

**FREE TRADE AGREEMENT BETWEEN THE REPUBLIC OF TURKEY  
AND THE REPUBLIC OF LITHUANIA**

Communication from the Parties

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

**I. BACKGROUND INFORMATION ON THE AGREEMENT**

1. Membership and Dates of Signatures, Ratification and Entry into Force

The Parties to the Agreement are the Government of the Republic of Turkey and the Government of the Republic of Lithuania. The Agreement applies in respect of the territory to which the customs laws of Turkey and Lithuania are applicable respectively.

The Free-Trade Area Agreement between Turkey and Lithuania was signed on 2 June 1997 in Vilnius and entered into force on 1 March 1998 after the completion of the legal internal ratification procedures of the two Parties.

2. Type of Agreement

The Agreement establishes a free-trade area in conformity with the definition set out in Article XXIV:8(b) of GATT 1994.

3. Scope

The free-trade area established by this Agreement, provides the framework for future trade relations between Turkey and Lithuania.

The free-trade area Agreement covers all trade in industrial products (HS Chapter 25-97) and a number of agricultural, processed agricultural and fishery products. For further developing the relations established by this Agreement by extending them to fields not covered thereby and in accordance with the evolutionary clause contained in the Agreement, Parties will examine ways to ensure the liberalization of the provision concerning the right of establishment and supply of services.

With the entry into force of the Agreement, customs duties and other restrictive regulations of commerce on industrial and certain agricultural products were abolished thus meeting the requirement of Article XXIV in respect of the principle of "covering substantially all trade".

In order to ensure the proper functioning of the free-trade area the Agreement, contains provisions, *inter alia*, on state aide, state monopolies, competition, government procurement and intellectual property rights.

#### 4. Trade Data

The trade coverage of the Agreement in total trade between the Parties is as follows:

##### Exports of Turkey to Lithuania (1,000 US\$)

Year	Total Trade	Trade Covered	% of Trade Covered
1995	28,120	27,079	96
1996	15,088	12,378	82
1997	55,585	48,681	88

##### Imports of Turkey from Lithuania (1,000 US\$)

Year	Total Trade	Trade Covered	% of Trade Covered
1995	30,726	30,575	99
1996	30,787	29,935	98
1997	39,143	38,561	98

##### Volume of Trade between Turkey and Lithuania (1,000 US\$)

Year	Total Trade	Trade Covered	% of Trade Covered
1995	58,846	57,654	98
1996	45,875	42,313	92
1997	94,728	87,422	92

## II. **TRADE PROVISIONS**

### 1. Import Restrictions

All customs duties and charges having equivalent effect on imports of industrial products except for those classified as sensitive were abolished on 1 March 1998. As for the sensitive products, customs duties and charges having equivalent effect will be gradually eliminated by the year 2001.

The Parties will not introduce new quantitative restrictions and measures having equivalent effect on imports.

Turkey and Lithuania initially granted each other preferential market access for a number of agricultural, processed agricultural and certain fishery products under tariff quotas.

2. Export Restrictions

Under Article 6(1), prohibition of new customs duty or charges having equivalent effect on exports between the Parties is envisaged. Moreover all existing duties and charges having equivalent effect on exports applied to industrial products are abolished with the entry into force of the Agreement with the exception of those listed in Annex IV, which shall be abolished by Lithuania at the latest 1 January 2001.

The Parties will not introduce new quantitative restrictions and measures having equivalent effect on exports.

3. Rules of Origin

The rules of origin on trade between Turkey and Lithuania, defined in Protocol 3 of the Agreement, are based on the sufficient working or processing criteria. In general, origin is conferred when:

- the good is wholly obtained or produced in the territory of a Party;
- each of the non-originating materials used in the production of the good undergoes an applicable change in tariff classification set out in the specific rule for that good, and the good satisfies any other applicable requirement set out in that rule, as a result of production occurring entirely in the territory of one or both of the Parties;
- the good is produced entirely in the territory of one or both of the Parties exclusively from originating materials; or
- other particular circumstances as set out in Protocol 3.

As stated in the Joint Declaration on Protocol 3, the rules of origin enables extended cumulation of products between Turkey, Lithuania, EU countries, EFTA countries and Central and Eastern European Countries when the necessary procedures have been completed.

5. Safeguards

The Agreement permits the application of safeguard measures in the case of dumping (Article 17), emergency action on imports of particular products (Article 18), measures relating re-export and serious shortage (Article 19), provisions concerning rules of competition and public aid (Article 25) between the Parties.

In the case of balance-of-payments difficulties, Article 26 of the Agreement gives to the Parties the right of adopting restrictive measures in accordance with the conditions laid down within the framework of GATT 1994 and with Article VIII of the Articles of Agreement of the International Monetary Fund.

Article 12 of the Agreement prohibits the Parties from applying their regulations in sanitary and phytosanitary matters as an arbitrary or unjustifiable discrimination between the Parties or a disguised restriction in the trade between them.

