

# WORLD TRADE ORGANIZATION

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## Working Party on the Accession of Latvia

### DRAFT REPORT OF THE WORKING PARTY ON THE ACCESSION OF LATVIA TO THE WORLD TRADE ORGANIZATION

#### Introduction

1. The Government of Latvia's request for accession to the General Agreement on Tariffs and Trade (GATT 1947) was circulated to Contracting Parties in November 1993. At its meeting on 17 December 1993, the GATT 1947 Council of Representatives established a Working Party to examine the application of the Government of Latvia to accede to the General Agreement under Article XXXIII, and to submit to the Council recommendations which may include a draft Protocol of Accession. Membership of the Working Party was open to all Contracting Parties indicating their wish to serve on it. In pursuance of the Ministerial Decision of 14 April 1994 on Acceptance of and Accession to the Marrakesh Agreement Establishing the World Trade Organization (WTO) and to the Decision of 31 May 1994 of the Preparatory Committee for the WTO, the Working Party examined the application of Latvia for membership in the WTO and agreed to pursue the market access negotiations for goods, including an agricultural country schedule, and for services. In pursuance of the Decision adopted by the WTO General Council on 31 January 1995, the existing GATT 1947 Accession Working Party was transformed into a WTO Accession Working Party. The terms of reference and the membership of the Working Party are reproduced in document WT/ACC/LVA/6/Rev.2.

2. The Working Party met on 28-29 March and 13 November 1995; 22 March and 16 September 1996; 27 February 1997; and [29 September] 1998 under the Chairmanship of Mr. F. Theilgaard (Denmark).

#### Documentation

3. The Working Party had before it, to serve as a basis for its discussions, a Memorandum on the Foreign Trade Regime of Latvia (L/7526 with Addenda 1, 2 and 3) and the questions submitted by Members on the foreign trade regime of Latvia, together with the replies thereto (WT/L/49 and Corrigendum 1 and Addendum 1; WT/ACC/LVA/3, WT/ACC/LVA/4, WT/ACC/LVA/8 and Corrigendum 1; WT/ACC/LVA/12, WT/ACC/LVA/16) and other information provided by the Latvian authorities (WT/ACC/LVA/5, WT/ACC/LVA/20, WT/ACC/LVA/27, WT/ACC/LVA/28,

WT/ACC/LVA/29, WT/Spec(95)6; WT/SPEC/26). The Government of Latvia made available to the Working Party the following documentation:

- Law "On Judicial Power" of 18 June 1994;
- Law on Customs Duty with Annexes I (Import duty tariffs) and II (Export duty tariffs);
- Latvia's National Tariff Schedule;
- Law on the Bank of Latvia;
- Law on Credit Institutions;
- Law "On Competition" of 18 June 1997;
- Law "On Protection of Topographies of Semiconductor Products" of 31 March 1998;
- Draft Law "On Trademarks and Indications of Geographical Origin";
- Law on Trademarks;
- Law on Industrial Design Protection;
- Patent Law;
- Draft Regulations of the Cabinet of Ministers "Regulation Regarding Customs Control Measures on Protection of Intellectual Property";
- Draft "Personal Data Protection Law";
- Excerpt of the Criminal Code of 6 October 1955 regarding Part III Section 5 of the TRIPS Agreement (criminal procedures);
- Law "On Radio and Television" of 24 August 1995 with amendments;
- Resolution and Law on Bookkeeping;
- Draft Commercial Law;
- Decree and Law on Joint Stock Companies;
- Resolution and Law on Income Tax;
- Resolution and Law on Limited Liability Companies;
- Resolution and Law on Foreign Investment in the Republic of Latvia;
- Resolution and Law on Excise Tax;
- Law on Excise Tax on Mineral Oils;
- Resolution and Law on Turnover Tax;
- Law on Value-Added Tax of 9 March 1995 with amendments of 13 November 1997 (consolidated text);
- Law "On Enterprise Register" of 20 November 1990 with amendments;
- Resolution and Law of the Republic of Latvia on Entrepreneurial Activity;
- Regulation of the Cabinet of Ministers No. 348 of 7 October 1997 "On Licensing of Separate Forms of Entrepreneurial Activity";
- Regulation of the Cabinet of Ministers No. 351 "Regulations of Circulation of Tobacco and Tobacco Products" of 7 October 1997;
- Regulation on Food;
- Regulations of the Cabinet of Ministers No. 208 of 1 November 1994 on the Order of Establishment and Administration of Import and Export Tariff Quotas;
- Regulations of the Cabinet of Ministers No. 24 of 17 January 1995 On Order By Which the Special Authorizations (Licences) Shall Be Issued in Accordance With the Quotas of Customs Tariffs;
- Regulations of the Cabinet of Ministers No. 20 of 17 January 1995 Regulations to Protect the Domestic Market for Food Stuff Produced in Latvia;
- Customs Law of 11 June 1997;
- Section G of the Customs Law on Provisions of the Application of Customs Duties;
- An evaluation of the compliance of this legislation with provisions in the Agreement on the Implementation of Article VII of the GATT 1994 and legislation of the European Communities;
- Regulations of the Cabinet of Ministers No. 27 of 31 January 1995 On Determining the Customs Value of Import and Export Goods or Other Items;
- Regulation of the Cabinet of Ministers No. 428 of 17 December 1997 Procedure for Calculating the Customs Value of Goods;

- Regulations of the Cabinet of Ministers No. 87 of 12 April 1994 On the Mandatory Certification of Foodstuff, Perfumery and Toys;
- Programme of Reforms for the National Economy of Latvia "Latvia 2000";
- Regulations of the Cabinet of Ministers No. 37 of 25 January 1994 On State Monopoly of Alcohol and Alcoholic Beverages;
- Regulations of the Cabinet of Ministers No. 248 of 20 June 1996 On State Monopoly of Alcohol and Alcoholic Beverages;
- Regulation by the Bank of Latvia On Granting Licences (Permissions) to Perform Activities of Credit Institutions;
- Regulation by the Bank of Latvia On Regulation on Amending the Charter, Changing Shareholders, the Initial Capital, the Management, the Chief Accountant, the Legal Address, the Name of a Credit Institution, and Undertaking Merger or Split-up of Credit Institutions;
- Regulations of the Cabinet of Ministers No.185 of 23 August 1994 On Formation of Prices and Tariffs of Goods and Services;
- Law on Foreign Investment in the Republic of Latvia;
- the Official List of Quarantinable Pests;
- Founding Law of the Latvian Food Centre;
- Statutes of Information, Consultation and Training Centre of Goods and Services;
- Law on Safety on Products, Services and Liability of Producer, Supplier of 26 September 1996;
- Law on Uniformity of Measurements of 11 March 1997;
- Law on Conformity Assessment of 20 August 1996;
- Law of the Republic of Latvia On Government and Municipal Procurement, effective 1 January 1997;
- Law on Pharmaceutical Operations of 27 April 1993;
- Law "On Pharmaceutical Activities" of 24 April 1997;
- Law on Veterinary Medicine of 6 March 1995;
- Law "On Supervision of Food Circulation" of 19 February 1998;
- Regulations of the Cabinet of Ministers No.349"On Labelling of Foodstuffs" of 7 October 1997;
- Regulations of the Cabinet of Ministers No. 170"On Standing Order for Food Additives" of 6 May 1997;
- Law on the Protection of Consumer Rights of 28 October 1992;
- Law on Plant Protection of 20 October 1994;
- Regulation On the Indication of Durability Date of Pre-packaged Foodstuffs (25 June 1996);
- Regulation On Procedure of Recognition in the Republic of Latvia of Conformity Assurances and Approvals Issued Abroad in Mandatory Area (24 December 1996);
- Regulations of the Cabinet of Ministers No. 295 "On Procedure of Conformity Attestation of Building Materials and Construction Products in Mandatory Area" of 5 August 1997;
- Regulation No. 463 of 24 December 1996 On the Authorization of Testing and Calibration Laboratories, Certification and Inspection Bodies in the Mandatory Area;
- Regulations of the Cabinet of Ministers No. 465"On Accreditation Testing and Calibration Laboratories, Certification and Inspection Bodies" of 24 December 1996;
- Regulations of the Cabinet of Ministers No.140 "On the Electrical Safety of Equipment" of 21 April 1998;
- Regulations of the Cabinet of Ministers No.161 "On the Electromagnetic Compatibility of Apparatus" of 5 May 1998;
- Regulation of the Cabinet of Ministers No. 399 "On the Conformity Assessment of Foodstuffs, Cosmetics and Toys" of 2 December 1997;
- Draft Regulations of the Cabinet of Ministers "On Labelling of Textiles";
- Resolution of the Cabinet of Ministers No. 12 "On Order, How the Ministry of Economy Coordinates the Exchange of Information in the Area of Technical Barriers to Trade and Sanitary and Phytosanitary Measures" of 28 October 1997;
- Regulation of the Cabinet of Ministers No. 106 of 25 March 1997 On Regulations of Quotas of Customs Tariffs;

- Law on Agriculture;
- Law "On Latvia Grain Market and State Grain Reserve" of 18 May 1993 with amendments;
- Conception on Use of Agricultural Subsidies and the Program Rationales for 1998-2002;
- Latvia's Import Totals under each Harmonized System 8-digit category (f.o.b. values); and
- Latvia's Import Data for 1994.

#### Introductory statements

4. The representative of Latvia stated that Latvia had achieved considerable results in transforming a centrally-planned economy to a market-based economy since restoration of independence in 1991. Latvia had drafted several new trade laws and regulations modelled on WTO principles to establish a uniform and predictable trading environment for importers, exporters and investors. The fifteen countries of the European Communities had, counted as one entity, become Latvia's principal trading partner. External trade relations were emphasized by Latvia's geographical position between East and West; several bilateral trade agreements based on the most-favoured-nation principle had been concluded and more were in progress. Latvia had also concluded free trade agreements with the European Communities and other countries in Europe. However, bilateral and regional arrangements alone could not provide the necessary stability for external trade relations. Latvia had therefore made a strong commitment to become a Member of the WTO. The WTO principles of national and MFN treatment had been incorporated in national legislation with particular attention to transparency in the publication of all laws and regulations and a tariff-based trade regime. Minimal tariffs were imposed on imported raw materials, spare parts and capital goods, the basic average MFN import tariff was 15 per cent, and export tariffs were imposed only on some raw materials. Non-discrimination between imported and domestically produced items applied in the imposition of excise taxes and the turnover tax, the latter had been replaced by a value-added tax. Any person or enterprise registered in Latvia could perform any legal import operation. Exports of spirits, ferrous and non-ferrous metals were subject to licensing with no underlying quotas. Finally, he pointed out that Latvia's effort to become a Member of the WTO was supported by all the major political institutions and that a broad national consensus existed regarding the importance of WTO membership and the pursuit of liberal trade policies.

5. Many members of the Working Party welcomed Latvia's request for accession to the WTO and expressed their readiness to work with Latvia in elaborating terms of accession that would support the programme of transition to a market-based economy and Latvia's integration into the multilateral trading system. Some members welcomed the documentation provided and the statement made by the representative of Latvia. They also said that they looked forward to a detailed examination of Latvia's policies and of the reasons for the adoption of certain measures, e.g. licensing requirements. Some members of the Working Party noted that Latvia had raised tariffs and introduced new trade restrictions after the request for accession had been submitted and that further restrictions appeared to be under consideration. This was a disturbing trend, as applicant countries were expected not to

implement any measures during accession negotiations that could be considered inconsistent with the WTO or that alter the basis for negotiations. Latvia was accordingly requested to remove these measures and notify the Working Party of proposed new restrictions and to supply all new relevant laws and regulations to its members.

6. The Working Party then proceeded to review the economic policies and foreign trade regime of Latvia and the possible terms of a draft Protocol of Accession to the WTO. The views expressed by members of the Working Party are summarized below in paragraphs 7 to 130.

## **ECONOMIC POLICIES**

### Foreign exchange and payments

7. The representative of Latvia said that his country had established one of the most liberal foreign exchange regimes in the world. Latvia had been a member of the International Monetary Fund (IMF) since 1992. The national currency - the Lats - was freely convertible, backed by the currency reserves of the Bank of Latvia. Foreign exchange and local currency could be brought into or taken out of Latvia in unlimited amounts. Foreign entrepreneurs were free to repatriate profits in any currency having paid the applicable taxes. Corporate income tax amounted to 25 per cent, incomes of natural persons were taxed at 25 or 35 per cent and a 10 per cent withholding tax was levied on dividend payments to non-residents. Some members welcomed the fact that the Lats was freely convertible and stressed the importance of continuing current policies.

8. The representative of Latvia stated that Latvia had notified the International Monetary Fund that it had accepted the obligations of Article VIII, sections 2, 3 and 4 of the IMF Articles of Agreement with effect from 10 June 1994. By accepting the obligations of Article VIII, Latvia gave confidence to the international community that it would pursue sound economic policies that would obviate the need to restrict payments and transfers for current international transactions, and thereby contribute to a multilateral payments system free of restrictions.

### Investment regime

9. Some members of the Working Party asked Latvia to describe the basic provisions of legislation regulating investment and in particular identify any restrictions or registration measures affecting foreign investment.

10. The representative of Latvia referred to the Law "On Entrepreneurial Activity" which provided for licensing of several types of business activities (see "Trading Rights", paragraphs 31 to 40). Such licences were issued for enterprises registered in Latvia on a non-discriminatory basis, irrespective of nationality, to any applicant meeting the specific requirements. All issues pertinent to foreign investment - registration, investment protection, taxation, repatriation, dispute settlement,

restrictions on investment, safeguards and the applicability of international treaties - were regulated through the Law "On Foreign Investment in the Republic of Latvia".

11. The representative of Latvia added that the Law on Foreign Investment in the Republic of Latvia stated that foreign investors were granted the rights and duties provided for by the national laws. The Law on Foreign Investment contained no restrictions on foreign investment in any sector of the national economy. The Government had amended the Law on Foreign Investment in April 1996, deleting its Articles 3, 5 and 6 and thus terminating virtually all restrictions on foreign investment. On 4 September 1996, Parliament had approved this amendment and requested the Government to prepare adjustments to certain other laws to bring them in line with the new Law on Foreign Investment. As a result of this review, the limit on foreign ownership in radio and television companies in the Law on Radio and Television had been raised from 20 per cent to 49 per cent. Foreign ownership of wood cutting (logging) companies and gambling business was also limited to 49 per cent in accordance with the Law on Forestry and the Law on Lotteries and Gambling, respectively. Laws on land ownership allowed wholly-owned foreign companies to own land if the owners of the company were from countries with which Latvia had signed investment promotion and protection agreements (31 countries at present). Legal or private persons from other countries could own land if at least 51 per cent of the shares in the company registered in Latvia belonged to Latvian citizens or to foreigners from countries with which investment protection agreements had been signed. On 5 December 1996, the Saeima had passed amendments to the Law on Land Privatization in Rural Regions and on 8 May 1997 amendments to the Law on Land Reform in the Republic of Latvia Cities which liberalized the land market in Latvia to a considerable extent. According to the new rules, statutory companies registered in the Enterprise Register could obtain land in rural areas and land under State or municipal ownership in cities without restriction even when more than half their share capital was owned by foreign persons. Legal entities could obtain land ownership with only few restrictions.

#### State ownership and privatization

12. Some members of the Working Party requested details concerning the pace of privatization in Latvia, noting an initial statement that privatization of agriculture had been completed by 1995 and that 75 per cent of State-owned enterprises were privatized by 1996. Latvia was also asked to enumerate sectors or enterprises where State ownership would be retained for a long period or permanently. Questions were also raised concerning the participation of foreign investors. Some members requested a report from Latvia on progress achieved to date in its privatization programme. In addition, Latvia should be prepared to provide information on a periodic basis on its privatization efforts, economic reforms, and implementation of any transitional arrangements negotiated in the Protocol of Accession.

13. The representative of Latvia said that no particular sector would be excluded from privatization. The main considerations were to improve company performance and to avoid the creation of private monopolies. A "List of Currently Non-Privatizable State Specialized Agricultural Enterprises" was linked to restitution of property to former owners. Enterprises operating in industry, agriculture, trade and construction services would be privatized first, while sectors such as medical care, social welfare services, medicine wholesale and certain agricultural sub-sectors would be privatized over a longer time period. The Government had also decided that a sell-off of infrastructure (roads, railway, public transport, postal services, etc.) would not be reasonable during the first years of privatization. Latvia provided a document (WT/L/49/Add.1) on privatization of agriculture. In July 1996, from a total of 613 agricultural statutory associations created at the first stage of privatization of former collective and State farms by allocating shares according to initial contributions of capital and labour, 207 had been fully privatized, 275 had chosen the voluntary decision for self liquidation and 131 were still operating. Privatization of farms used for training and research would be considered on an individual basis. Foreign firms could participate in privatization; Latvia had held four international tenders. Foreign natural and legal persons could buy privatization certificates only after having won the tender for a company undergoing privatization. This restriction did not apply to joint ventures or branches of foreign companies registered in Latvia.

