 1 January 1997.

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

The provisions on rules of origin laid in the Protocol 2 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 Estonia 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 Estonia 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, conformity, assessment and accreditation with the aim of reducing technical barriers to trade. The Parties may conclude an arrangement for mutual recognition of test reports, certificates of conformity and other documents directly or indirectly related to conformity assessment of products which are the subject of the goods exchange between the Parties on the basis of regulation in force in the importing state. The Parties committed themselves to notify the technical regulations in accordance with the provisions of the WTO Agreement on Technical Barriers to Trade.

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:

- Specific safeguards

Given the particular sensitivity of the agricultural markets, if imports of products originating in a Party, which are the subject to concessions granted under the Agreement, cause serious disturbance to the markets of the other Party, the Party concerned shall enter into consultations immediately to find an appropriate solution. Pending such solution, the Party concerned may take measures it deems necessary.

- General safeguards

Any suspension of obligation in whole or in part or withdrawal or modification of the concessions under these provisions shall be applied in the sense of requirements of Article XIX of the GATT 1994 particularly Agreement on Safeguards unless they are based on Article XX.

- Structural adjustment

The measures under the provisions applying to structural adjustment may concern infant industries or sectors undergoing restructuring or facing serious difficulties, particularly where these difficulties might lead to important social problems. The maximum coverage of trade represented by products on which structural adjustment measures may be applied is defined in the relevant Article.

No measures introduced in the framework of Articles on specific safeguards, general safeguards or structural adjustment to the Agreement against third countries can be based on the provisions of these Articles, since the Free Trade Agreement does not alter the Parties' respective rights vis-à-vis third countries under the GATT 1994.

- 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

The Parties shall endeavour to avoid the imposition of restrictive measures including measures relating to imports for balance of payments purposes.

Where one of the Parties is in serious balance of payments difficulties, or under imminent threat thereof, the Party concerned may, in accordance with the relevant provisions of the General Agreement on Tariffs and Trade 1994 adopt restrictive measures, including measures related to imports, which shall be of limited duration and may not go beyond what is necessary to remedy the balance of payments situation. The measures shall be progressively relaxed as balance of payments conditions improve and they shall be eliminated when conditions no longer justify their maintenance. The Party concerned shall inform the other Party forthwith of their introduction and, whenever practicable, of a schedule for their removal.

6. Anti-Dumping

If a Party finds that dumping within the meaning of Article VI of the General Agreement on Tariffs and Trade 1994 is taking place in trade relations governed by this Agreement, it may take appropriate measures against that practice in accordance with Article VI of the General Agreement on Tariffs and Trade 1994 and the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 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 actions taken in accordance with the state-aid provisions of the Free Trade Agreement will be in accordance with the relevant provisions of the WTO. The Parties ensure transparency in the area of state-aid by reporting annually to each other on the total amount and the distribution of the aid given and provide the information on aid schemes and in particular individual cases of state-aid. Any Party can introduce, if it considers that a particular practice is incompatible with agreement's provisions, appropriate countervailing measures in conformity with WTO.

8. Sector-Specific Provisions

Agricultural products

Without prejudice to the concessions granted in Protocol 1, the provisions of Chapter II (agricultural products) shall not restrict in any way the pursuance of the respective agricultural policies of the Parties or taking of any measure under such policies, including the implementation of the respective provisions of the Agreement on Agriculture within the framework of the WTO.

The Parties shall notify each other of changes in their respective agricultural policies pursued or measures applied which may affect the conditions of agricultural trade between them as provided for in the Agreement. Prompt consultations shall be held, upon request of any Party, to examine the situation.

Taking into account the Estonian customs tariff structure on the date of entry into force of the Agreement, where no customs duties are applied for agricultural products, in the event that a new

tariff regime for the imports of agricultural products is established, the Republic of Estonia may, by way of derogation from the provisions of Article 10 of the Agreement and pursuant to the implementation of its agricultural policy, introduce customs duties on imports on a limited number of agricultural products originating in the Republic of Slovenia.

Customs duties on imports may be introduced by the Republic of Estonia during the first two years following the entry into force of the Agreement and after consultations in the Joint Committee. If necessary, the period of two years may be prolonged by one year by the decision of the Joint Committee. These measures shall be applied for a period not exceeding three years.

