

# WORLD TRADE ORGANIZATION

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**Committee on Regional Trade Agreements**

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## FREE TRADE AGREEMENT BETWEEN THE REPUBLIC OF SLOVENIA AND THE REPUBLIC OF BULGARIA

### Communication from the Parties

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

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#### I. BACKGROUND INFORMATION ON THE AGREEMENT

##### 1. Date of Signature, Ratification and Entry into Force

The Free Trade Agreement between the Republic of Slovenia and the Republic of Bulgaria was signed on 11 November 1996 in Sofia, Bulgaria. The Republic of Bulgaria already ratified the Agreement on 16 January 1997. The Republic of Slovenia will ratify it in the near future. Due to the lengthy procedure for the ratification of the agreements a provision was included to the Agreement that allows the Parties to apply the Agreement on a provisional basis from 1 January 1997.

##### 2. Type of Agreement

The agreement that was concluded between the Republic of Slovenia and the Republic of Bulgaria is a Free Trade Agreement. The Agreement was concluded with the aim to further develop economic co-operation and trade relations between countries and to *inter alia* each other in transition to the market economy and the integration of the countries into the world economy by contributing the creation of a European-wide free trade system.

The primary objective of the Agreement is to establish a free-trade area in a transitional period ending on 1 January 2000. The full plans for the reduction of customs duties and other tariff barriers to trade to zero on substantially all the trade between the Parties are contained in the relevant Articles, Annexes and Protocols of the Agreement. (see attachment)

##### 3. Scope and Product Coverage

As evident from the attachment, the Free Trade Agreement covers trade in industrial products (HS Chapters 25-97, with the exception of the products listed in Annex I) and agricultural products (Protocol 2, including the products listed in Annex I). The Agreement also contains provisions, *inter alia*, on state aid, state monopolies, competition, government procurement, intellectual property rights and dumping. The Parties have also expressed their readiness to discuss the extension of the scope of the Agreement to the areas not currently covered (evolutionary clause).

The products excluded from the coverage of the Chapter I (Industrial products) of the Agreement listed in Annex I are products falling within Chapters 1 to 24 (“agricultural products”) in the nomenclature preceding the Harmonized Description and Coding System (H.S.), but which were transferred at the time of the introduction of the H.S. into H.S. Chapters 25 to 97 (“industrial products”). These products listed in Annex I are thus products which are excluded from the application of provisions of the Agreement relating to industrial products. However, the products are covered by the provisions relating to agricultural products in Articles 11, 12, 13, 14 and 15 and Protocol 2 of the Agreement. The Republic of Slovenia and the Republic of Bulgaria apply a similar system in their relations with the European Community.

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

- (i) All products falling within H.S. Chapters 25 to 97 are covered.
- (ii) The products contained in Protocol 2 (agricultural products) are covered.

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

#### 4. Trade Data

See tables in Annex I to this note on development of trade between Slovenia and Bulgaria. In addition compiled economic and trade indicators of Slovenia are provided in Annex II to this note.

## II. TRADE PROVISIONS

### 1. Industrial Products

#### 1.1 Import restrictions

##### 1.1.1 Duties and charges

Customs duties on imports are reduced in accordance with the provisions laid down in Protocol 1 to the Agreement. The Protocol 1 contains Annexes A, B and C. Annex A determines the reduction of customs duties applied in Slovenia for products originating in Bulgaria, whereas Annexes B and C determine the reduction of customs duties applied in Bulgaria for products originating in Slovenia. The product coverage differs depending on the industrial structure of each country. The final date of the elimination of duties for products listed in Annexes A, B and C is 1 January 2000. For the products not listed in Annexes A, B and C the customs duties were abolished on 1 January 1997.

All charges having an effect equivalent to customs duties on imports were abolished on 1 January 1997, except the for the import tax on some products that is applied in Bulgaria.

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

### 1.1.2. Quantitative restrictions

The provisions on quantitative restrictions (QRs) on imports in the Free Trade Agreement apply to all products covered by the Agreement, as it is specified in Article 2 of the Free Trade Agreement. The Agreement foresees total elimination of QRs on imports upon the entry into force of the Agreement.

## 1.2 Export Restrictions

### 1.2.1. Duties and charges

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

- (a) Slovenia shall abolish export charges equivalent to customs duties on 1 January 1999 at the latest;
- (b) Bulgaria shall abolish taxes on exports at the latest by the 1 January 2001.

### 1.2.2 Quantitative restrictions

The provisions on quantitative export restrictions in the Free Trade Agreement apply to all products covered by the Agreement, as it is specified in Article 2 of the Free Trade Agreement. The Agreement foresees total elimination of QRs on exports upon the entry into force of the Agreement, with the exception of QRs on exports applied in Bulgaria for a limited number of products specified in Annex IV to the Agreement.