14. Regarding privatization of industry, the representative of Latvia said that since 1 May 1994, when the Latvian Privatization Agency was established, until 1 May 1998, 855 State enterprises (asset units) had been assigned for privatization, 75 State enterprises assigned for liquidation, State-owned equity holdings of 164 enterprises assigned for privatization, and 48 real estates and 89 plots of land assigned for sale by the Cabinet of Ministers. The Privatization Agency was involved in valuation of 323 restitution cases of property. Privatization regulations had been approved for 879 State enterprises (asset units) or their parts, 111 State-owned equity holdings, and 29 real estates. Sales agreements had been concluded for 821 State enterprises (asset units) or their parts, 66 State-owned equity holdings, 43 enterprises to be liquidated and for 21 real estates. The privatization process was generally completed by the end of 1997, excluding large State-owned companies, which do not operate as State-trading enterprises within the definition of Article XVII and where privatization would be completed in 1999. Completion of privatization implied mass privatization, i.e. involving all inhabitants of Latvia and including 95 per cent of all State-owned enterprises.

15. The representative of Latvia added that privatization would be completed by the end of 1998 with exception of 4 large State owned joint stock companies "Latvenergo" (Latvian Energy), "Ventspils nafta" (Ventspils Oil), "Latvijas Kugniecība" (Latvian Shipping Company) and the limited liability company "Lattelekom". The State joint stock company "Latvenergo" dealt with energy generation and had a monopoly in energy transmission and distribution. These three operations had been separated through a restructuring of the company. The Government intended to announce an

action plan on the restructuring and privatization of "Latvenergo" and to establish a competitive and well-regulated electricity sector by mid-1998. The Latvian Privatization Agency would sell a minority share of the thermo-generation system to strategic investors by the beginning of 1999 and the remaining State share would be sold to general public in 1999. The State joint company "Ventpils nafta" (Ventpils Oil) was the largest oil and petroleum product terminal on the coast of the Baltic Sea. It also offered transit services such as handling and storage of oil and petroleum products, and importation of petrol. The intention was to merge "Ventpils nafta" with the company "LaSaM", the owner of the oil pipeline. In Autumn 1997, a minority stake of the State shares had been sold to the general public against privatization certificates. In 1998, the share portfolio would be placed on the international capital market. The State Joint stock company "Latvijas kugniecība" (Latvian Shipping Company) ranked among the world's twenty largest shipping companies in terms of number of vessels owned. It operated fleets in the tanker, reefer and dry cargo markets with a large number of subsidiary firms and investments. As a first phase in the privatization, up to 35 per cent - mostly new shares issued by the company - would be offered to strategic investors. A closed list of registered strategic and financial investors existed (14 in total). Having conducted several rounds of negotiations with each of these registrants, the Latvian Privatization Agency had shortlisted two strategic investors who were allowed to perform due diligence of the company with the intention to receive final bids from the investors by mid-1998. The limited liability company "Lattelekom", part-owned (51 per cent) by the State, provided local and long distance fixed public telecommunication services with a monopoly status until 2003. The management of the State shares had been transferred to the Latvian Privatization Agency in order to prepare the company for privatization. The company would be transformed into a joint stock company, and up to 25 per cent of its shares would be sold against privatization certificates and cash by 2000.

16. According to Article 4 of the Law on the Privatization of State and Municipal Property, any person or legal entity eligible to purchase liquid and/or fixed assets in Latvia could be a privatization subject. The term "privatization subject" was defined according to the Law on Privatization of State and Municipal Asset Units as any specific person or legal entity eligible to obtain State or municipal property during the privatization process. The Latvian State or a municipality, a State or municipal enterprise, a State or municipal company, or a company in which private funds did not exceed 25 per cent of the equity capital, could not be privatization subjects. The representative of Latvia confirmed that national treatment applied for the participation of foreigners in privatization programmes. There were no restrictions on the acquisition of privatized State and municipal property.

17. As of 1 May 1998, 1,157 State enterprises in total had been assigned for privatization (96.3 per cent of all State enterprises). Among them, 302 had been privatized in 1992-1994, while the remainder (855) had been assigned for privatization in 1994-1997. The representative of Latvia provided further up-dated information on progress in privatization of these assigned enterprises in Table 1. In total, 66 per cent of all Latvian employees were working in the private sector by the end



of 1997. In order to attract foreign investments, the Privatization Agency had organized four international tenders, offering 153 medium and large enterprises. A special Public Offering Programme had been created to encourage participation of Latvia's population. During several rounds of the Public Offering Programme 63 large enterprises had been offered to the public as at 1 January 1998.

Table 1: Information on the Progress of the Privatization Process of State Enterprises  
1 May 1994 - 1 May 1998

Activity	Total	Small objects (less than 50 employees)	Medium-sized objects (50-500 empl.)	Large objects (More than 500 empl.)
Enterprises assigned for privatization	855	561	257	37
Enterprises transferred from the Ministry of Agriculture	40	39	1	0
Enterprises transferred for liquidation	75	75	0	0
Repeated privatization	15	13	2	0
Privatization objects after split of enterprises	1,577	1,257	283	37
Privatization cancelled or enterprises merged with other companies	187	182	5	1
Privatization temporarily stopped	6	4	2	0
Restitution process initiated	62	53	5	0
Liquidation or insolvency procedure initiated	187	140	41	6
Privatization Regulations approved	879	661	194	24
Transactions concluded:				
- purchase agreements signed	813	600	192	21
- invested into private companies	4	2	2	0
- privatized without majority owner	4	0	2	2
- privatized by the Ministry of Agriculture	36	36	0	0
Proceeds of sale in LVL million:				
- cash	46.2			
- privatization vouchers	60.6			

18. The representative of Latvia confirmed the readiness of Latvia to ensure the transparency of its ongoing privatization programme and to keep WTO Members informed of its progress in the reform of its transforming economic and trade regime. He stated that his Government would provide annual reports to WTO Members on developments in its programme of privatization as long as the privatization programme would be in existence along the lines of that provided to the Working Party. He also stated that his Government would provide annual reports on other issues related to its economic reforms as relevant to its obligations under the WTO until 1 January 2003. The Working Party took note of these commitments.

Pricing policies

19. Noting that Latvia had relaxed price controls on many goods and services, some members of the Working Party requested Latvia to provide details on remaining restrictions, including minimum and maximum prices, particularly for sectors not considered natural monopolies. Latvia was asked to list the imported products subject to price controls by Harmonized System (HS) tariff line. A member noted that Latvia exercised price controls in a number of sectors, including some which were not traditionally considered natural monopolies, but intended to reduce its price controls to the extent possible. This member stated that price controls should be listed in an Annex. Moreover, Latvia should exercise its authority in this area in a manner that did not damage imports or otherwise act to inhibit trade. This member also sought a commitment from Latvia that current and future price controls be applied in a WTO-consistent fashion and would be published in the official journal and that Latvia would take account of the interests of exporting WTO Members as provided for in Article III.9 of the GATT 1994.

20. The representative of Latvia replied that price control and regulation was carried out according to separate laws and affected products related to energy; the forestry sector (the price of stumpage); publishing of school books financed from the State budget; pharmaceuticals; postal services; port services; airport services; archives; and housing rents, power-supply and residential services. Minimum and maximum prices were stipulated for the following domestic and imported services: transit services for oil and oil products by pipeline; reloading of oil and oil products in ports; transit shipment of oil and oil products by railway transport; long-distance transportation of passengers and luggage by motor transport; transportation of passengers and luggage by motor transport in international lines; international transportation of cargo and passengers by railway transport according to international agreements; transportation of cargo and passengers by domestic railway; ship services in ports; and rents (maximum level). The State did not control the prices of imported goods. However, the profit margin was regulated with respect to pharmaceutical products. The final sales price could not exceed - by more than 20 per cent - the ex-factory sales price for domestic goods and, in respect of imports, the duty paid and tax-inclusive value of goods at the time of importation. Latvia planned to deregulate controls on the profit margin with respect to pharmaceuticals not covered by the health insurance system by Autumn 1998. All the goods and services currently subject to State price controls in Latvia are listed in Table 2. The representative of Latvia stated that the prices of goods and services in every sector of Latvia were determined freely by market forces with the exception of those noted in Table 2 and that price control and regulation was carried out according to particular laws, all of which were published in the official journal of the Republic of Latvia "Latvijas Vēstnesis". Price controls were carried out in accordance with separate laws passed by Latvia's Parliament (Saeima) and price levels were determined by the respective bodies authorized by law. Further price controls could be introduced in order to protect consumers.

Table 2: Goods and Services Subject to State Price Controls

Classification (Harmonized System or Common Products Classification)	Product or Sector
HS 2711 11	Natural gas (to the population);
HS 2716 00	Electrical power;
HS 2716 00	Heating energy;
CPC ex 91131	The forestry sector (stumpage fees);
CPC ex 88442	Publishing of school books financed from the State budget;
HS 3002; 3004; 3005; 3006	Pharmaceuticals;
CPC 7511	Postal services;
CPC 74510; 74520; 74530; 74540	Port services;
CPC 74610; 74620	Airport services;
CPC 96312	Archives;
CPC 82101; 82102	Housing rents and residential services;
	Minimum and maximum prices are stipulated for the following domestic and imported services:
CPC 71310	Transit services for oil and oil products by pipeline;
CPC 74190	Reloading of oil and oil products in ports;
CPC 71122	Transit shipment of oil and oil products by railway transport;
CPC ex 71211	Long-distance transportation of passengers and luggage by motor transport;
CPC ex 71211	Transportation of passengers and luggage by motor transport in international lines;
CPC 7111; 7112	International transportation of cargo and passengers by railway transport according to international agreements;
CPC 7111; 7112	Transportation of cargo and passengers by domestic railway;
CPC 72140; 72130	Ship services in ports and rents (maximum level).

21. The representative of Latvia stated that in the application of price controls now or in the future, Latvia would apply such measures in a WTO-consistent fashion, and take account of the interests of exporting WTO Members as provided for in Article III.9 of the GATT 1994. Latvia would publish the list of goods and services subject to State controls and any that are introduced or re-introduced in the future in its Official Journal. The Working Party took note of these commitments.

#### Competition policy

22. Some members of the Working Party noted that Latvia intended to harmonize its legislation on competition with that of the European Communities over a four-year period. Latvia was asked to

provide information on the present status of draft legislation, outline existing provisions regarding mergers and to provide a list of sectors considered "natural monopolies".

23. The representative of Latvia replied that the Law "On Competition and Restriction of Monopoly" of 1991 had been revised. In June 1997, the Saeima (Parliament) had adopted a new Competition Law which entered into effect on 1 January 1998. The new Law prohibited restrictive arrangements and abuse of dominant position and contained provisions on merger control and prohibition of unfair competition. The Law provided for the Cabinet of Ministers to establish a Competition Council to supervise implementation of the Law. The Competition Council was empowered to ascertain violations of the Competition Law and enterprises were bound by its decisions. The Council was also authorized to set penalties. An enterprise gaining control of more than 25 per cent of the Latvian market for groups of goods or services as a result of a merger or the formation of a partnership would need to notify the Institution for the Control of Monopoly Action and Development of Competition. The new Competition Law stipulated that notifications would need to be made if the combined turnover of the entity resulting from the merger amounted to at least 25 million Lats in the financial year preceding the merger, and at least one of the merger participants held a dominant position in the relevant market prior to the merger. Natural monopolies existed in energy, communication services, transport, water supply and sewerage. Monopoly enterprises included the State stock companies "Latvijas gāze" (Latvian Gas), "Latvenergo" and "Latvijas dzelzceļš" (Latvian Railways); "Lattelekom" - a limited liability company; suppliers of heating; and self-government enterprises in water-supply and sewerage. However, competition (including foreign participation) was present in the supply of natural gas and in energy and telecommunication sub-sectors.

#### **FRAMEWORK FOR MAKING AND ENFORCING POLICIES**

24. A member asked that Latvia indicate which bodies were responsible for the administration of trade policies and indicate that sub-central governments did not make policies affecting international trade.

25. The representative of Latvia replied that the legislative body of the Republic of Latvia was the Saeima (Parliament), the constitutional basis of which was provided in section 2 of the Satversme (Constitution). The regulation of internal proceedings of the Saeima was contained in the Rules of Procedure. The Satversme stated that the Saeima was the highest legislative body and it possessed the discretionary power. The Saeima was the highest body of State power, and, according to section 5 of the Satversme, it possessed the right to adopt laws and statements with the highest legal force after the Satversme. This prerogative included adoption of laws related to trade and monopolies and guidelines for the trade policy of the Republic of Latvia. In this field, the powers of the Saeima were not limited to the extent that they were compatible with the Satversme.

26. Executive power in Latvia was given to the Cabinet of Ministers. The general principles of the functioning of the Cabinet were contained in section 4 of the Satversme. The Cabinet would discuss all draft laws drawn up by Ministries and all questions concerning the competence of various Ministries, the number and the functions of which were stated according to special rules. The functioning of the Cabinet of Ministers was regulated by the Law "On the Composition of the Cabinet of Ministers" of 15 July 1993 (as amended on 23 May 1996), Regulation No. 5 of the Cabinet of Ministers and by special by-laws or governing regulations of each Ministry, always approved by a relevant Regulation of the Cabinet of Ministers. The Cabinet of Ministers was formed by a person entrusted to that task by the President of State. In order to fulfil their duties, the Prime Minister and the Ministers had to receive a vote of confidence by the Saeima. The Saeima expressed a vote of confidence by means of special resolution after the report of the Prime Minister on the composition and the planned activities of the Cabinet in case of approval. The important point was that, according to Regulation No. 160 "On the Internal Order and the Functioning of the Cabinet of Ministers" of 1 June 1996, every draft regulation or statement submitted to the State Chancellery for approval by the Cabinet of Ministers would receive legal opinions from interested Ministries and other institutions to ensure that draft legislation would be compatible with the laws in force and international treaties and conventions signed and ratified by the Republic of Latvia. The task of the State Chancellery was to verify whether a draft was compatible with the Declaration of the relevant Cabinet of Ministers where the principal guidelines of its activities were mentioned. The Declaration was binding on the Cabinet.

27. Cabinet decisions were presented in the form of regulations, instructions, orders or recommendations. The Cabinet could issue regulations when: (i) a law specifically authorized the Cabinet to issue regulations. Such authorization would need to provide details of the main rules and outline the content of the regulations; (ii) a relevant issue was not regulated by a law; and (iii) in accordance with the Article 81 of the Satversme, if there was an urgent necessity between sessions of the Saeima, the Cabinet was entitled to issue regulations having the force of law. However, Article 81 stated that such regulations could not modify laws concerning elections to the Saeima, the procedure and the judicial issues and the Constitution, the budget and budget rights, and laws already passed by the Saeima in power. Moreover, such regulations should not apply to amnesty, issuance of Treasury notes, State taxes, customs, railway tariffs and State loans and should become null and void if not presented to the Saeima within three days of the opening of the session of the Saeima.

28. The rights of the judiciary power were stated by the Law "On the Judicial Power", by the Codes of Civil and Criminal Procedure, by the Civil Code and by special laws on various judicial institutions "On the Bar", "On the Public Prosecutor Service", etc. International trade and monopoly issues were qualified by the judicial institutions as other similar cases. The judiciary institutions had the right to settle disputes arising from questions of international trade and monopoly in accordance with the laws and regulations in force in the Republic of Latvia. The system of Courts of Justice had

three levels. The first instance was the District Court or City Court, the instance of appeal was the Regional Court, and the instance for causation was the Supreme Court. The very important point was that, specially concerning questions of international commercial relations, settlement of disputes could be reached by means of the arbitral court.

29. The Ministry of Economy was the competent institution for the administration of trade policies according to Article 2.3 of Regulation No. 304 of the Cabinet of Ministers "The Governing Regulations of the Ministry of Economy" (of 19 August 1997). The Ministry of Economy, in cooperation with the Ministry of Foreign Affairs and other relevant Ministries, formulated and implemented the general principles of the domestic and foreign trade policy of the State. Trade-related powers of local and municipal governments were defined in Articles 14, 15 and 21 of the Law "On Local Governments" and concerned the introduction of local taxes and issuance of activity licences when such activities were subject to licensing by local and municipal governments under the respective Laws. The Law "On Taxes and Duties" (Article 12) provided a list of duties which could be determined by local governments, and the Law "On Entrepreneurial Activity" and Regulation No. 434 of 19 November 1996 stipulated that local and municipal governments issued activity licences for pre-school educational institutions, shooting galleries, cremation activities and local transportation of passengers.