The procedure for the application of these measures is laid down in Article 21 of the Agreement.

6. Anti-Dumping and Countervailing Measures

Article 17 of the Agreement states that if a Party finds that dumping is taking place in trade with the other Party within the meaning of Article VI of the GATT, it may take appropriate measures against this practice in accordance with the Agreement on Implementation of Article VI of the GATT 1994 and with its relevant internal legislation, under the conditions and in accordance with the procedures laid down in Article 21. Through this Article the conformity with GATT 1994 rules has been provided

7. Subsidies and State Aid

The Agreement evaluates "state aid" issue in the context of distortion of competition.

According to Article 25:1 of the Agreement, any state aid which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods will be subject to rules which are going to be adopted by the Joint Committee. Until these rules are adopted relevant rules of GATT 1994 shall be applied.

The Agreement also sets up appropriate means to ensure transparency in the area of state aid.

Against the improper practices of a Party, Article 25:3 of the Agreement establishes the right of the other Party to take appropriate measures.

8. Sector-Specific Provisions

8.1 Agriculture

Under the Agreement the Parties have declared their readiness to foster, insofar as their agricultural policies allow, the harmonious development of trade in agricultural products and to discuss this issue periodically in the Joint Committee. In addition, the Parties accepted to further liberalization of their trade in agricultural products. This issue will be assessed within the Joint Committee

Besides, Parties agreed on not applying their regulations in sanitary and phytosanitary matters as an arbitrary or unjustifiable discrimination or a disguised restriction on trade between them.

8.2 Services

Turkey and Lithuania agreed to seek widening the scope of the Agreement to cover the right of establishment of firms and the liberalization of services after the entry into force of the Agreement.

9. Other

9.1 Cooperation in Customs Administration

A framework was established for cooperation in customs administration with Article 22 and Protocol 3 on the definition of the concept of "originating products" and methods of administrative cooperation between the Parties.

## 9.2 State Monopolies

Under Article 20 of the Agreement, the Parties agreed to adjust all state monopolies in a manner of no discrimination regarding the conditions under which goods are procured and marketed between the nationals of the Parties.

## 9.3 Internal Taxation

Any measures or practice of an internal fiscal nature establishing discrimination between the products originating in Turkey and Lithuania has been prohibited with Article 14. This Article also prohibits repayment of indirect internal taxation in excess of the amount of indirect of direct taxes on exports.

## 9.4 Intellectual, Industrial and Commercial Property

The protection of intellectual, industrial and commercial property is addressed in Article 27 and Annex VI of the Agreement. The Parties accepted to accede certain multilateral conventions on intellectual and industrial property rights which listed in Annex VI of the Agreement.

## 9.5 Payments

In Article 24 of the Agreement, Parties undertake to authorize, in freely convertible currency, any payments on the current account of balance-of-payments to the extent that the transactions underlying the payments concern movements of goods

## 9.6 Public Procurement

The Parties recognize the effective liberalization of their respective public procurement markets as an integral objective of free-trade area Agreement. The progress in this field will be reviewed in the Joint Committee annually.

### **III. GENERAL PROVISIONS OF THE AGREEMENT**

#### **1. Exceptions and Reservations**

All customs duties and charges having equivalent effect on imports applied to industrial products except for those classified as sensitive are abolished with the entry into force of the Agreement. As for the sensitive products, customs duties and charges having equivalent effect will be gradually eliminated by the year 2001. This, however, will not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public order or public security; the protection of health and life of humans, animals or plants and of the environment; the protection of national treasures possessing artistic, historic or archaeological value; or the protection of intellectual, industrial and commercial property, or the rules relating to gold or silver.

The Agreement allows the Parties to take measures, with concerns of security, in the cases specified in Article 31.

#### **2. Accession**

There is no provision in the Agreement allowing other countries to accede to the free-trade area.

3. Institutional Framework

The Agreement establishes a Joint Committee which is responsible for administration of the Agreement and shall meet once a year to monitor the implementation of it.

4. Dispute Settlement Procedures

The Joint Committee which is responsible for the administration of the Agreement and its proper implementation has the authority to take decisions on issues mentioned in various Articles of the Agreement. In the procedure for application of safeguard measures relating to "Dumping", "Emergency Action on Imports of Particular Products" and "Re-export and Serious Shortage" the Joint Committee has also commissioned actively as a competent authority in Article 21 of the Agreement.

5. Relation with Other Trade Agreements

Regarding "basic duties" defined in Article 2, the Agreement envisages that any tariff reduction resulting from the tariff agreement concluded as a result of the GATT Uruguay Round and Turkey-EC Customs Union replaces the former basic duty.

The Agreement stipulates that rights and obligations relating to certain matters namely anti-dumping measures, balance of payment, competition related measures shall be governed by the relevant WTO Agreements.

The Agreement states that measures concerning current payments connected with the movement of goods shall be in conformity with the Article VIII of the Status of the International Monetary Fund and GATT 1994 provisions.

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