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

The provisions on rules of origin laid in the Protocol 3 to the Agreement are conceived for the purpose of the Agreement. These rules are based on the concept of pan-European cumulation which is applied in a number of Free Trade Agreements within Europe. As a consequence of the implementation of this origin network, semi-finished products originating in a partner country linked to the system - Slovenia and Bulgaria are linked to it - may now be used without restrictions for manufacturing and processing in whatever other partner country connected to the system. Under the new rules finished products originating in the European Union and exported to Bulgaria can be re-exported under the agreed preferential terms (either duty-free or preferential duties in accordance to the duty dismantling schedules established under the Agreement) to Slovenia and vice-versa.

## 4. Standards

### 4.1. Technical barriers to trade

The Parties shall co-operate and exchange information in the field of standardization, metrology, conformity, assessment and accreditation with the aim of reducing technical barriers to trade. The Parties may conclude an arrangement for mutual recognition of test reports, certificates of conformity and other documents directly or indirectly related to conformity assessment of products which are the subject of the goods exchange between the Parties on the basis of regulation in force in the importing state.

#### 4.2. Sanitary and phytosanitary measures

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

#### 5. Safeguards

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

##### - Specific safeguards

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

##### - General safeguards

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

##### - Structural adjustment

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

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

##### - Re-export and serious shortage

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

##### - Balance of payments difficulties

Any measures for balance-of-payments purposes shall be applied in accordance with the provisions of the GATT 1994 in particularly the Understanding on Balance-of-Payments Provisions of GATT 1994.

#### 6. Anti-Dumping

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

7. State Aid and Countervailing Measures

Any actions taken in accordance with the state aid provisions of the Free Trade Agreement will be in accordance with the relevant provisions of the World Trade Organization (WTO). The Parties ensure transparency in the area of state aid by reporting annually to each other on the total amount and the distribution of the aid given and provide the information on aid schemes and on particular individual cases of state aid. Any Party can introduce, if it considers that a particular practice is incompatible with agreement's provisions, appropriate countervailing measures in conformity with WTO.

8. Sector-Specific Provisions

Agricultural products

The Agreement reduces, within the limits of annual tariff quotas, the MFN rate of duty on a number of agricultural products, thereby, providing better access conditions for those products.

Without prejudice to the concessions granted in Protocol 2, the provisions of Chapter II (agricultural products) shall not restrict in any way the pursuance of the respective agricultural policies of the Parties or taking of any measure under such policies, including the implementation of the respective provisions of the Agreement Establishing the WTO.

Furthermore, the Parties shall examine the possibilities of granting each other further concessions, taking into account the role of agriculture in their economies; the development of trade in agricultural products between them; the particular sensitivity of the agricultural products; the rules of their agricultural policies and respecting provisions of the Agreement Establishing the WTO.

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

10. Other

Customs administration co-operation

The provisions on mutual assistance in customs matters laid in the Protocol 4 to the Agreement are conceived for the purpose of the Agreement. The main goal of Protocol 4 is that the Parties shall assist each other in ensuring that customs legislation is correctly applied, in particular by the prevention, detection and investigation of contraventions of this legislation.

III. GENERAL PROVISIONS

1. Exceptions and Reservations

- General exceptions

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

- Security exceptions

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

#### IV. OTHER

##### 1. Internal Taxation

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

##### 2. State Monopolies

The provisions on state monopolies ensure that procurement or marketing of products by any state monopolies of commercial nature, as defined in the Article of the Agreement, also include monopolies delegated by the Parties to others. The Parties will adjust progressively any state monopoly of a commercial character so as to ensure that by 1 July 1999 no discrimination regarding the conditions under which goods are procured and marketed exist between nationals of the Parties. The Parties are bound by their commitments under Article XVII and the Understanding on the Interpretation of Article XVII of the GATT 1994.

##### 3. Payments

The Agreement provides freedom of payments relating to trade and transfer of such payments to the territory of the Party where the creditor resides. They include a commitment to refrain from any exchange or administrative restrictions on grant, repayment or acceptance of credits covering commercial transactions. The Parties have reserved the right to apply exchange restrictions connected with the granting or taking up of short and medium term credits to the extent permitted according to their status under the IMF. Such restrictions shall be applied on a non-discriminatory basis.

##### 4. Government Procurement

The Parties shall progressively develop their respective regulations for government procurement with a view to grant suppliers of the other Party by the end of 1999 at the latest, access to contract award procedures on their respective government procurement markets according to the provisions of the WTO Agreement on Government Procurement.

##### 5. Protection of Intellectual Property

The Parties shall grant and ensure the protection of intellectual property rights on a non-discriminatory basis, including measures for granting and enforcing such rights. The term intellectual property protection is defined in the Agreement. The Parties shall co-operate in matters of intellectual property. They shall hold, upon request of any Party, expert consultations on these matters, in particular on activities, relating to the existing or to future international conventions on harmonization, administration and enforcement of intellectual property and on activities in international organizations, such as the Agreement Establishing the WTO, World Intellectual Property Organization, as well as relations of Parties with third countries on matters concerning intellectual property.

6. Evolutionary Clause

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

7. Validity and Termination

The Agreement was concluded for an indefinite period of time. Each Party may terminate this Agreement by a written notification to the other Party. The termination shall take effect on the first day of the seventh month following the date on which the notification was received by the other Party.