30. The representative of Latvia confirmed that sub-central administrative authorities, e.g. local administrative bodies, have no jurisdiction or authority to establish regulations or taxes on goods and services in Latvia independent of the central authorities and that application of these measures are exclusively the responsibilities of the executive and legislative branches of the central government. Central authorities will eliminate or nullify measures taken by sub-central authorities in Latvia that are inconsistent with WTO provisions from the date of accession. The Working Party took note of this commitment.

## **POLICIES AFFECTING TRADE IN GOODS**

### Trading rights

31. Some members of the Working Party noted that laws and regulations relating to the right to trade in goods (also sometimes referred to as "registration requirements" or "activity licensing") should not restrict imports of goods in violation of the general prohibition on quantitative restrictions in GATT Article XI:1, nor should they discriminate against imported goods in violation of the non-discrimination provisions of GATT Article III:4. Furthermore, fees and charges levied on the right to import should be limited to the approximate cost of services rendered (Article VIII:1(a)) and taxes and charges on the right to trade in imported goods should not lead to discrimination in favour of like domestic products (Article III:2).

32. The representative of Latvia replied that in accordance with the Law "On Entrepreneurial Activity", enterprises and entrepreneurial activity should be registered in Enterprise Register of the Republic of Latvia. The requirement to register concerned entrepreneurial associations and enterprises, including branches and representation offices performing entrepreneurial activity on the territory of the Republic of Latvia. All registered entrepreneurs, i.e. enterprises and entrepreneurial associations, carried out their activities under equal rights. Any activity of unregistered entrepreneurial associations and enterprises was prohibited. The registration procedure and the information to be submitted was regulated by the Law "On Enterprise Register". Foreigners could also carry out entrepreneurship in accordance with the Law "On Foreign Investment in Republic of Latvia". In accordance with the Law "On Entrepreneurial Activity" and the Rules of the Cabinet of Ministers "On Restrictions of Entrepreneurship", only State enterprises had the right to produce and press securities, banknotes, coins, stamps and cards of gambling games. For other kinds of entrepreneurship restrictions were prescribed by the issuing of business activity licence or certificate. The kinds of entrepreneurship requiring certificate or business activity licence were listed in the above-mentioned Rules of the Cabinet of Ministers.

33. Some members of the Working Party asked Latvia to specify the business activities subject to licensing. The representative of Latvia said that certain forms of entrepreneurial activity required a special permit (licence). Limitations on entrepreneurial activity applied when such limitations were set forth in international treaties, conventions or any other norms of international law which were binding to Latvia, or when deemed necessary by Latvia for the protection of the interests of society, i.e. the protection of public morals, human, animal and plant life, and health or public security. The following restrictions on entrepreneurial activity had been determined in accordance with Article 32 of the Law "On Entrepreneurial Activity":

- (i) restrictions laid down by the State Government or local government law or regulations issued by the Cabinet of Ministers aiming at protecting essential State security interests;
- (ii) restrictions effected within the competence determined by local government law;
- (iii) restrictions on individuals carrying out any form of entrepreneurial activity or intellectual work requiring special qualifications concerning special knowledge and testing of it, as determined by special laws or regulations issued by the Cabinet of Ministers; and
- (iv) restrictions determined by the Bank of Latvia concerning financial and credit operations and banking activity.

The restrictions on entrepreneurial activity were enforced through special permits (licences) or certificates of professional qualification issued by the Cabinet of Ministers, Ministries or State institutions subordinate to and supervised by Ministries in accordance with statutory Acts; the authorized representative of the Strategic Importance Export and Import Control Board; local governments (municipal authorities of cities, towns, pagasts and city districts); professional associations; or the Bank of Latvia. The maximum validity of a special permit (licence) was five years, the minimum validity one year. The special permit (licence) could also be issued for an individual transaction. Licence fees payable to the State were determined by the law or regulations issued by the Cabinet of Ministers. Permission (licence) or certificate fees would be established by the issuing authority in accordance with rules laid down by the Cabinet of Ministers. The State reserved the right to make certain types of entrepreneurial activity connected with security of the State and its citizens subject to State monopoly.

34. The representative of Latvia said that any disputes arising from the application of restrictions on entrepreneurial activity, such as refusals to issue a special permit (licence) or cancellations, would be settled by a higher institution or a Court of Justice. A decision to reject an application to perform an entrepreneurial activity would need to be issued within 10 days (a time-limit of 30 days had applied until 1 January 1998) upon receipt by the responsible authority. An issuing authority was entitled to cancel a special permit (licence) issued on the basis of false information, or if the recipient violated any normative acts or conditions specified in the special permit (licence). The recipient of a special permit (licence) was responsible for its proper use and was not entitled to assign it to any other person.

35. The representative of Latvia said that the scope of the licensing system had been reduced gradually; in 1996 it had covered 47 goods-related business activities. Latvia continued to reduce the number of business activities licensed according to Regulations of the Cabinet of Ministers No.348 "On Licensing of Separate Forms of Entrepreneurial Activity". The Government had reviewed the licensing system and elaborated special regulations on import licensing in accordance with the WTO Agreement on Import Licensing Procedures. The new regulations were adopted on 7 October 1997 and came into effect on 1 January 1998. These regulations provided for automatic licensing with no limitation on the number of licences granted. Import licences were not used to restrict trade and requirements were applied in a non-discriminatory manner. An import licence should be issued within ten days, application forms should be as simple as possible, and the licence fee constituted the cost of services rendered.

36. The representative of Latvia noted that the Alcohol Monopoly Department of the Ministry of Finance kept a list of officially approved importers of alcoholic beverages and intended to begin regular publication of the list. The number of licensed importers and traders was not controlled or limited by any other administrative means. The licensing system was maintained for reasons of health



and social policy (to reduce illegal production and importation); these objectives could not be attained by other measures. Imported and domestic products were subject to the same requirements. The representative of Latvia provided additional information on the licensing regime in a Questionnaire on Import Licensing of Alcoholic Beverages and Tobacco (document WT/ACC/LVA/27). As per 1 May 1998, 92 enterprises had been licensed for wholesale trade, 27 enterprises for importation and 22 enterprises for the production of alcoholic beverages.

37. A member understood that Latvia had made tobacco products subject to activity licensing to control the internal market and import licensing to enforce the collection of excise taxes. This member was concerned that controls on the internal market operated as a barrier to trade and the use of licensing to assure collection of excise taxes was an unnecessary border aberration. The representative of Latvia replied that the licensing served statistical purposes only; the collection of excise taxes on tobacco products and other items was regulated by the Law "On the Excise Tax". Entrepreneurial activity related to tobacco goods was licensed, in accordance with Regulations No. 351 "On Circulation of Tobacco Products" of 7 October 1997, to protect the legal domestic market against illegal production and protect consumers' interests against low-quality or dangerous products. He added that licensing of entrepreneurial activities was not a mechanism for direct market control, but that the legal domestic market required regulation to ensure that uniform conditions applied in production, importation, exportation, sale, storage and transportation, and for the State to obtain the necessary statistical basis to maintain proper order. He stressed that the distribution of imported tobacco products was not restricted. As per 1 May 1998, 119 enterprises had been licensed for wholesale trade, 13 enterprises for importing and 4 enterprises for the production of tobacco products.

38. The representative of Latvia said that procedures governing production, manufacture and distribution of pharmaceutical products contained in the Drugs Register or Veterinary Drugs Register of the Republic of Latvia, including licensing provisions for specific pharmaceutical activities, were outlined in the Law "On Pharmaceutical Activities". The Law required entrepreneurial activity licences to operate a pharmacy, a pharmaceutical or veterinary wholesale company, or to manufacture medical and veterinary medical products. The requirements for obtaining these licences were based on criteria to ensure consumer protection and product quality.

39. The representative of Latvia confirmed that the former State monopoly in foreign trade had been abolished and that no restrictions existed on the right of individuals and enterprises to import and export goods into Latvia's customs territory, except as provided in WTO Agreements. He confirmed that individuals and firms were not restricted in their ability to import or export based on their registered scope of business and the criteria for enrolment in the Register of Enterprises in Latvia were generally applicable and published in the official journal of the Republic of Latvia "Latvijas Vēstnesis".

40. The representative of Latvia confirmed that from the date of accession Latvia would ensure that its laws and regulations relating to the right to trade in goods and all fees, charges or taxes levied on such rights would be in full conformity with its WTO obligations, including Articles VIII:1(a), XI:1 and III:2 and 4 of the GATT 1994 and that it would also implement such laws and regulations in full conformity with these obligations. The Working Party took note of this commitment.

## **1. Import Regulation**

### Customs tariff

41. A member of the Working Party noted that the collection of customs duties appeared to have been inefficient in Latvia and wondered what plans Latvia might have for improving its customs system as part of the accession to the WTO. The representative of Latvia replied that organizational improvements had been discussed with the World Customs Organization and included the revision of legislation, the review of the structure and functions of the customs administration, further training of customs staff and additional technical equipment. The organizational improvements of the customs system had been finalized by 1 July 1997 with the entry into force of the new Customs Law. He added that the Law "On Customs Duties (Tariffs)" had been in force since 1 December 1994.

42. The representative of Latvia announced his Government's readiness to enter into bilateral tariff negotiations in March 1995 (document WT/L/57). The tariff concessions resulting from these negotiations are included in its Schedule of Concessions and Commitments on Goods annexed to the draft Protocol of Accession of Latvia which is reproduced in the Appendix to this Report (see paragraph 132 below).

### Other duties and charges

43. The representative of Latvia confirmed that Latvia levied no duties and charges on imports other than ordinary customs duties. Any such charges applied to imports after accession would be in accordance with WTO provisions. He further confirmed that Latvia would not list any other charges in its Goods Market Accession Schedule under Article II:1(b) of the GATT 1994, binding such charges at "zero".

### Tariff rate quotas, tariff exemptions

44. Some members of the Working Party noted that Latvian legislation authorized the opening of tariff quotas to facilitate importation of goods in temporary short supply and requested further details. A member urged Latvia to bring this system into conformity with WTO provisions and to consider using tariff protection only and allow market forces to determine trade.

45. The representative of Latvia said that the legal basis for the opening of tariff quotas on any item was the Law "On Customs Duties (Tariffs)" and Regulations No. 208 "Establishment and

Administration of Import and Export Tariff Quotas" and No. 24 "Authorizations for Licences". Exceptionally, the Cabinet of Ministers had approved a tariff quota for imports of high-quality seeds in 1995, 1996 and 1997 due to a shortage of domestic supply. The State Cereals Bureau could open tariff quotas with an in-quota tariff of 0.5 per cent when its annual forecasts indicated a shortfall in Latvian production of certain types of grain. The Cabinet of Ministers had issued Regulation No. 85 "On Customs Tariff Quotas for Grains" stipulating that 20,000 tonnes of rye and 50,000 tonnes of feed grain could be imported at 0.5 per cent tariff until 1 June 1997. The tariff quotas had been distributed by public tender organized by the State Cereals Bureau with import licences issued by the Ministry of Agriculture.

46. The representative of Latvia agreed that the tariff quota regime for grain imports was not consistent with WTO requirements and Latvia was revising its legislation to ensure conformity with the Agreement on Import Licensing Procedures. Regulations Nos. 208 and 24 had been revoked and replaced by Regulation No. 106 "On Customs Tariff Quotas", effective 25 March 1997, and issued in accordance with the Law "On International Agreements of the Republic of Latvia". The representative of Latvia said that in June 1997 the Saeima (Parliament) had adopted amendments to the Law "On Latvia's Grain Market and State Grain Reserves" according to which quantitative restrictions on grain were abolished and the licensing system replaced by automatic import licensing. The Saeima had also adopted amendments to the Law "On Customs Duties (Tariffs)" in June 1997, abolishing the order enabling the Cabinet of Ministers to establish tariff quotas. Regulation No. 106 "On Customs Tariff Quotas" of 25 March 1997 determined the procedure for implementing tariff quotas, established in accordance with international treaties, on the territory of the Republic of Latvia as well as the procedure for issuing special permits (licences) ensuring the administration of tariff quotas. Tariff quotas established in accordance with international treaties provided for limited amounts of goods imported under reduced or zero tariff rate. The fulfilment or non-fulfilment of preferential tariff quotas did not restrict imports from MFN trading partners at the MFN tariff rate. The representative of Latvia confirmed that in the event that Latvia would use MFN tariff quotas in the future, imports under preferential tariff rate quotas would not be counted against MFN tariff rate quotas.

#### Fees and charges for services rendered

47. A member of the Working Party asked Latvia to clarify what fees and charges, if any, were applied for services rendered related to importation or exportation. The representative of Latvia confirmed that Latvia levied no fees or charges for services rendered related to importation or exportation, except fees for issuing certain activity licences and charges such as port charges and warehousing charges. None of these fees or charges were levied on imports or exports on an *ad valorem* basis.

48. The representative of Latvia confirmed that from the date of accession Latvia would impose any fees or charges for services rendered related to importation or exportation only in conformity with Article VIII of the GATT 1994. Information regarding the application and level of any such fees, revenues collected and their use would be provided to WTO Members upon request. The Working Party took note of these commitments.

Application of internal taxes

49. Some members of the Working Party asked for details on the excise tax system in Latvia and its application on imports and domestic goods. Latvia was requested to indicate, by HS tariff line, the levels and points of sale at which taxes were applied to imports and describe the components of the taxable base.

50. In reply, the representative of Latvia said that excise taxes were levied on alcohol, tobacco, motor vehicles, petroleum products and jewellery. The excise tax rates (Annex 1) were identical for imported and domestically produced items. The tax base for Latvian products was the sales price in domestic currency, taxes on imports were levied on a tariff-inclusive basis. Only tobacco products and alcohol carrying tax labels could be sold in Latvia. Enterprises licensed to import or manufacture tobacco products for sale ordered labels from the State Revenue Service. The requested quantity of labels would be supplied within 14 days against payment of excise tax and VAT. The labels themselves were not subject to any separate charge as the cost of issuing tax labels was included in the rate of excise tax. Exports, re-exports and goods in transit were exempt from excise tax in accordance with Article 4 of the Law "On Excise Tax". Exemptions from excise taxes had also been established for a number of products, enumerated in Table 3.

Table 3: Exemptions from Excise Tax

Excise tax shall not be levied on the following:
Precious metals, precious stones and products from said metals and stones imported and purchased for the needs of the Precious Metal Fund of the Republic of Latvia;
Goods used for production (technological needs) of goods listed in Article 3;
Rectified alcohol:
(i) for the purposes of medicine and veterinary medicine;
(ii) for the needs of research and development;
(iii) for pharmaceutical industry.
Tobacco dust and tobacco products used for production of insecticides;
Precious metals for making dentures;
Goods for export;
Cars with spark-ignition internal combustion reciprocating engine, working volume of engine cylinders of which does not exceed 1,600 cm <sup>3</sup> ;

Cars with compression ignition internal combustion reciprocating engine (diesels or semi-diesels), working volume of engine cylinders of which does not exceed 1900 cm<sup>3</sup>;

Cars older than 7 years from the date of industrial production;

Cars with electrical engine (electrocar).

The Cabinet may determine the maximum amount of goods that are excise tax-exempt when imported for consumption into the customs territory of the Republic of Latvia.

Excise tax shall not be levied on transit cargo shipping and reexport.

Excise tax shall not be levied on natural persons importing alcoholic drinks up to one litre or one unit in original packaging that does not exceed 3 litres in total amount, as well as cigarettes - up to 200 cigarettes per person.

Excise tax shall not be levied on natural and legal persons selling cars if excise tax for the respective car has already been paid once.

If an enterprise (entrepreneurial company) exports self-produced or unused goods for which raw material tax has been paid, the excise tax transferred into the budget shall be reimbursed from the State budget.

The excise tax paid for cars exported from the Republic of Latvia within three months after their import shall be reimbursed from the State budget.

51. Noting that a Value Added Tax (VAT) had replaced the turnover tax in Latvia, some members of the Working Party requested information on the application of the VAT, including product- or user-specific exemptions. The representative of Latvia replied that VAT had replaced the turnover tax on 1 May 1995. VAT was levied at the rate of 18 per cent. VAT was levied on a tariff-inclusive basis and excise taxes were added to the tax base of imported and domestic products. Exemptions from VAT were determined in accordance with Articles 6 and 7 of the Law "On the Value Added Tax". In all, 26 types of goods and services were exempt from VAT while nine services related to exporting and international transport were zero-rated (Annex 2). The latest amendments to the Law "On Value Added Tax" had entered into force on 1 January 1998.

52. In response to specific questions by some members of the Working Party in pursuance of Article III of the GATT 1994 regarding VAT exemptions for books and mass-media goods published or (in the case of mass media goods) registered in Latvia, he assured the Working Party that the exemption was also applicable to imported films. The representative of Latvia stated that the VAT exemptions offered on publications and mass media goods had been revoked, and that national treatment had been applied both for domestic and foreign publications and mass media goods since 1 January 1998.