In all such cases the Republic of Estonia shall ensure a sizeable margin of preference for products originating in the Republic of Slovenia granting them treatment not less favourable, than granted by the Republic of Slovenia to the products originating in the Republic of Estonia.

The arrangements, concluded within the framework of the Free Trade Agreement contribute to the development of closer integration between the economies of the Parties to the free-trade area, without raising barriers to trade of the other WTO Members' with the Parties to this area.

10. Other

Customs administration co-operation

The provisions on mutual assistance in customs matters laid out in Protocol 3 to the Agreement are conceived for the purpose of the Agreement. The main goal of Protocol 3 is that the Parties shall assist each other in ensuring that customs legislation is correctly applied, in particular by the prevention, detection and investigation of contraventions of this legislation.

III. GENERAL PROVISIONS

1. Exceptions and Reservations

- General exceptions

Any prohibition or restriction may be introduced in the sense of Article XX of the GATT 1994.

- Security exceptions

The provisions on security exceptions of the Agreement are in the sense of the Article XXI of the GATT 1994.

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 will adjust progressively any state monopoly of a commercial character so as to ensure that by 1 January 2001 no discrimination regarding the conditions under which goods are procured and marketed exist between nationals of the Parties. The Parties are bound by their commitments under Article XVII and the Understanding on the Interpretation of Article XVII of the GATT 1994.

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. The Parties have reserved the right to apply exchange restrictions connected with the granting or taking up of short and medium term credits to the extent permitted according to their status under Article VIII of the Agreement of the IMF. Such restrictions shall be applied on a non-discriminatory basis.

4. Public Procurement

The Parties shall progressively develop their respective regulations for public procurement with a view to grant suppliers of the other Party on 1 January 1999 at the latest, 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 shall grant and ensure the protection of intellectual property rights on a non-discriminatory basis, including measures for granting and enforcing such rights. The protection shall be gradually improved on a level corresponding to the substantive standards of the multilateral agreements which are specified in Annex I by 1 January 1999 at the latest. The term intellectual property protection is defined in the Agreement. The Parties shall co-operate in matters of intellectual property. They shall hold, upon request of any Party, expert consultations on these matters, in particular on activities relating to the existing or to future international conventions on harmonization, administration and enforcement of intellectual property and on activities in international organizations, such as the Agreement Establishing the World Trade Organization, World Intellectual Property Organization, as well as relations of Parties with third countries on matters concerning intellectual property.

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 on the first day of the seventh month following 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
<u>CHAPTER I - Industrial products</u>	
Scope	Article 2
Customs duties on imports and charges having equivalent effect	Article 3
Fiscal duties	Article 4
Customs duties and equivalent charges on exports	Article 5
QR on imports and measures having equivalent effect	Article 6
QR on exports and measures having equivalent effect	Article 7
Information procedure draft technical regulations	Article 8
<u>CHAPTER II - Agricultural products</u>	
Scope	Article 9
Customs duties and charges having equivalent effect	Article 10
- Protocol 1	
Fiscal duties	Article 11
Basic duties	Article 12
Customs duties on exports and charges having equivalent effect	Article 13
QRs on imports and measures having equivalent effect	Article 14
Concessions and agricultural policies	Article 15
Special safeguards	Article 16
Veterinary, Health and Phytosanitary measures	Article 17
<u>CHAPTER III - General provisions</u>	
Rules of origin and co-operation in customs administration	Article 18
- Protocols 2 and 3	
Internal taxation	Article 19
General exceptions	Article 20
Security exceptions	Article 21
State monopolies	Article 22
Payments	Article 23
Rules of competition concerning undertakings	Article 24
State aid	Article 25
Public procurement	Article 26
Protection of intellectual property	Article 27
- Annex I	
Dumping	Article 28
General safeguards	Article 29
Structural adjustment	Article 30
Re-export and serious shortage	Article 31
Fulfilment of obligations	Article 32
Procedure for application of safeguard measures	Article 33
Balance of payments difficulties	Article 34
Evolutionary cause	Article 35