53. The representative of Latvia stated that, from the date of accession, Latvia will apply its domestic taxes, including those on products listed in paragraphs 50 to 52 and Tables 3 and Annex 1 in strict compliance with Article III of the GATT 1994, in a non-discriminatory manner to imports

regardless of country of origin and to domestically-produced goods. The Working Party took note of this commitment.

Quantitative import restrictions, including prohibitions, quotas and licensing systems

54. Latvia was requested to supply information in accordance with the questionnaire on import licensing and specifically asked to provide a comprehensive list, by HS tariff line, of products subject to non-tariff measures, citing the measure applied (prior import approval requirements, mandatory import licences, import quotas, prohibitions, etc.), its legal basis, and its justification under WTO provisions. Further questions addressed specific issues such as quantitative restrictions on imports of sugar and import arrangements affecting grain, ethyl alcohol and spirits, and tobacco. Concerned about potential barriers to trade, some members asked Latvia to elaborate on how its licensing system - which restricted imports of certain goods - worked and sought a clear commitment from Latvia that all measures applied to enforce quantitative restrictions would be eliminated as of the date of accession.

55. The representative of Latvia provided the information on non-tariff measures affecting imports and the legal basis for these measures, which is summarized in Table 4. He confirmed that an import ban on white sugar had been in force since May 1993, but the prohibition did not apply to raw sugar. Import licences were issued on a non-discriminatory basis regarding the country of origin; sugar had been imported from Denmark, Estonia, Germany, Lithuania, Ukraine and the United Kingdom. He stated that import restrictions on sugar had been maintained to protect local manufacturers while the industry was restructured. He agreed that the existing regime did not correspond to the WTO Agriculture Agreement and Latvia was ready to prepare adoption of the necessary legal amendments to bring the sugar regime in line with WTO requirements.

Table 4: Business Activity Licensing on Importation of Certain Products

HS tariff line	Description	Legal basis
Chapter 10	Cereals	Law "On the Latvian grain market and State grain reserves" (Article 4)
Chapter 11	Products of the milling industry	Law "On the Latvian grain market and State grain reserves" (Article 4)
Chapter 12	Oil based plane seeds and oleaginous fruit, various grain, seeds and fruit, straw and fodder.	Law "On the Latvian grain market and State grain reserves" (Article 4)
Chapter 1701	Cane or beet sugar and chemically pure sucrose	Law "On Entrepreneurial Activity" (Article 32), Law "On Sugar", Regulation No. 348 of 7 October 1997, and Regulation No. 69 of 30 March 1998
Chapter 22	Alcoholic beverages, spirits and vinegar	Law "On Entrepreneurial Activity" and Regulation No. 348 of 7 October 1997

HS tariff line	Description	Legal basis
Chapter 23 except 2301, 2303 and 2307.	Residues and waste from the food industries; prepared animal fodders	Law "On the Latvian Grain Market and State Grain Reserves" (Article 4)
Chapter 24	Tobacco products	Law "On Entrepreneurial Activity" (Article 32), Regulation No. 86 of 14 April 1994, and Regulation No. 351 of 7 October 1997

56. The representative of Latvia said that quantitative restrictions on grain had been abolished by the amendments to the Law "On Latvia's Grain Market and State Grain Reserves" adopted by the Saeima (Parliament) in June 1997. Quantitative restrictions on sugar were abolished by amendments to the Law "On Sugar" (adopted by the Saeima in November 1996) and Regulations No. 61, adopted by the Cabinet of Ministers in March 1997. Licensing for all products would be automatic according to the WTO Agreement on Import Licensing.

57. Some members of the Working Party requested that Latvia undertake to eliminate all measures applied to enforce quantitative restrictions, including the non-automatic import licensing for grains and the ban on sugar imports, as of the date of accession and commit not to introduce, re-introduce or apply quantitative restrictions on imports or non-tariff measures such as licensing, quotas, bans and other restrictions having equivalent effect that can not be justified under the provisions of the WTO Agreements on Technical Barriers to Trade, Sanitary and Phytosanitary Measures, Import Licensing Procedures and Agriculture. Additionally, Latvia was asked to confirm that import licensing on other commodities, especially wheat flour, cereal flour, cereal groats, cereal grains otherwise worked, sugar and animal feed, alcoholic beverages and tobacco products, were issued for statistical purposes only and administered in conformity with Article XI of the GATT 1994 and the Agreement on Import Licensing Procedures.

58. The representative of Latvia confirmed that as from 1 July 1997 Latvia maintained no quantitative import restrictions on any products.

59. The representative of Latvia confirmed that Latvia would, from the date of accession, eliminate and shall not introduce, re-introduce or apply quantitative restrictions on imports or other non-tariff measures such as licensing, quotas, bans, permits, prior authorization requirements, licensing requirements and other restrictions having equivalent effect that cannot be justified under the provisions of the WTO Agreement. This will include the current licensing restrictions on certain products in Chapters 10, 11 and 12 and the import ban on sugar products in section 1701 of Latvia's tariff schedule. He added that the special import permits required for the importation of alcoholic beverages and tobacco are granted automatically to all who request them and would not restrict the right to import these products into Latvia or in any way discriminate against imported products. He

further confirmed that the legal authority of the Government of Latvia to suspend imports and exports or to apply licensing requirements that could be used to suspend, ban, or otherwise restrict the quantity of trade will be applied from the date of accession in conformity with the requirements of the WTO, in particular Articles XI, XII, XIII, XVIII, XIX, XX and XXI of the GATT 1994, and the Multilateral Trade Agreements on Agriculture, Sanitary and Phytosanitary Measures, Import Licensing Procedures, Safeguards and Technical Barriers to Trade. The Working Party took note of these commitments.

#### Customs valuation

60. Some members of the Working Party asked Latvia to provide additional information on its customs valuation methods, noting in particular that terminology such as "approximate valuation" and valuation "according to the goods of the same type" had no counterpart in the WTO Agreement on Implementation of Article VII of the GATT 1994 (the Customs Valuation Agreement). Such valuation practices were specifically prohibited in Article 7.2 of the Customs Valuation Agreement and the Agreement authorized no delay in the implementation of this provision. A member sought Latvia's commitment to apply fully the WTO provisions concerning customs valuation from the date of accession, including, in addition to the Agreement on the Implementation of Article VII of the GATT 1994, the provisions for the Valuation of Carrier Media Bearing Software for Data Processing Equipment and the provisions on the Treatment of Interest Charges in Customs Value of Imported Goods.

61. The representative of Latvia said that valuation practices had been based on the Law "On Customs Duty (Tariffs)" and Regulation No. 27 "On Estimations of Customs Valuation Relating to Imported and Exported Goods and Other Subjects" which, *inter alia*, allowed the use of reference prices. Latvia had acknowledged the disparity between its legislation and the WTO Agreement on Implementation of Article VII. Amendments to existing rules had accordingly been drafted and submitted for ratification by Parliament. Amendments to the Law "On Customs Duty (Tariffs)" had entered into force on 1 July 1997 and the Articles related to the determination of customs value, including the use of reference prices, had been deleted. The new Customs Law (Customs Code) had been adopted by Parliament and entered into force on 1 July 1997. The valuation methods in the new law were based on transaction value; the value of identical goods; the value of similar goods; the unit price method and the computed value method. A copy of the law was provided to the Working Party. Secondary legislation to implement the Customs Law (Regulations of the Cabinet of Ministers No. 428 "On Procedure for Calculating the Customs Value of Goods", adopted on 17 December 1997) came into effect on 1 January 1998. The Customs Law provided the methods for determining customs value in accordance with the requirements of Article VII of the GATT 1994 and the Agreement on Implementation of Article VII of the GATT 1994. He confirmed that the use of



reference prices for the determination of customs value had been eliminated by the introduction of the new legislation.

62. The representative of Latvia confirmed that Latvia would fully apply the WTO provisions concerning customs valuation from the date of accession without recourse to a transition period, including the Agreement on the Implementation of Article VII of the GATT 1994 including its provisions on methods of appraisement and Annex I (Interpretative Notes) and Article 13 of the Agreement, as well as the provisions for the Valuation of Carrier Media Bearing Software for Data Processing Equipment (Decision 4.1). The Working Party took note of these commitments.

#### Other customs formalities

63. The representative of Latvia said that Latvia was a member of the World Customs Organization. A draft law on accession to the Kyoto Convention had been approved by the Cabinet of Ministers and submitted to the Saeima. Norms incorporated in the Kyoto Convention had been taken into account in the development of the new Customs Law.

#### Anti-dumping, countervailing duties and safeguard regimes

64. Some members of the Working Party referred to the provisions regarding anti-dumping and countervailing duties in Chapter II of the Law "On Customs Duties (Tariffs)" and requested information on Latvia's intentions concerning the establishment of new, broader legislation in this area. The representative of Latvia said that at present no draft legislation existed related to this issue. Latvia was at the stage of examining possibilities for the introduction of anti-dumping and countervailing duty legislation, taking into account its specific situation as a small country and the resources available in the State budget for the purpose of eventual investigations. According to the existing timetable, a draft Anti-Dumping Law could be presented to the Cabinet of Ministers by the end of 1998.

65. Some members of the Working Party asked Latvia to describe its safeguards regime and questioned whether existing legislation would be consistent with GATT Article XIX and the WTO Agreement on Safeguards. The representative of Latvia replied that the current safeguards regime was based on Regulation No. 20 "Regulations to Protect the Domestic Market for Foods Stuff Produced in Latvia". The regulation addressed only agricultural products - in particular live animals, grain, milk, meat, fish, potatoes and products made thereof - and had been introduced as the recent economic transition had disrupted sectors which normally would supply competitive products. However, the regulations had yet to be applied. The existing regime was temporary and would be replaced by new legislation.

66. The representative of Latvia said that Latvia would not apply any anti-dumping, countervailing or safeguard measure until it had implemented appropriate laws in conformity with the

provisions of the WTO Agreements on the Implementation of Article VI, on Subsidies and Countervailing Measures, and on Safeguards. In the elaboration of any legislation concerning anti-dumping duties, countervailing duties and safeguards, Latvia would ensure their full conformity with the relevant WTO provisions, including Article VI and XIX of the GATT 1994 and the Agreement on the Implementation of Article VI, the Agreement on Subsidies and Countervailing Measures and the Agreement on Safeguards. After such legislation was implemented, Latvia would only apply any anti-dumping duties, countervailing duties and safeguard measures in full conformity with the relevant WTO provisions. The Working Party took note of these commitments.

## **2. Export Regulation**

### Customs tariffs, fees and charges for services rendered, application of internal taxes to exports

67. Some members of the Working Party requested details on export tax rates and plans to phase out such taxes.

68. In response, the representative of Latvia said that all goods were zero-rated with the exception of certain wood products, metal waste and scrap, and antiques. Export duties on certain mineral products falling within HS Chapter 25 were eliminated with effect from 17 July 1996. Latvia would abolish export duties by year 2000, with the exception of duties on specific antiques. Amendments to the Law "On Customs Duties (Tariffs)" had entered into force on 1 July 1997. According to these amendments, Parliament had established a timetable for the elimination of export tariffs on items falling within HS Chapters 44 and 72. The list of products subject to export taxes, by HS tariff line, and the respective tariff rates are reproduced in Annex 3.

69. The representative of Latvia confirmed that present export tariff rates related only to the goods listed in Annex 3 Export Duty Tariffs. All customs tariff changes were published in the official journal of the Republic of Latvia - the newspaper "Latvijas Vēstnesis". Latvia would abolish all export duties listed in Annex 3 by 1 January 2000 with the exception of the duty on antiques. The timetable for elimination of export duties would be similar for regional trade agreement partners and partners to which MFN treatment was applied as indicated in Annex 3. The Working Party took note of these commitments.

### Export restrictions

70. Some members of the Working Party requested details on the licensing regime on exports, notably with regard to trade in metals and pyrotechnical materials. The representative of Latvia replied that business licences were issued to registered enterprises for domestic purchasing and exports of metal scrap in accordance with the Law "On Entrepreneurial Activity". Licensing of trade in strategic goods, products, services and technologies had been established for reasons of internal security and to fulfil international obligations on non-proliferation. Latvia had established an Export

Control System covering munitions and exports of dual use goods based on international guidelines, incorporating the former COCOM Munitions List and Council Regulation (EC) No. 3381/94. The representative of Latvia confirmed that the licensing of exported metals was used for statistical purposes only and that the number of export licences issued was not limited.

#### Export subsidies

71. A member of the Working Party asked Latvia to describe its duty drawback system. The representative of Latvia replied that duty drawback was available for temporary importation of goods for processing, improvement, repair or replacement due to spoilage and re-exports in accordance with Chapter VII of the Law "On Customs Duties (Tariffs)" with Regulation No. 87 "Import of Commodities and Other Items for Processing" providing more specific procedures. Additional documentation was required to certify that goods would not be sold in the domestic market and to indicate the foregone amount of import taxes and VAT. The rebate of import charges in the duty drawback programme did not exceed the value of the taxes and tariffs incorporated in the exported product. He confirmed that Latvia maintained no quantitative restrictions related to the duty drawback scheme.

72. The representative of Latvia said that his Government intended to support an expansion of the activities of the "Latvian Export Credit", a State Joint-Stock Company. This company had been established on 20 January 1995 according to Order No.519-r of the Cabinet of Ministers of the Republic of Latvia "On the State Joint Stock Company 'Latvian Export Credit'". The main aim of the company was to promote exports of manufactured goods, services and technology offered by Latvian entrepreneurs to other countries and to enable Latvian entrepreneurs to manage export and import transactions, providing them with the corresponding insurance and guarantee system. Latvian Export Credit (LEC) offered export guarantees - export payment guarantees, export finance guarantees, buyer credit guarantees and letter of credit guarantees - and import guarantees, i.e. import payment guarantees and import finance guarantees. LEC had thus far not provided "classical" export credits, i.e. credits extended by the export credit agency of the exporting State or by the exporter directly to buyers of goods and services abroad, but rather made short-term credits available to producer-exporters to help stabilize their cash flow while they were awaiting receipt of due payments from their customers abroad. These credits were extended on the basis of commercial principles and on conditions similar to those offered by commercial banks. He stated that these credit services did not distort competition as the State did not subsidize export crediting activities and LEC operated with a profit. LEC was planning to start providing "classical" export credits on conditions (interest rate, duration, etc.) which would comply with the OECD Arrangement on Guidelines for Officially Supported Export Credits.

Internal policies affecting foreign trade in goods

Industrial policy, including subsidies

73. A member of the Working Party noted that the Latvian Government had signalled plans for extensive investments in infrastructure and wondered what the likely effect would be on Latvia's exporting sectors. He requested that industrial support programmes be notified in accordance with the Agreement on Subsidies and Countervailing Measures. The representative of Latvia replied that the Government aimed at improving infrastructure generally and would not target any particular industry or enterprise.

74. The representative of Latvia added that the structural policy of his Government aimed at successful transition to a competitive market economy operated by viable industrial enterprises. The Ministry of Economy had drafted a "Concept of Government Strategy in Industry and National Programme of Small and Medium Enterprise Development" which discussed issues such as investment promotion, industrial cooperation, industry restructuring and job creation. The development of small and medium-sized enterprises was considered particularly important and the Government encouraged and supported entrepreneurship through training and network programmes. Business Advisory Service Centres, enterprise fora and educational "workbooks" had been established to facilitate management training and business networks. Higher education institutions also offered special training courses for entrepreneurs. The Government had also elaborated a regional development policy under which grants and loans would be provided for the establishment and expansion of small and medium-sized enterprises and the development of energy-saving technology. Risk financing would be provided through a new institution, the Regional Development Fund. Another important element of Latvia's industry policies was the restructuring and privatization of State enterprises with emphasis on the participation of foreign investors.

75. The representative of Latvia stated that with regard to non-agricultural subsidies, Latvia was preparing draft notifications under Article 25 of the Agreement on Subsidies and Countervailing Measures. However, apart from very minor subsidy programs related to energy and fish conservation and public transportation, the most significant forms of subsidies in the Republic of Latvia were tax deferrals to assist the privatization of State enterprises; special capital injections to troubled banks during a period of heavy economic transition; and loan guarantee programs. Small and medium sized enterprises benefited from reduced rate of corporate income tax.

76. The representative of Latvia confirmed that Latvia did not maintain subsidies including export subsidies which met the definition of a prohibited subsidy, within the meaning of Article 3 of the Agreement on Subsidies and Countervailing Measures and that it would not introduce such prohibited subsidies in the future.

77. The representative of Latvia confirmed that any subsidy programmes would be administered in line with the Agreement on Subsidies and Countervailing Measures and that all necessary information on programmes to be notified, if such exist, would be provided to the Committee on Subsidies and Countervailing Measures in accordance with Article 25 of the Agreement upon entry into force of Latvia's Protocol of Accession. The Working Party took note of this commitment.

Technical barriers to trade, sanitary and phytosanitary measures

78. Regarding technical barriers to trade, some members of the Working Party asked about the system of standards and product certification in Latvia, including participation in international standards organizations, plans to adopt and implement the Code of Good Practice (Annex 3 of the WTO Agreement on Technical Barriers to Trade), the acceptance of certificates issued by foreign bodies and accreditation of private certification bodies.

79. The representative of Latvia provided information on technical barriers to trade in document WT/ACC/LVA/4, Annex 5. He added that in order to fulfil the obligations laid down by the Agreement on Technical Barriers to Trade (the TBT Agreement), notably its Article 2 "Technical Regulations and Standards", Latvia had developed a National Standardization System approved by the Cabinet of Ministers on 8 August 1995. The Latvian National Centre of Standardization and Metrology had been established to perform all activities related to the adoption of standards. The Centre was an affiliated member of the European Standardization Committee (CEN) and a corresponding member of the ISO. The Centre applied ISO Guide 21 which outlined the principles regarding adoption of international standards. In all, 21 technical committees had been established under the auspices of the Centre and their main tasks were to implement and harmonize the Latvian standardization system with international standards. Membership in the technical committees reflected all interested parties concerned, i.e. representatives of relevant Ministries, producers and other experts. Latvia was preparing mass implementation of international standards using the "cover sheet" method, allowing the adoption of approximately 500 standards per year. Specific Latvian standards were implemented only in very narrow areas of purely national interest. In view of Article 4 of the TBT Agreement, Latvia was observing and implementing the Code of Good Practice for the Preparation, Adoption and Application of Standards. The Latvian National Centre of Standardization and Metrology was the responsible body for implementing the Code of Good Practice. A new Law "On Standardization" was in preparation with the objective to define the tasks of standardization, governing principles and the organization of standardization work.

80. Concerning Article 5 of the TBT Agreement, Parliament had adopted laws "On Conformity Assessments", "On Safety of Products, Services and Liability of Producer and Supplier" during 1996 and a Law "On Uniformity of Measurements" in 1997. Latvia had adopted as national standards EN 45000, ISO 9000 and ISO Guides 21, 22, 25 and 58 to ensure harmonized conformity assessment procedures (for products) and quality systems (for manufacturers). Conformity assessment in the

mandatory area, i.e. related to the protection of human health, safety and the environment, was carried out by competent testing and calibration laboratories and certification and inspection bodies authorized by the Cabinet of Ministers. The competence of testing and calibration laboratories and certification and inspection bodies was assured by means of accreditation or equivalent procedures in accordance with ISO/IEC Guides 25 and 58. Latvia operated a unified accreditation system in accordance with international principles and relevant ISO provisions. Accreditation was accorded by the Latvian National Accreditation Office (LATAK), an independent body under the supervision of the Ministry of Economy. LATAK assured the determination of competence of the conformity assessment bodies. Currently, LATAK had accredited 72 testing laboratories and 4 certification bodies. As of 16 August 1997, LATAK was an affiliated member in the European Co-operation for Accreditation of Laboratories Organization and was undergoing procedures for accession to the European Accreditation of Certification Organization.

81. The representative of Latvia said that conformity assessment of goods was prescribed in the Law "On the Protection of Consumer Rights", "On the Safety of Products, Services and Liability of Producer and Supplier", "On Conformity Assessment" and the Law "On Uniformity of Measurements". Three third-party certification centres had so far been nominated by the Cabinet of Ministers: the Latvian National Certification Centre for food, cosmetics and toys; the Latvian National Standardisation Centre for household electric equipment; and the Baltic Machinery Experimental Station for agricultural and wood equipment. These Centres were under accreditation procedures. Conformity assessment in the mandatory area, i.e. related to the protection of human health, safety and the environment, was carried out by competent testing and calibration laboratories and certification and inspection bodies authorized by the Cabinet of Ministers. The National Accreditation Office intended to join ISO CASCO. Certificates issued by foreign institutions were recognized in accordance with bilateral agreements and corresponding regulations on unilateral recognition. Safety standards and requirements were identical for imported and domestic products. Draft standards were disseminated among all interested parties and were available for any discussion and comments.

82. Referring to Article 10 of the TBT Agreement, the representative of Latvia said that Latvia had ensured the existence of an enquiry point to handle all reasonable enquiries from or to other WTO Member States and interested parties starting from 1 January 1998. The enquiry point established in the Ministry of Economy was also responsible for providing relevant documents regarding technical regulations, standards and conformity assessment procedures in Latvia. The Resolution of the Cabinet of Ministers No.12 "On Order, How the Ministry of Economy Coordinates the Exchange of Information in the Area of Technical Barriers to Trade and Sanitary and Phytosanitary Measures" of 28 October 1997 established an obligation for Ministries and other relevant organizations to submit information on TBT and sanitary and phytosanitary measures to the Ministry of Economy at the earliest possible stage. The Regulations provided the possibility for other countries to comment on

draft technical regulations, proposed conformity assessment procedures, and SPS measures. The practical work had started to create the relevant data bases and collect information to be notified. Currently, transparency of the adopted technical regulations and sanitary and phytosanitary measures was ensured by their publication in the official newspaper "Latvijas Vestnesis".

83. Some members of the Working Party asked Latvia to describe its regime of sanitary and phytosanitary measures in the light of WTO requirements and outline how the provisions of the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) would be implemented after accession. A member was particularly concerned about transparency, as it appeared that new regulations were not always published prior to implementation.

84. The representative of Latvia said Latvia participated in the activities of the Codex Alimentarius Commission, the IOE (Office International des Epizooties) and the European and Mediterranean Plant Protection Convention and hoped to join the International Plant Protection Organization. Latvia based its sanitary and phytosanitary measures on recommendations of these organizations and on regulations in force in the Nordic countries. Latvia reported monthly to international organizations (FAO, WHO and IOE) on progress in implementing international norms. A completed questionnaire on sanitary and phytosanitary measures was provided to the Working Party (WT/ACC/LVA/12, Annex 2).

85. The representative of Latvia added that the Law "On Plant Protection" provided the framework for administering phytosanitary measures. Sanitary measures were covered in the Law "On Veterinary Medicine", the "Pharmaceutical Law" and the 1995 "Food Law". Imported products were accompanied by certificates issued by the veterinary authorities of the exporting country in accordance with Latvian quality requirements. Latvia would accept exporters' certificates for processed food products conforming to Latvia's regulations. The official list of quarantinable pests (plant) and diseases (animals) was provided to the Working Party. The sanitary and phytosanitary measures applied by Latvia and the corresponding product coverage is presented in Table 5.

Table 5: Products Subject to Sanitary and Phytosanitary Measures

HS tariff line	Product description	Measure
0100	Live animals; animal products	Veterinary regulations
0200	Meat and edible meat offal	Veterinary regulations
0300	Fish and crustaceans, molluscs and other aquatic invertebrates	Veterinary regulations
0400	Dairy produce; bird's eggs; natural honey; edible products of animal origins, not elsewhere specified or included	Veterinary regulations; Environment Health regulations
0500	Products of animal origin, not elsewhere specified or included	Veterinary regulations

HS tariff line	Product description	Measure
0601	Bulbs, tubers, tuberous roots, corms, crowns and rhizomes, dormant in growth or in flower; chicory plants and roots other than roots of heading No 12.12	Plant protection regulations
0602	Other live plants (including their roots), cuttings and slips, mushroom spawn	Plant protection regulations
0603	Cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared	Plant protection regulations
0700	Edible vegetables and certain root and tubers	Plant protection regulations; Food control regulations
0800	Edible fruit and nuts; peel of citrus fruit or melons	Environment Health regulations; Plant protection regulations
0900	Coffee, tea, mate and spices	Plant protection regulations
1000	Cereals	Plant protection regulations
1100	Products of milling industry; malt; starches; inulin	Plant protection regulations
1200	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder	Veterinary regulations; Plant protection regulations
1201	Soya beans, whether or not broken	Environment Health regulations
1202	Ground - nuts, not roasted or otherwise cooked, whether or not shelled or broken	Environment Health regulations
1300	Lac; gums; resins and other vegetable saps and extracts	Plant protection regulations; Food control regulations
1400	Vegetable plaiting materials; vegetable products not elsewhere specified or included	Plant protection regulations
1500	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	Veterinary regulations; Plant protection regulations; Food control regulations
1600	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	Veterinary regulations; Plant protection regulations; Food control regulations
1700	Sugar and sugar confectionery	Environment Health regulations; Food control regulations
1800	Cocoa and cocoa preparations	Environment Health regulations; Food control regulations
1801	Cocoa beans, whole or broken, raw or roasted	Plant protection regulations
1802	Cocoa shells, husks, skins and other cocoa waste	Plant protection regulations



HS tariff line	Product description	Measure
1900	Preparations of cereals, flour, starch or milk; pastrycooks' products	Environment Health regulations; Food control regulations
2000	Preparations of vegetables, fruit, nuts or other parts of plants	Plant protection regulations; Food control regulations
2100	Miscellaneous edible preparations	Food control regulations Veterinary regulations
2200	Beverages, spirits and vinegar	Environment Health regulations
2300	Residues and waste from the food industries; prepared animal fodder	Veterinary regulations; Plant protection regulations
2401	Unmanufactured tobacco; tobacco refuse	Plant protection regulations
2402	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes	Environment Health regulations
2403	Other manufactured tobacco and manufactured tobacco substitutes; "homogenized" or "reconstituted" tobacco; tobacco extracts and essences	Environment Health regulations
2703	Peat (including peat litter), whether or not agglomerated	Plant protection regulations
3002	Human blood; animal blood prepared for therapeutic; prophylactic or diagnostic uses	Veterinary regulations Environment Health regulations
3101	Animal or vegetable fertilizers, whether or not mixed together or chemically treated; fertilizer produced by the mixing or chemical treatment of animal or vegetable products	Plant protection regulations Veterinary regulations
3808	Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth regulators, disinfectants and similar products, put up in forms or packing for retail sale	Plant protection regulations
4403	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared	Plant protection regulations
4407	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger jointed, of a thickness exceeding 6 mm	Plant protection regulations
4415	Packing cases, boxes, crates, drums and similar packing, of wood, cable drums of wood; pallets, box pallets and other load boards of wood	Plant protection regulations
4501	Natural cork, raw or simply prepared; waste cork; crushed, granulated or ground cork	Plant protection regulations
4600	Manufactures of straw, of esparto or to other materials; basketware and wickerwork	Plant protection regulations
5001	Silk - worm cocoons suitable for reeling	Plant protection regulations
5003	Silk waste (including cocoons unsuitable for reeling, yarn waste and garnetted stock)	Plant protection regulations
5101	Wool, not carded or combed	Plant protection regulations

HS tariff line	Product description	Measure
5103	Waste of wool or of fine or of coarse animal hair, including yarn waste but excluding garnetted stock	Plant protection regulations
5201	Cotton, not carded or combed	Plant protection regulations
5202	Cotton waste (including yarn waste and garnetted stock)	Plant protection regulations
5301	Flax, raw or processed but not spun; flax tow and waste (including yarn waste and garnetted stock)	Plant protection regulations
5302	True hemp, raw or processed but not spun, tow and waste of true hemp	Plant protection regulations
5303	Jute and other bast, raw or processed but not span, tow and waste of these fibres	Plant protection regulations
5304	Sisal and other textile fibres of the genus Agave, raw or processed but not spun	Plant protection regulations
5305	Coconut, abaca, ramie and other vegetable textile fibres, not elsewhere specified or included, raw or processed but not spun	Plant protection regulations

86. Summarizing Latvia's efforts thus far to implement the Agreement on the Application of Sanitary and Phytosanitary Measures, the representative of Latvia said that five laws - the Law on Protection of Consumer Rights, the Law on Veterinary Medicine, the Law on Pharmaceutical Activities, the Law on Supervision of Food Circulation and the Law on Plant Protection - had been adopted since 1992. These laws and their amendments constituted the basis for Latvia's compliance with the SPS Agreement. The new Law on Supervision of Food Circulation was prepared taking into account recommendations made by a group of experts in relation to the FAO project on food quality improvement in Latvia and a project on Latvia's food legislation sponsored by Denmark and was in accordance with the requirements of the SPS Agreement. Laws would be revised to clarify authorities' areas of competence and responsibility in the elaboration and harmonization of regulations and requirements as well as in market surveillance to avoid duplication and ensure more effective food control. The veterinary and phytosanitary border control administration was reorganized at the beginning of 1997 to improve coordination and meet international standards. As a result of the process to harmonize food legislation, in 1997 Latvia had adopted a new regulation "On Maximum Residue Level of Veterinary Drugs in Food" and regulation "On Standing Order for Food Additives". Both regulations were in full compliance with international rules. Latvia observed the principle of transparency as it required all adopted regulations related to sanitary and phytosanitary measures to be published in the official newspaper of the Republic of Latvia "Latvijas Vēstnesis". The authority to adopt legislative acts for implementing the SPS Agreement rested with the Cabinet of Ministers. Prior to their adoption, all draft regulations were discussed by the Advisory Board of the State Veterinary Service and published in the media of the veterinary profession to encourage wide discussion. Also prior to their adoption, legislative acts on food safety and quality were to be reviewed by the Food Council (a consulting body composed of ministerial officials, representatives of producers, traders, distributors and other involved institutions), which had recently begun acting as an

expert panel for drafting legislative acts and amendments. The legislative acts on implementation of particular sectors covered by the SPS Agreement were submitted to the Ministry of Economy, which was responsible for fulfilling of the notification requirement. The Enquiry point, as provided for by Article 10 of the TBT Agreement and Article 7 of the SPS Agreement, operated under auspices of the Ministry of Economy. Latvia had also developed a training system for veterinary inspectors in order to improve the standards of control, inspection and approval procedures according to the SPS Agreement.

87. The representative of Latvia stated that its sanitary and phytosanitary measures reflected international standards, guidelines and recommendations. The SPS enforcement issues were being solved through intensive training programmes and accumulation of practical skills. Latvia's TBT and SPS standards were currently in a process of rapid evolution to a new system reflecting international requirements provided for in a specific governmental programme.

87bis As a general point, the representative of Latvia noted that, each law pertaining to technical barriers to trade and sanitary and phytosanitary measures included a general clause stating that the provisions of an international agreement prevailed over national legislation in cases of contradiction. The provisions of the TBT and SPS Agreements would thus prevail over domestic law on Latvia's accession to the WTO in cases of contradiction. He also stated that all the laws and regulations pertaining to the application of technical requirements and sanitary and phytosanitary measures to trade and any necessary amendments to current legislation to bring them into conformity with provisions of the WTO Agreements on Technical Barriers to Trade and Sanitary and Phytosanitary Measures would enter into force prior to Latvia's accession.

88. The representative of Latvia stated that Latvia would apply the Agreements on Sanitary and Phytosanitary Measures and Technical Barriers to Trade from the date of accession without recourse to any transition period. The Working Party took note of this commitment.

#### Trade-Related Investment Measures (TRIMs)

89. Some members of the Working Party enquired about Latvia's intentions regarding notification and elimination of measures not in conformity with the provisions of the WTO Agreement on Trade-Related Investment Measures (TRIMs).

90. The representative of Latvia said that Latvia would not maintain any measures inconsistent with the TRIMs Agreement and would apply the TRIMs Agreement from the date of accession without recourse to any transitional period. The Working Party took note of this commitment.

State trading entities

91. Noting that more than 500 State-owned enterprises were involved in foreign trade in 1994, some members of the Working Party asked Latvia to provide a list of all firms wholly or partly owned or managed by the State, specifying any exclusive or special rights accorded to these enterprises. Latvia was requested to complete the questionnaire on State-trading. A member felt that the State Cereal Bureau could meet the criteria of a State-trading enterprise under Article XVII of the GATT 1994 and that the definition might also cover other enterprises engaged in agricultural production and distribution, including trade in sugar; metals; alcoholic beverages; and the natural monopolies managed by the State. Latvia was also asked to provide details on the trading firms Interlatvija and Latvijas Labiba.

92. The representative of Latvia provided a notification on State-trading to the Working Party in document WT/ACC/LVA/12 (Annex 3) describing the functioning of the State Cereal Bureau. The State Cereal Bureau was an institution not engaged in regular grain trade; on occasion, grain had been bought to replenish reserves held for food security reasons. Domestic grain was favoured in procurement for the State reserve. Institutions such as the State Alcohol Monopoly Board and the Tobacco Department did not engage in trade, but issued business licences to other operators in their respective areas. Other State-owned enterprises only held the same rights to trade as the private sector. The trading companies Interlatvija and Latvijas Labiba were fully privatized in 1991 and the Government had no role in their activities. The representative of Latvia stated that no enterprises, other than the State Cereal Bureau, operated under special or exclusive rights in Latvia. Latvia had established an Excise Tax Board dealing with licensing and excise marking of alcohol, tobacco and licensing of other goods subject to excise tax. The State Alcohol Monopoly Board and the Tobacco Department were incorporated into the Excise Tax Board and had ceased to exist as separate institutions.