CHAPTER IV - Institutional and final provisions

The Joint Committee

Procedures of the JC

Customs unions, free-trade areas and frontier trade

Services and investments

Annexes, Protocols and Amendments

Entry into force

Validity and termination

Article 36

Article 37

Article 38

Article 39

Article 40

Article 41

Article 42

ANNEX I

Slovenian Trade with Estonia
(Value in US Dollars)

	1997	%	I-IV 1998	%
IMPORTS				
Agricultural products	20,384.85	2.3	20,142.99	9.3
Annex A	20,205.75	2.2	20,142.99	9.3
Annex B	179.10	0.1	0.00	0
Industry	881,090.04	97.7	196,599.58	90.7
TOTAL	901,474.88	100	216,742.57	100

Imports from Estonia to Slovenia in 1997

Year	Total Import		At Zero Customs Duty		Between Zero and MFN		MFN	
	1,000 USD	%	1,000 USD	%	1,000 USD	%	1,000 USD	%
1997	901.4	100	901.2	99.98	0	0	0.179	0.02
I-IV '98	216.7	100	216.7	100	0	0	0	0

ANNEX II - A

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

	1996	1997	I-V 1997	I-V 1998	1997/96	I-V 1998/97
Import	526	901	239	401	171.3	167.8
Export	1,160	2,022	639	1,003	174.3	157

Source: Office statistical bulletin, June 1998

ANNEX II - B

H.S. Chapter	The Republic of Slovenia Total Imports from Estonia		
	1996	1997	I-IV 1998
	USD		
1	-	-	-
2	-	-	-
3	-	20,205	20,142
4	-	-	-
5	-	-	-
6	-	-	-
7	-	-	-
8	-	-	-
9	-	-	-
10	-	-	-
11	-	-	-
12	-	-	-
13	-	-	-
14	-	-	-
15	-	-	-
16	-	-	-
17	-	179	-
18	-	-	-
19	-	-	-
20	-	-	-
21	-	-	-
22	-	-	-
23	-	-	-
24	55,860	-	-
25	-	-	-
26	-	-	-
27	-	-	-
28	-	-	-
29	-	-	-
30	-	89,127	-
31	-	-	-
32	-	-	-
33	-	-	-
34	-	-	-
35	-	-	-
36	-	-	-

H.S. Chapter	The Republic of Slovenia Total Imports from Estonia		
	1996	1997	I-IV 1998
	USD		
37	658	-	-
38	-	486	-
39	-	-	10
40	880	20	216
41	-	-	-
42	-	90	-
43	-	-	-
44	50,383	41,399	-
45	-	-	-
46	-	361	-
47	166,084	1,309	-
48	227,408	535,886	124,698
49	261	-	-
50	-	-	-
51	-	-	-
52	-	-	21,039
53	-	7,680	-
54	-	-	-
55	-	-	34,631
56	-	-	-
57	-	-	-
58	-	-	-
59	-	-	-
60	-	-	-
61	2,458	8,085	7,320
62	18,522	40,374	885
63	-	1,001	1,637
64	249	112,320	1,190
65	-	-	-
66	-	-	-
67	-	-	-
68	-	-	-
69	-	14	-
70	78	1,834	354
71	-	-	-
72	-	-	-
73	184	-	1,670
74	-	-	-
75	-	-	-
76	-	-	-
77	-	-	-
78	-	-	-
79	-	-	-
80	-	-	-
81	-	-	-
82	-	-	84
83	-	241	-
84	-	666	96
85	3,765	2,294	133
86	-	-	-
87	-	-	-

H.S. Chapter	The Republic of Slovenia Total Imports from Estonia		
	1996	1997	I-IV 1998
	USD		
88	-	-	-
89	-	-	-
90	-	30,251	2,356
91	-	-	-
92	-	-	-
93	-	-	-
94	-	3,490	194
95	-	5,464	80
96	-	-	-
97	-	-	-
TOTAL	526,795	901,474	216,742

ANNEX III

Basic Data on Slovenia for 1997

Population	1,982,265
GDP in millions of US Dollars (data available only for year 1996)	18,858
GDP per capita in US Dollars (data available only for year 1996)	9,471
Land area (sq.km)	20,253
Imports in millions of US Dollars	9,178.7
Exports in millions of US Dollars	8,407.1
Trade balance in millions of US Dollars	-771.6

Source: Monthly Bulletin of Bank of Slovenia, April 1998