93. The representative of Latvia confirmed that his Government would apply its laws and regulations governing the trading activities of State-owned enterprises and other enterprises with special or exclusive privileges and would act in full conformity with the provisions of the WTO Agreement, in particular Article XVII of the GATT 1994 and the Understanding on that Article and Article VIII of the GATS. He further confirmed that Latvia would notify any enterprise falling within the scope of Article XVII. The Working Party took note of these commitments.

Free zones, special economic areas

94. The representative of Latvia said that four special economic regimes had been established in Latvia by October 1997 according to the laws "On Riga Commercial Free Port" (passed on 6 November 1996), "On Ventspils Free Port" (19 December 1996), "On Liepaja Special Economic Zone" (17 February 1997) and "On Rezeknes Special Economic Zone" (1 October 1997). The free

zones in Riga Commercial Port and Ventspils Port were traditional free customs zones, established according to special laws and in consistence with the new Customs Law. The special economic zone in Liepaja, a former Soviet Navy base area, had been established by special law to promote development and recovery in a destroyed region. The Rezeknes Special Economic Zone had been established in order to promote development of the assisted region. The policy of Latvia's Government was not to extend the development of special economic zones and not to establish new free economic zones in Latvia, but to gain experience from existing zones and develop more detailed regulations regarding the functioning of these zones. He added that there were neither export performance, trade balancing nor domestic content requirements associated with establishment of companies in the zone and purchases of goods produced in the zone by the rest of Latvia would bear normal taxes and tariff requirements. Further information on the free economic zones is provided in Table 6.

Table 6 : Free Economic Zones

	Riga Commercial Free Port	Liepaja Special Economic Zone	Ventspils Free Port	Rezekne Special Economic Zone
Territory	Part of Riga port	Liepaja Port, part of Liepaja industrial port, military port (former military base and campus)	Ventspils Port	Rezeknes industrial region
Area	approx. 664 ha	approx. 3,000 ha	approx. 2,026 ha	approx. 1,220 ha
Tax exemptions	Free customs zone regime in the whole territory	Possibility to create free customs zone regime (meeting the respective conditions) in some parts of zone. VAT - zero for investments into infrastructure; Company income tax - 20 per cent of normal tax rate (possible reduction, up to zero tax, upon decision of the municipality); Land and real estate tax - 20 per cent of normal tax rate (possible reduction, up to zero tax, upon decision of the municipality) Social tax - max. 15 minimal wages.	Several free zone regimes established in different parts of the area and possibility to create others	Possibility to create free customs zone regime in some parts of zone.  VAT - zero for investments into infrastructure; Company income tax - 20 per cent of normal tax rate.  Land and real estate tax – 20 per cent of normal tax rate (possible reduction, up to zero tax, upon decision of the municipality).

Land property	Possible to lease	Possible to buy if investment exceeds 100,000 Lats per 1 ha	Possible to lease	Possible to buy
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95. The representative of Latvia stated that the free ports and special economic zones authorized by the legislation described in paragraph 94 were fully subject to the coverage of Latvia's commitments in its Protocol of Accession to the WTO Agreement and that Latvia would ensure enforcement of its WTO obligations in those zones. In addition, goods produced in these areas under tax and tariff provisions that exempt imports and imported inputs from tariffs and certain taxes will be subject to normal customs formalities when entering the rest of Latvia, including the application of tariffs and taxes. The Working Party took note of these commitments.

#### Government procurement

96. Some members of the Working Party asked about the status and content of Latvian legislation on public procurement including clarification of the exceptions concerning the case of "exclusive rights" and "urgent necessity" and Latvia's position regarding possible membership of the Plurilateral Trade Agreement on Government Procurement. In their view, Latvia should commit itself to a specific date by which to join the Agreement on Government Procurement if the outcome of the negotiations on an entity list was satisfactory to all.

97. The representative of Latvia said that Latvia had adopted a new law on Government and Municipal Procurement based on the Agreement on Government Procurement and the UNCITRAL Model Law on Procurement. The Law allowed the award of supply contracts without bid or competition in cases associated with the creation of State reserves or national security and defence in accordance with specific decisions by the Cabinet of Ministers, or in cases of procurement of less than LVL 5,000. Single tendering could take place when certain suppliers held exclusive rights on goods and services; in circumstances of urgent necessity; when past purchases required the same source for additional supplies; and for the conclusion of research and development contracts.

98. The Law on Government and Municipal Procurement was passed by Parliament on 24 October 1996. An English version of the Law was submitted to the WTO Secretariat. The new Law on Government and Municipal Procurement, entering into force on 1 January 1997, stated that tendering with participation of foreign competitors was mandatory if the expected value of construction works exceeded LVL 4 million (SDR 5 million) or the expected value of other works or supplies exceeded LVL 104,000 (SDR 130,000). National treatment applied in the field of government procurement.

99. The representative of Latvia recalled that Latvia was granted observer status in the Committee on Government Procurement on 4 June 1996 (document GPA/W/16). Latvia intended to commence

negotiations on accession to the Agreement on Government Procurement in the second half of 1998 and had begun preparation of the accession documents. However, additional consultations would be required with WTO experts before negotiations could start.

100. The representative of Latvia confirmed that Latvia will initiate negotiations for membership in the Agreement on Government Procurement upon accession by tabling an entity offer at that time. He also confirmed that, if the results of the negotiations are satisfactory to Latvia and the other members of the Agreement, Latvia will complete negotiations for membership in the Agreement by 1 January 2000. The Working Party took note of this commitment.

#### Transit

101. Some members of the Working Party asked Latvia to describe the regime relating to goods in transit. The representative of Latvia said that goods carried in transit were checked at the border. Customs offices kept a copy of the cargo dispatch notes and collected information for statistical purposes. The same procedures were followed for all goods, including metals. Latvia charged no transit fee at present, however, a convoy fee - paid by the transporter - was levied on dangerous goods, tobacco, food products or perfume transported through Latvia. Certain non-dangerous goods were subject to a security deposit equal to the amount of taxes due on importation of such goods in Latvia. The security deposit would be refunded within two months provided the transit regulations were adhered to.

102. The representative of Latvia confirmed that his Government would apply its laws and regulations governing transit operations and would act in full conformity with the provisions of the WTO Agreement, in particular Article V of the GATT 1994. The Working Party took note of this commitment.

#### Agricultural policies

103. Some members of the Working Party asked Latvia to elaborate on its agriculture regime, including tariff protection, budgetary support, concessional credits, export subsidies and the procurement of grain. Some members noted tariff increases on some products and new support measures of recent date. Some members observed that Latvia had recently introduced export subsidy measures and sought a commitment that Latvia would eliminate export subsidies.

104. The representative of Latvia explained that the agricultural sector was going through a major reform process that included land restitution, decollectivisation and privatization of the food industry in order to establish a market-based competitive economic environment. He also noted that the reform process was a balanced shift from various tax exemptions in the farming sector to more transparent ways of direct support to agriculture. Over the last few years, the farming sector experienced a deterioration of the quality of agricultural land because of lack of proper drainage and

other soil treatment as well as low level of investment in machinery and equipment. As a result, total agricultural output and income declined significantly and expectations were that it might take several years to fully recover. The representative of Latvia indicated that his Government was determined to pursue vigorously the process of reform and viewed its accession to the WTO as an important element in this regard.

105. Some Members sought a commitment that Latvia would eliminate price controls on grain products. The representative of Latvia said that the Government had guaranteed the price of food grain for the State reserve. In 1995, the price guarantee covered 32,000 tons but only 5,700 tons were actually purchased and the State Grain Reserve had imported 14,000 tons. Domestic grain prices had recently been lower than the world market prices. The representative of Latvia said that amendments to the Law "On Latvia Grain Market and State Grain Reserves", which eliminated the system of guaranteed grain prices, had come into effect on 1 July 1997.

106. Regarding domestic support, the representative of Latvia submitted detailed information in document WT/ACC/SPEC/LVA/2 based on the classification suggested by WT/ACC/4 and the methodology of the Agreement on Agriculture, which showed the average product specific support during the base period 1994-1996 for cereals, cattle, sheep, sugar beet, seed materials and flax and non-product specific support. Information was also provided on a number of programmes regarding the financing of agricultural research, pest and disease control, advisory services and infrastructure which Latvia considered "green box" measures.

107. Regarding export subsidies, the representative of Latvia said that export subsidies had been provided for milk powder, canned milk, cheese, butter and rye in 1994, 1995 and 1996. He also made clear that Latvia's intention was increasingly to direct its investment in agriculture towards programmes designed to improve the efficiency and competitiveness of Latvian agriculture and ensure its alignment with world market requirements. In this context, Latvia would be prepared to eliminate export subsidies as reflected in its schedule of commitments annexed to Latvia's Protocol of Accession.

108. Latvia's commitments on agricultural tariffs, on domestic support and export subsidies for agricultural products are in the schedule of concessions and commitments attached to Latvia's Protocol of Accession to the WTO.

109. The representative of Latvia said that during a transition period to expire on 1 January 2003, Latvia would forego the 5 per cent *de minimis* exemption for product-specific domestic support and for non-product specific domestic support in calculating its Current Total AMS as provided for in paragraph 4 (a) of Article 6 of the Agreement on Agriculture, provided that the sum of product-specific and non-product-specific domestic support does not exceed SDR 24 million (representing approximately 8 per cent of the average value of final agricultural production during the period 1994-1996) and that



SDR 24 million instead constitutes Latvia's *de minimis* exemption under Article 6.4 (a) during each year of the said transition period. Accordingly, during the transition period, Latvia would not be required to include product-specific domestic support or non-product specific domestic support in calculating its Current Total AMS pursuant to paragraph 4 (a) of Article 6 of the Agreement on Agriculture, and would not be required to reduce such domestic support in accordance with paragraph 1 of Article 6 of the Agreement on Agriculture, where the sum of product-specific and non-product specific support does not exceed SDR 24 million during the relevant year. The Working Party took note of these commitments.

#### Trade in civil aircraft

110. The representative of Latvia said that Latvia would implement the Agreement on Trade in Civil Aircraft without exceptions or transitional period at the time of accession. The representative of Latvia confirmed that Latvia would become a signatory to the Agreement on Trade in Civil Aircraft upon accession to the WTO. The Working Party took note of this commitment.

#### Trade-Related Intellectual Property Rights (TRIPS)

111. Some members of the Working Party asked Latvia to compare its existing regime with the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Specific questions addressed the time schedule for the full implementation of the TRIPS Agreement, the enforcement of intellectual property rights, the protection of copyright and the acceptance of the Berne Convention (1971) and the Rome Convention.

112. The representative of Latvia said that Latvia had been working to install a new legal system in the area of intellectual property protection since 1991. The number of national experts on the subject was limited and Latvia also lacked experience with certain aspects of intellectual property such as geographical indications, undisclosed information, and provisional and border measures. He noted that existing legislation was in conformity with the WTO Agreement on TRIPS with the exception of the protection of geographical indications and Part III, section 4 of the TRIPS Agreement (border measures). The new legislation regarding the protection of geographical indications had been accepted by the Government and submitted for adoption to the Saeima, and the new legislation regarding border measures (Part III, section 4 of the TRIPS Agreement) had been submitted to the Government for approval in July 1998. An overview of Latvia's intellectual property legislation and an ongoing revision programme was provided to the Working Party, and is reproduced in Table 7.

Table 7: Status of Legislation On Intellectual Property in Latvia (August 1998)

TRIPS Agreement	Laws and other legal provisions addressing and covering the subject matters	Effective and draft legislation relating to requirements of the TRIPS Agreement
Part II, Section 1	<ul style="list-style-type: none"> <li>- Copyright Law of 11 May 1993</li> <li>- Law on Amendments of the Latvian Criminal Code of 6 October 1955</li> <li>- Cabinet of Ministers Regulation on Distribution (Reproduction) and Public Performance of Cinematographic Works (1996)</li> </ul>	Effective - full compliance with WTO TRIPS requirements ensured
Part II, Section 2	Trademark Law of 9 March 1993	Effective - full compliance with WTO TRIPS requirements ensured Draft Law on Trademarks and Geographical Indications adopted by the Government in August 1998 and submitted to the Saeima (adoption expected by October 1998)
Part II, Section 3		Draft Law on Amendments to the Law on Competition, Section V Unfair Competition A new draft Law on Trademarks and Geographical Indications including provisions on protection of geographical indications adopted by the Government in August 1998 and submitted to the Saeima (expected adoption by the Saeima in October 1998)
Part II, Section 4	Law on Industrial Design Protection of 4 May 1993	Effective - full compliance with WTO TRIPS requirements ensured
Part II, Section 5	Patent Law of 2 March 1993 as amended on 30 March 1995	Effective - full compliance with WTO TRIPS requirements ensured
Part II, Section 6	Law on Protection of Topographies of Semiconductor Products of 31 March 1998	Effective - full compliance with WTO TRIPS requirements ensured

TRIPS Agreement	Laws and other legal provisions addressing and covering the subject matters	Effective and draft legislation relating to requirements of the TRIPS Agreement
Part II, Section 7	Law on Competition (Section V "Unfair Competition", Art. 22) of 18 June 1997 (in effect as of 1 January 1998) Civil Code	Draft Commercial Law (approved by the Government, expected adoption in the Saeima by November 1998)  Draft Law on Publicity of State and Local Government's Information and draft Law on Personal Data Protection (approved by the Government, expected adoption in the Saeima by October 1998)
Part II, Section 8	Provisions of the Patent Law, Trademark Law, Law on Industrial Design Protection	Effective - full compliance with WTO TRIPS requirements ensured
Part III, Section 3 (provisional measures)	Law on Competition of 18 June 1997, Section V "Unfair Competition", Art. 24; Civil Procedural Law	Effective - compliance with WTO TRIPS requirements ensured
Part III, Section 4 (special requirements related to border measures)		Draft secondary legislation under Section C, Customs Law (Code) of 11 June 1997 (submitted to the Government in July 1998, expected approval by the Government in October 1998)
Part III, Section 5 (criminal procedures)	Criminal Code	Effective - full compliance with WTO TRIPS requirements ensured

113. Regarding the status of intellectual property legislation in specific areas, the representative of Latvia added that, on copyright and related rights, Latvia adopted a Copyright Law in May 1993 which included provisions on computer programmes and protection of databases. However, the basic principles regarding rental rights for computer programmes would be refined to ensure better implementation. In August 1998, a new draft law On Copyright and Neighbouring Rights had been adopted by the Government, and by the end of 1998 it was to be accepted by the Saeima. The Criminal Code was amended in October 1995 in regard to violation of copyright and neighbouring rights, and in July 1998 the new Criminal Code had been passed in the Saeima, incorporating and refining provisions of criminal responsibility for infringement of copyright and illegal use of copyrighted work and neighbouring rights. Latvia had acceded to the Berne Convention in August 1995 and a Law on the accession to the Rome Convention (1961) for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations had been adopted by the Saeima in 1997 and would come into effect on 1 January 1999. On 8 April 1997, Saeima had adopted the Law on accession to the Geneva Convention (1971) for the Protection of Producers of

Phonograms against Unauthorized Duplication of their Phonograms. Latvia would join the WIPO Copyright Treaty and Performance and Phonograms Treaty before the end of 1998. In August 1998, a new draft Law on Trademarks and Geographical Indications had been adopted by the Government and submitted for adoption to the Saeima. The draft refined some definitions of the current law and included new provisions concerning international registration of marks and protection of geographical indications. Concerning the protection of layout-designs of integrated circuits (Part II, section 6 of the TRIPS Agreement), he said that on 31 March 1998 Latvia had adopted the Law on Protection of Topographies of Semiconductor Products, based on Council Directive (87/54/EEC) of the European Communities on the legal protection of topographies of semiconductor products of 16 December 1986. In August 1998, draft laws on accession to the Madrid Agreement Concerning International Registration of Trademarks and the Protocol to the Madrid Agreement had been adopted by the Government and submitted for consideration to the Saeima. Protection of undisclosed information in accordance with the requirements of Part II, section 7 of the TRIPS Agreement would be covered in the following new draft Laws On Personal Data Protection, which had been elaborated in order to ensure rights of any person to protect her rights and freedoms processing personal data manually or electronically, and the draft law On Publicity of State and Local Government's Information. Both laws had been approved by the Government and submitted for adoption to the Saeima. Currently, the protection of undisclosed information was generally provided for by the Civil Code.

114. Referring to Part III of the TRIPS Agreement - Enforcement of Intellectual Property Rights - the representative of Latvia said that the new Law on Competition of 18 June 1997 included provisions on provisional measures (Part III, section 3), and the new Customs Law (Code) of 11 June 1997 provided for adoption of secondary legislation relating to border measures (Part III, section 4), which would be submitted for adoption to the Cabinet of Ministers in July 1998 and would refine the provisions on provisional measures contained in the amended Latvian Civil Procedural Code. Provisions in existing legislation relating to enforcement of intellectual property rights included:

- Part 4, Articles 54 to 57 of the Copyright Law which specified the notion of infringement of copyright and related rights as well as civil procedures provided for under this law and relating to enforcement of the said rights, and (Article 57) administrative and civil liability and criminal responsibility in case of infringement of copyright or related rights;
- Chapter 9 (Articles 40 and 41) of the Patent Law on patent infringement and responsibility thereof, Chapter 10 (Articles 42 to 45) on protection of rights derived from a patent, and Chapter 11 (Articles 46 to 49) on review of disputes in court;

- Articles 16, 18, 21 and 24 of the new Competition Law on responsibility for violation of restrictions on monopolies and illegal competition;
- similar provisions provided for by the Trademark Law and the Law on Design Protection; and
- provisions in the said Laws referring to procedures and measures provided for by civil or criminal law.

In addition to amending the Latvian Civil Procedural Code in 1995 to provide for provisional measures, Latvia had also amended the Criminal Code of 6 October 1955 and a new Criminal Code had been passed in August 1998 to provide for more severe measures in case of infringement of intellectual property rights and, in particular, copyright and neighbouring rights. Amendments to the Administrative Offences Code on illegal distribution of neighbouring rights to a work and the use of copyrighted work without licence had been submitted for adoption to the Saeima. Latvia had begun to reform its court system to strengthen its capability to enforce intellectual property rights. The former judiciary law, education and practice had given Latvia no experience in reviewing intellectual property disputes and Latvia considered as one of its most important tasks to educate a new generation of experts in the area of intellectual property protection and enforcement and to train its practitioners (judges, advocates, patent attorneys and trademark agents).

115. As a general point, the representative of Latvia noted that each law pertaining to intellectual property included a general clause stating that the provisions of an international agreement prevailed over national legislation in cases of contradiction. The provisions of the TRIPS Agreement would thus prevail over domestic law on Latvia's accession to the WTO. Also as a general point, the representative of Latvia stated that all the draft laws pertaining to intellectual property and necessary amendments to current legislation to bring them into conformity with the TRIPS Agreement would enter into force prior to Latvia's accession.

116. The representative of Latvia confirmed that his Government would fully apply the provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) by the date of its accession to the WTO without recourse to a transitional period. The Working Party took note of this commitment.

#### Policies affecting trade in services

117. The representative of Latvia provided a description of Latvia's services regime in document WT/L/63 (L/7526/Add.3). Specific questions by members of the Working Party focused on regulations in the financial sector and clarification of laws with important provisions regarding investment in services sectors.

118. With regard to the financial sector, the representative of Latvia stated that licensing requirements were the same for domestic and foreign entities. However, procedurally, an application from a foreign bank to establish a branch or representative office was considered by the Board of Governors of the Bank of Latvia while other applications were considered by the Executive Board of the Bank of Latvia.

119. The representative of Latvia said that Parliament had adopted a new Law "On Credit Institutions" in October 1995. Under the Law "On Insurance" foreign investors could perform insurance activities in Latvia through the establishment of companies or partnerships with Latvians, i.e. joint-stock companies in which the participation of foreign investors was not restricted. He confirmed that licences were issued exclusively for one type of insurance activity; insurers involved in life insurance were prohibited from offering non-life insurance and vice versa. An insurer could not conduct life and non-life insurance operations simultaneously, without establishing a new company. However, this restriction did not refer to accident and health insurance operations concluded by an insurer with a licence to perform life insurance. A direct life insurer was allowed to reinsure life, accident and health insurance operations. A direct non-life insurer was prohibited from reinsuring life insurance operations. He stated that the criteria for registration of credit institutions or enrolment of broker companies were not inconsistent with Article XVI of the General Agreement on Trade in Services.

120. The representative of Latvia said that on 7 October 1997, the Cabinet of Ministers had adopted Regulations No. 348 "On Licensing of Certain Forms of Entrepreneurial Activities", which would replace the former Regulations No. 434. The main changes under the new regulations were that the number of activities subject to regulation had been reduced from 118 to 67 and that professional certification had been transferred to accredited professional associations, municipalities and the Bank of Latvia with respect to financial activities and supervision, as appropriate. The new regulations came into effect on 1 January 1998 and responsible governmental institutions such as Ministry of Education and Science, Ministry of Welfare and Ministry of Transportation had been required to submit the amendments to the legislation on regulated professions, standards of professional qualifications and conformity assessment procedures. Certification had been introduced in order to ensure a professional level of service and the protection of consumers. Foreigners were granted national treatment in the issuance of certificates for supply of individual professional services. He confirmed that Latvia had no legislation on safeguard measures related to trade in services and that no restrictions were applied on domestic or international transfers and current payments for services.

121. The representative of Latvia said that the State enterprise "Latvijas Pasts" (Latvian Post) held monopoly rights on postal services. "Lattelekom", a joint venture between Tilt Communications (British and Finnish ownership) and the Latvian Government, had been granted an exclusive right until 1 January 2003 to provide telecommunication services.

122. Latvia's Schedule of Specific Commitments on Services is annexed to its draft Protocol of Accession reproduced in the Appendix to this Report (see paragraph 132 below). This schedule contains the legally binding market access commitments of Latvia in respect of services.

### Transparency

#### *Publication of Information on Trade*

123. The representative of Latvia stated that, at the latest from the date of accession, all laws and other normative acts related to trade would be published in the Official Journal promptly and no law, rule, etc. related to international trade would become effective prior to such publication. He further stated that Latvia would fully implement Article X of the GATT 1994 and the other transparency requirements in WTO Agreements requiring notification and publication.

#### *Notification*

124. The representative of Latvia said that at the latest upon entry into force of the Protocol of Accession, Latvia would submit all initial notifications required by any Agreement constituting part of the WTO Agreement. Any regulations subsequently enacted by Latvia which gave effect to the laws enacted to implement any Agreement constituting part of the WTO Agreement would also conform to the requirements of that Agreement. The Working Party took note of this commitment.

### Trade Agreements

125. Some members of the Working Party inquired about Latvia's preferential trade agreements. Some members were concerned about the consistency with Article XXIV of the GATT 1994 of these free trade agreements.

126. The representative of Latvia said that agreements for the avoidance of double taxation and prevention of fiscal evasion had been signed (21 countries at present) and entered into force with Belarus, the Czech Republic, China, Canada, Denmark, Estonia, Finland, Iceland, Lithuania, the Netherlands, Norway, Poland, Sweden, Ukraine and the United Kingdom. Latvia had entered into intergovernmental agreements on trade and economic cooperation, providing for MFN status, with Armenia, Australia, Azerbaijan, Belarus, Canada, China, Cuba, Cyprus, Hungary, India, Kazakhstan, Kyrgyz Republic, Moldova, Romania, Russian Federation, Tadjikistan, Turkmenistan, the United States of America and Uzbekistan. Free trade agreements had been concluded with the European Communities, the EFTA States, the Slovak Republic, Poland, the Czech Republic, Slovenia, Ukraine and Estonia and Lithuania. These trading partners accounted for nearly 70 per cent of Latvia's foreign trade in 1997. The trilateral agreement between the Baltic States on Abolition of Non-tariff Barriers to Trade was signed on 20 November 1997, and entered into force on 1 June 1998.

127. Latvia had concluded free trade agreements with the European Communities, the EFTA States, the Czech Republic, the Slovak Republic, Poland, Slovenia, Ukraine, Estonia and Lithuania in order to develop an intra-regional trade. These trading partners accounted for nearly 70 per cent of Latvia's foreign trade in 1997. The scope of these agreements covered HS Chapters 1 to 97. Latvia's Association (Europe) Agreement with the European Communities, signed on 12 June 1995, entered into force on 1 February 1998 and incorporated provisions of the free trade agreement between the European Communities and Latvia. The Free Trade Agreements with Norway and Switzerland were replaced by the Free Trade Agreement between Latvia and the EFTA States which entered into force on 1 June 1996. The Free Trade Agreements with the Czech Republic and the Slovak Republic had entered into force on 1 July 1996, with Slovenia - on 1 August 1996. These agreements were notified to the WTO under the procedures of Article XXIV of the GATT 1994. The Free Trade Agreement with Poland had entered into force on 1 April 1998. A Trilateral Free Trade Agreement on trade in industrial goods between Latvia, Estonia and Lithuania had entered into force on 1 April 1994, and a Trilateral Free Trade Agreement on trade in agricultural goods between Latvia, Estonia and Lithuania had entered into force on 1 January 1997. Finally, a Trilateral Agreement on Abolition of Non-tariff Barriers to Trade between Latvia, Estonia and Lithuania had been signed on 20 November 1997 and entered into force on 1 June 1998. The agreements provided for elimination of all customs tariffs and quantitative restrictions in trade between the Baltic States.

128. The representative of Latvia said that the free trade agreement with the European Communities had been notified to the WTO (document WT/REG7/N/1) and circulated in July 1995 in document WT/REG7/1. Latvia was committed to reduce tariffs on agricultural imports from the European Communities in equal annual steps between 1995 and 2000. Reductions were granted through tariff quotas; Annex XI of the Agreement enumerated the products concerned and the respective quotas, while the tariff rates were listed in Annex X. For processed agricultural products the relevant parts of the Agreement were Annexes 3 and 4 of Protocol 2. Latvia had established tariff quotas for meat and meat products, yoghurt, flowers, cabbage, cauliflower and margarine while the tariff reductions applied for unlimited quantities of various fruit and fruit juices, pet food, hair and some processed products. The main Latvian products subject to concessions in the European Communities were meat and meat products, dairy products, chocolate and sweets. The representative of Latvia confirmed that the Free Trade Agreement between Latvia and the European Communities included clauses on further liberalization of trade. The preferential tariff-rate quotas used in the Free Trade Agreements between Latvia and the European Communities, the EFTA States, the Czech Republic, Poland, the Slovak Republic and Slovenia had been established to facilitate further liberalization of trade in products for which the parties considered that some transitional period was required to achieve free trade. All importers were free to import goods at the MFN tariff rate at any time, irrespective of whether any tariff-rate quotas had been exhausted or not.



129. The representative of Latvia noted that Latvia's free trade agreements had traditionally not covered trade in services. However, Latvia's Association (Europe) Agreement with the European Communities included trade in services and establishment issues. Latvia had signed agreements on employment of foreign labour with Germany and Sweden. He confirmed that Latvia was not a party to any agreement concerning mutual recognition of professional qualifications.

130. The representative of Latvia stated that his Government would observe the provisions of the WTO including Article XXIV of the GATT 1994 and Article V of the GATS in its trade agreements, and would ensure that the provisions of these WTO Agreements for notification, consultation and other requirements concerning free trade areas and customs unions of which Latvia was a member were met from the date of accession. The Working Party took note of these commitments.

### Conclusions

131. The Working Party took note of the explanations and statements of Latvia concerning its foreign trade regime, as reflected in this summary. The Working Party took note of the commitments given by Latvia in relation to certain specific matters which are reproduced in paragraphs 18, 21, 30, 40, 48, 53, 59, 62, 66, 69, 77, 88, 90, 93, 95, 100, 102, 109, 110, 116, 124 and 130 of this Report. The Working Party took note that these commitments had been incorporated in paragraph 2 of the Protocol of Accession of Latvia to the WTO.

132. Having carried out the examination of the foreign trade regime of Latvia and in the light of the explanations, commitments and concessions made by the representative of Latvia, the Working Party reached the conclusion that Latvia be invited to accede to the Marrakesh Agreement Establishing the WTO under the provisions of Article XII. For this purpose, the Working Party has prepared the draft Decision and Protocol of Accession reproduced in the Appendix to this Report, and takes note of Latvia's Schedule of Specific Commitments on Services (document WT/ACC/SPEC/LVA/7/Add.2) and its Schedule of Concessions and Commitments on Goods (document WT/ACC/SPEC/LVA/7/Add.1) that are annexed to the Protocol. It is proposed that these texts be adopted by the General Council when it adopts the Report. When the Decision is adopted, the Protocol of Accession would be open for acceptance by Latvia which would become a Member thirty days after it accepts the said Protocol. The Working Party agreed, therefore, that it had completed its work concerning the negotiations for the accession of Latvia to the Marrakesh Agreement Establishing the WTO.

ANNEX 1

Rates of Excise Tax

HS code	Description	Tax rate
2207	Rectified ethyl alcohol of 100-proof alcohol	LVL 4.10 per litre
2204, 2205, 2206	Champagne and all other types of wine (up to 14 degrees)	LVL 0.25 per litre
	Other alcoholic beverages, and beer over 7 degrees	LVL 4.10 per litre pure alcohol
2203,	Beer 5.5 - 7 degrees per hectolitre	LVL 4.00 per hectolitre
2402 20	Cigarettes, with filter	LVL 0.004 per piece
2402 20	Cigarettes, without filter	LVL 0.05 per piece
2402 10	Cigars and cigarillos	LVL 0.01 per piece
2403	Other tobacco products for retail sale	100 per cent
2709, 2710,	Unleaded petrol, from	
3811, 3814	- 1 January 1997	LVL 0.12 per litre
	- 1 January 1998	LVL 0.14 per litre
	- 1 January 1999	LVL 0.16 per litre
	- 1 January 2000	LVL 0.18 per litre
	- 1 January 2001	LVL 0.20 per litre
2710, 3811	Leaded petrol, from	
	- 1 January 1997	LVL 0.13 per litre
	- 1 January 1998	LVL 0.16 per litre
	- 1 January 1999	LVL 0.19 per litre
	- 1 January 2000	LVL 0.21 per litre
	- 1 January 2001	LVL 0.23 per litre
2710	Gasoline, from	
	- 1 January 1997	LVL 0.08 per litre
	- 1 January 1998	LVL 0.10 per litre
	- 1 January 1999	LVL 0.13 per litre
	- 1 January 2000	LVL 0.16 per litre
	- 1 January 2001	LVL 0.17 per litre
2710	Heavy oil, from	
	- 1 January 1998	LVL 2.00 per 1,000kg
	- 1 January 1999	LVL 4.00 per 1,000kg
	- 1 January 2000	LVL 8.00 per 1,000kg
	- 1 January 2001	LVL 10.00 per 1,000kg
2710	Kerosene, from	
	- 1 July 1997	LVL 0.08 per litre
	- 1 January 1998	LVL 0.10 per litre
	- 1 January 1999	LVL 0.13 per litre
	- 1 January 2000	LVL 0.16 per litre
	- 1 January 2001	LVL 0.17 per litre

HS code	Description	Tax rate
2710	Fuel oil , from	
	- 1 January 1998	LVL 2,00 per 1,000kg
	- 1 January 1999	LVL 130,00 per 1,000 kg
	- 1 January 2000	LVL 160,00 per 1,000 kg
	- 1 January 2001	LVL 170,00 per 1,000 kg
2711	Oil gases, from	
	- 1 January 1998	LVL 10,00 per 1,000 kg
	- 1 January 1999	LVL 30.00 per 1,000 kg
	- 1 January 2000	LVL 50.00 per 1,000 kg
	- 1 January 2001	LVL 70,00 per 1,000 kg
8703	Motor cars	10 per cent
Chapter 71, excluding No. 7117	Goods made from gold and other precious metals, jewellery including diamonds, precious or semi-precious stones	30 per cent

## ANNEX 2

Goods and Services Exempt from VAT or Zero-Rated

Exemptions (Article 6).	
1.	The tax shall not be levied on the following supplies of goods and services:
(i)	services performed by old people's homes or dwellings, social care and rehabilitation centres, specialised care centres or houses fully or partially financed from the State budget or municipal budgets;
(ii)	the payment for staying of children in pre-school;
(iii)	catering services financed from the state budget in penitentiaries and imprisonment places;
(iv)	tuition at State and municipal educational establishments, as well as private educational establishments accredited by the State;
(v)	tuition for unemployed persons' professional training or re-qualification organised by the State Employment Service;
(vi)	services of public libraries;
(vii)	visits to theatres, movies, circus shows, concert activities, events in cultural establishments, visits to museums, exhibitions, zoological and botanical gardens, events for children and charity events, events of amateur art and of sports;
(viii)	medical services, supplies of medicine and medical goods in accordance with the list adopted by the Ministry of Welfare and approved by the Ministry of Finance;
(ix)	supplies of gold, and bank notes to the Bank of Latvia;
(x)	betting, lotteries and other types of gambling;
(xi)	burial services, and religious, ritual and other services provided by religious organisations registered in the Republic of Latvia provided they have no purpose of systematic gaining of profit;
(xii)	Insurance services supplied by insurance companies in accordance with the Law "On Insurance";
(xiii)	payments of individuals on apartment rent contracts signed (except payments for rent of hotels, motels and similar establishments), on heating, on supply of hot and cold water, on sanitation, on work of scavenger;
(xiv)	specialised baby-food in accordance with the list adopted by the Ministry of Welfare and approved by the Ministry of Finance;
(xv)	scientific research financed by public foundations, or by funding from the State and local government budget, or international institutions;
(xvi)	financial transactions:
	(a) granting and control of credits, as well as the services connected with credit guarantees or other bail guarantees and their monitoring, also debt recovery if it is performed by the creditor himself;
	(b) services provided by credit institutions connected with deposit, current account operations, payments, transfers, debts, checks and other means of payment, except encashment services and lease of safes;
	(c) means of payment and services connected with the purchase and selling of the means of payment in circulation, except items (money, coins) supplied for collection, or that contain precious metals;
	(d) securities and capital investments, as well as services supplied at purchase and sale of securities and capital investments. Exemption shall not be applied to cases of property investments when importing or acquiring items of property investments, if not provided otherwise by the present Law;
	(e) special purpose subsidies for promoting public transport and special purpose subsidies for inland conveyers to transport handicapped and politically oppressed persons.
(xvii)	mass media in accordance with the procedure established by the Cabinet of Ministers;
(xviii)	consular services;
(xix)	school books and scientific literature, first publications of works of original literature in Latvian and publications for children published in Latvia in accordance with lists adopted by the Ministry of Education and Science as well as services of printing-houses provided for publishing (developing) of above mentioned literature and publications;
(xx)	feature, documentary and animation films (except video films of VHS format) if they are supplied or distributed by a film distributor or producer officially registered in the Republic of Latvia;

<b>Exemptions (Article 6).</b>	
(xxi)	services provided by companies for joint processing and sale of agricultural and fishery products, as well as companies for joint usage and maintenance of agricultural equipment, machinery and other tools (hereinafter - agricultural co-operatives) to the members of co-operatives, as well as to private farms that are not taxable persons;
(xxii)	sale of real estate, also sale of land, except first sale of unused real estate;
(xxiii)	fire-fighting services provided by the Fire-fighting and Rescue Service department of the Ministry of the Interior, fire-fighting services of institutions, enterprises (entrepreneurial companies) and organisations, voluntary fire-fighters' unions and formations of fire-fighting volunteers.
(xxiv)	post-office services supplied by the non-profit organisation state stock company "Latvijas pasts" and on which it has monopoly in accordance with the "Post-Office Law"
2.	The following import of goods shall not be levied with the tax:
(i)	import of goods referred to in Part 1 of the present Article;
(ii)	foreign non-refundable shipments of technical aid, in accordance with the procedure established by the Cabinet of Ministers;
(iii)	fixed assets brought in to ensure the technological process of the production of the taxable person, in accordance with the procedure established by the Cabinet of Ministers;
(iv)	works of art brought in to supplement museum reserves;
(v)	import of the goods not levied with the customs duty in accordance with Parts 6 and 9 of the Law "On Customs Duty (Tariffs)", except the supplies of the goods for which 0% rate of the customs duty is applied;
(3)	On the State border import of goods shall not be levied with a tax, if one of the following customs procedures referred to in the "Customs Law" is carried out:
(i)	temporary import;
(ii)	import for processing;
(iii)	import for processing under customs control;
(iv)	import to a tax-free shop;
(v)	import to a customs warehouse;
(vi)	transit.
4.	If goods brought in the Republic of Latvia, not paying tax in accordance with Part 2 of the present Article, (except the goods referred to in Paragraph 1, Part 2), are sold or leased, the value of the goods shall be taxable in accordance with the procedure established by the present Law;
5.	In order the fixed assets referred to in Paragraph 3, Part 2 of the present Article do not cause competition distortions in the country, the Ministry of Economics confirms the list of the goods whose analogues are produced in the Republic of Latvia or which are brought in by the official representatives of the manufacturers of these goods in Latvia. The importation of the fixed assets and their analogues included in the list shall not be exempt from VAT.
<b>Application of 0% Tax Rate (Article 7).</b>	
1.	0% tax rate shall be applied to:
(i)	supplies of goods whose place of supply in accordance with Article 4 of the present Law is not a domestic territory;
(ii)	services connected with export of goods and transit transport (including services of transport, dispatch, goods storage, loading, unloading, examination and sorting);
(iii)	services whose location of performance in accordance with Article 4 of the present Law is not a domestic territory;
(iv)	supplies of goods and services connected with the provision and maintenance of international transport:
	(a) supply, rebuilding, repairs, maintenance, hiring and leasing of vehicles and to supplies and services connected with these activities.
	(b) supplies of goods connected with the provision of vehicles,
	(c) agent services of vehicles and services connected with cargo services;
(v)	services connected with tourism (travels) in accordance with Article 13 of the present Law;
(vi)	on the basis of the parity principle - supplies of goods and services supplied to foreign diplomatic and consular establishments in the Republic of Latvia, their diplomatic and consular agents, administratively technical staff, as well as family members of the said persons - in accordance with the procedure established by the Cabinet of Ministers;
(vii)	supplies of goods and services performed for the resources of non-refundable technical aid - in accordance with the procedure established by the Cabinet of Ministers.

Exemptions (Article 6).	
2.	If an agent representing a natural or legal person of Latvia provides supplies of goods outside the borders of the Republic of Latvia, 0% tax rate shall apply to the agent on supplies of goods in accordance with the procedure established by the Cabinet of Ministers.
4.	The tax amount paid by natural persons for goods (if their value exceeds LVL 100) exported from the domestic territory shall be refunded in accordance with the procedure established by the Cabinet of Ministers.
5.	If a taxable person that has supplied goods or services in accordance with Part 1 of this Article cannot produce documents certifying the export, it shall be subject to the tax.

## ANNEX 3

Export Duty Tariffs

CN code	Description	Supple- mentary unit	Basic Rate (%)			Most favoured nation (%)			Free trade regime (%)		
			Since 1 July 1997	1998	1999	Since 1 July 1997	1998	1999	Since 1 July 1997	1998	1999
1	2	3	5	6	7	8	9	10	11	12	13
Chapter 44	WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL										
4403	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared:										
4403 20	- Other, coniferous:										
4403 20 100	- - Spruce of the kind "Picea abies Karst." or silver fir (Abies alba Mill.)										
4403 20 101	--- round timber with the length over 2 metres and the diameter 14 to 24 centimetres	bl m3	3.0	3.0	0	3.0	3.0	0	3.0	3.0	0
4403 20 102	--- round timber with the length over 2 metres and the diameter 26 centimetres or more	bl m3	4.0	4.0	0	4.0	4.0	0	4.0	4.0	0
4403 20 109	--- Other	m3	0	0	0	0	0	0	0	0	0
4403 20 300	- - Pine of the kind "Pinus sylvestris L."										
4403 20 301	--- round timber with the length over 2 metres and the diameter 14 to 24 centimetres	bl m3	3.0	3.0	0	3.0	3.0	0	3.0	3.0	0
4403 20 302	--- round timber with the length over 2 metres and the diameter 26 centimetres or more	bl m3	4.0	4.0	0	4.0	4.0	0	4.0	4.0	0
4403 20 309	--- Other	m3	0	0	0	0	0	0	0	0	0
4403 20 900	-- Other:										
4403 20 901	--- round timber with the length over 2 metres and the diameter 14 to 24 centimetres	bl m3	3.0	3.0	0	3.0	3.0	0	3.0	3.0	0





CN code	Description	Supple- mentary unit	Basic Rate (%)			Most favoured nation (%)			Free trade regime (%)		
			Since 1 July 1997	1998	1999	Since 1 July 1997	1998	1999	Since 1 July 1997	1998	1999
4403 99 990	--- Other:										
4403 99 991	---- of other deciduous trees (soft):										
4403 99 992	----- round timber with the length over 1.6 metres and the diameter 16 to 24 centimetres (vener blocks. match blocks and A-rate sawn logs)	bl m3	8.0	8.0	0	8.0	8.0	0	8.0	8.0	0
4403 99 993	----- round timber with the length over 1.6 metres and the diameter 26 centimetres or more (vener blocks. match blocks and A-rate sawn logs)	bl m3	10.0	10.0	0	10.0	10.0	0	10.0	10.0	0
4403 99 994	----- round timber with the length over 1.6 metres and the diameter 16 to 24 centimetres (except veneer blocks. match blocks and A-rate sawn logs)	bl m3	2.0	2.0	0	2.0	2.0	0	2.0	2.0	0
4403 99 995	----- round timber with the length over 1.6 metres and the diameter 26 centimetres or more (except veneer blocks. match blocks and A-rate sawn logs)	bl m3	3.0	3.0	0	3.0	3.0	0	3.0	3.0	0
4403 99 996	----- Other	m3	0	0	0	0	0	0	0	0	0
4403 99 998	---- ash-tree. elm. hornbeam. maple and other Latvia origin hard deciduous tree round timber with the length over 1 metre and the diameter over 14 centimetres	bl m3	25.0	25.0	0	25.0	25.0	0	25.0	25.0	0
4403 99 999	---- Other	m3	0	0	0	0	0	0	0	0	0
Chapter 49	PRINTED BOOKS. NEWSPAPERS. PICTURES AND OTHER PRODUCTS OF THE PRINTING INDUSTRY; MANUSCRIPTS. TYPESCRIPTS AND PLANS										
4901	Printed books. brochures. leaflets and similar printed matter. whether or not in single sheets:										
4901 10 000	- In single sheets. whether or not folded										

CN code	Description	Supple- mentary unit	Basic Rate (%)			Most favoured nation (%)			Free trade regime (%)		
			Since 1 July 1997	1998	1999	Since 1 July 1997	1998	1999	Since 1 July 1997	1998	1999
4901 10 001	-- not older than 50 years	-	0	0	0	0	0	0	0	0	0
4901 10 002	-- published 50 to 100 years ago	-	50	50	50	50	50	50	0	0	0
4901 10 003	-- older than 100 years	-	100	100	100	100	100	100	0	0	0
	- Other:										
4901 91 000	- Dictionaries and encyclopedias. and serial instalments thereof										
4901 91 001	-- not older than 50 years	-	0	0	0	0	0	0	0	0	0
4901 91 002	-- published 50 to 100 years ago	-	50	50	50	50	50	50	0	0	0
4901 91 003	-- older than 100 years	-	100	100	100	100	100	100	0	0	0
4901 99 000	-- Other:										
4901 99 001		-	0	0	0	0	0	0	0	0	0
4901 99 002	--- not older than 50 years	-	50	50	50	50	50	50	0	0	0
4901 99 003	--- older than 100 years	-	100	100	100	100	100	100	0	0	0
Chapter	72 IRON AND STEEL		0	0	0	0	0	0	0	0	0
7204	Ferrous waste and scrap; remelting scrap ingots of iron or steel:	-	100	100	0	100	100	0	100	100	0

The Applicable Code Description and Customs Tariffs after 1 July 1997

CN code	Description	Supplement ary unit	Basic Rate (%)	Most favoured nation (%)	Free trade regime (%)
1	2	3	5	6	7
Chapter 97	<b>WORKS OF ART, COLLECTORS' PIECES AND ANTIQUES</b>				
9701	Paintings, drawings and pastels, executed entirely by hand, other than drawings of heading No 4906 and other than hand-painted or hand-decorated manufactured articles; collages and similar decorative plaques:				
9701 10 000	- Paintings, drawings and pastels				
9701 10 001	-- made in Latvia and older than 50 years	-	20	20	0
9701 10 002	-- made in abroad and older than 100 years old	-	10	10	0
9701 10 009	-- other	-	0	0	0
9701 90 000	- Other:				
9701 90 001	-- made in Latvia and older than 50 years	-	20	20	0
9701 90 002	-- made in abroad and older than 100 years old	-	10	10	0
9701 90 009	-- other	-	0	0	0
9702 00 000	Original engravings, prints and lithographs				
9702 00 001	-- made in Latvia and older than 50 years	-	20	20	0
9702 00 002	-- made in abroad and older than 100 years old	-	10	10	0
9702 00 009	-- other	-	0	0	0
9703 00 000	Original sculptures and statuary, in any material				
9703 00 001	-- made in Latvia and older than 50 years	-	20	20	0
9703 00 002	-- made in abroad and older than 100 years old	-	10	10	0
9703 00 009	-- other	-	0	0	0
9706 00 000	Antiques of an age exceeding one hundred years	-			
9706 00 001	- made in Latvia	-	20	20	0
9706 00 002	- made in abroad	-	10	10	0
Chapters 01- 98	Goods and other articles not complying with the above mentioned codes		0	0	0

**APPENDIX**

ACCESSION OF LATVIA

Draft Decision

The General Council,

Having regard to the results of the negotiations directed towards the establishment of the terms of accession of the Republic of Latvia to the Marrakesh Agreement Establishing the World Trade Organization and having prepared a Protocol for the Accession of Latvia,

Decides, in accordance with Article XII of the Marrakesh Agreement Establishing the World Trade Organization, that the Republic of Latvia may accede to the Marrakesh Agreement Establishing the World Trade Organization on the terms set out in the said Protocol.

**PROTOCOL OF ACCESSION OF LATVIA  
TO THE MARRAKESH AGREEMENT ESTABLISHING  
THE WORLD TRADE ORGANIZATION**

Draft

The World Trade Organization (hereinafter referred to as the "WTO"), pursuant to the approval of the General Council of the WTO accorded under Article XII of the Marrakesh Agreement Establishing the World Trade Organization (hereinafter referred to as "WTO Agreement"), and the Republic of Latvia (hereinafter referred to as "Latvia"),

Taking note of the Report of the Working Party on the Accession of Latvia to the WTO in document WT/ACC/LVA/... (hereinafter referred to as the "Working Party Report"),

Having regard to the results of the negotiations on the accession of Latvia to the WTO,

Agree as follows:

Part I - General

1. Upon entry into force of this Protocol, Latvia accedes to the WTO Agreement pursuant to Article XII of that Agreement and thereby becomes a Member of the WTO.
2. The WTO Agreement to which Latvia accedes shall be the WTO Agreement as rectified, amended or otherwise modified by such legal instruments as may have entered into force before the date of entry into force of this Protocol. This Protocol, which shall include the commitments referred to in paragraph 131 of the Working Party Report, shall be an integral part of the WTO Agreement.
3. Except as otherwise provided for in the paragraphs referred to in paragraph 131 of the Working Party Report, those obligations in the Multilateral Trade Agreements annexed to the WTO Agreement that are to be implemented over a period of time starting with the entry into force of that Agreement shall be implemented by Latvia as if it had accepted that Agreement on the date of its entry into force.
4. Latvia may maintain a measure inconsistent with paragraph 1 of Article II of the GATS provided that such a measure is recorded in the list of Article II Exemptions annexed to this Protocol and meets the conditions of the Annex to the GATS on Article II Exemptions.

Part II - Schedules

5. The Schedules annexed to this Protocol shall become the schedule of Concessions and Commitments annexed to the General Agreement on Tariffs and Trade 1994 (hereinafter referred to

as the "GATT 1994") and the Schedule of Specific Commitments annexed to the General Agreement on Trade in Services (hereinafter referred to as "GATS") relating to Latvia. The staging of concessions and commitments listed in the Schedules shall be implemented as specified in the relevant parts of the respective Schedules.

6. For the purpose of the reference in paragraph 6(a) of Article II of the GATT 1994 to the date of that Agreement, the applicable date in respect of the Schedules of Concessions and Commitments annexed to this Protocol shall be the date of entry into force of this Protocol.

### Part III - Final Provisions

7. This Protocol shall be open for acceptance, by signature or otherwise, by Latvia until 1 May 1999.

8. This Protocol shall enter into force on the thirtieth day following the day of its acceptance.

9. This Protocol shall be deposited with the Director-General of the WTO. The Director-General of the WTO shall promptly furnish a certified copy of this Protocol and a notification of acceptance thereto pursuant to paragraph 7 to each Member of the WTO and Latvia.

10. This Protocol shall be registered in accordance with the provisions of Article 102 of the Charter of the United Nations.

11. Done at Geneva this ... day of .... one thousand nine hundred and ninety eight, in a single copy in the English, French and Spanish languages each text being authentic, except that a Schedule annexed hereto may specify that it is authentic in only one or more of these languages.

**ANNEX**

**SCHEDULE - REPUBLIC OF LATVIA**

Part I - Goods

[Circulated in document WT/ACC/SPEC/LVA/7/Add.1]

Part II - Services

[Circulated in document WT/ACC/SPEC/LVA/7/Add.2]

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