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

Preamble	
Objectives	Article 1
 <u>CHAPTER I - Industrial products</u>	
Scope	Article 2 and Annex I (industrial products that count as agricultural)
Customs duties on imports	Article 3 and Protocol 1
Basic duties	Article 4
Charges equivalent to duties	Article 5 and Annex II
Fiscal duties	Article 6
Customs duties and equivalent charges on exports	Article 7 and Annexes III(a), III(b)
QR on imports and measures having equivalent effect	Article 8
QR on exports and measures having equivalent effect	Article 9 and Annex IV
Technical regulation	Article 10
 <u>CHAPTER II - Agricultural products</u>	
Scope	Article 11 and Annex I
Concessions	Article 12 and Protocol 2
Agricultural policies	Article 13
Specific safeguards	Article 14
Veterinary, Health - and Phytosanitary measures	Article 15
 <u>CHAPTER III - General provisions</u>	
Rules of origin and co-operation in customs administration	Article 16 and Protocols 3 and 4
Internal taxation	Article 17
General exceptions	Article 18
Security exceptions	Article 19
State monopolies	Article 20
Payments	Article 21
Rules of competition concerning undertakings	Article 22
State aid	Article 23
Government procurement	Article 24
Protection of intellectual property	Article 25 and Annex V
Dumping	Article 26
General safeguards	Article 27
Structural Adjustment	Article 28
Re-export and serious shortage	Article 29
Fulfilment of obligations	Article 30
Procedure for application of safeguard measures	Article 31
Balance of payments difficulties	Article 32
Evolutionary cause	Article 33
The Joint Committee	Article 34
Procedures of the JC	Article 35
Trade relations governed by this and other Agreements	Article 36
Annexes, Protocols and Amendments	Article 37
Territorial application	Article 38
Amendments	Article 39
Entry into force	Article 40
Validity and termination	Article 41

ANNEX ISlovenian Trade with Bulgaria  
(Value in 1,000 of US Dollars)

	1996	Jan-June 1997
IMPORTS		
Agricultural products	--	--
Protocol 2	855	248
Industrial products	5,502	8,517
TOTAL	6,357	8,765
EXPORTS		
Agricultural products	--	--
Protocol 2	277	184
Industrial products	5,287	4,643
TOTAL	5,564	4,827

Slovenian Trade with Bulgaria by HS - Sections  
(In thousand of US Dollars)

	TOTAL	I	II	III	IV	V	VI	VII	VIII	IX	X	XI
<b>IMPORTS</b>												
<b>1996</b>	6,990	66	1,184	0	238	38	263	9	54	71	416	307
<b>I-VI 1997</b>	8,838	72	111	0	138	5,082	84	28	67	16	0	158
<b>IMPORTS</b>		<b>XII</b>	<b>XIII</b>	<b>XIV</b>	<b>XV</b>	<b>XVI</b>	<b>XVII</b>	<b>XVIII</b>	<b>XIX</b>	<b>XX</b>	<b>XXI</b>	
<b>1996</b>		7	390	0	586	328	64	29	2,848	94	0	
<b>I-VI 1997</b>		34	209	0	539	173	1	5	2,098	20	0	

	TOTAL	I	II	III	IV	V	VI	VII	VIII	IX	X	XI
<b>EXPORTS</b>												
<b>1996</b>	9,296	0	3,609	0	400	8	2,055	971	0	15	890	98
<b>I-VI 1997</b>	4,898	49	17	0	187	2	853	556	0	16	780	223
<b>EXPORTS</b>		<b>XII</b>	<b>XIII</b>	<b>XIV</b>	<b>XV</b>	<b>XVI</b>	<b>XVII</b>	<b>XVIII</b>	<b>XIX</b>	<b>XX</b>	<b>XXI</b>	
<b>1996</b>		6	131	0	7,752	1,677	18	95	0	172	0	
<b>I-VI 1997</b>		0	45	0	1,170	874	26	56	0	42	0	

Section:

I	Live animals; animal products	XV	Base metals and articles of base metals
II	Vegetable products	XVI	Machinery; elect. equipment; recorders
III	Animal or vegetable fats and oils; waxes	XVII	Vehicles; aircraft, vessels, transport equip.
IV	Prepare foodstuffs; beverages; tobacco	XVIII	Optical, photographic etc. instruments
V	Mineral products	XIX	Arms and ammunition
VI	Products of the chemicals or allied industries	XX	Misc. manufactured articles
VII	Plastic and articles thereof; rubber	XXI	Works of art, collectors' pieces and antiques

ANNEX IIBasic Data on Slovenia for 1996

Population	1,982,265
GDP, in millions of US Dollars	18,557
GDP per capita, in US Dollars	9,362
Land area (sq.km)	20,253
Imports in millions of US Dollars	9,397
Exports in millions of US Dollars	8,306
Trade balance in millions of US Dollars	-1,091

Source: Monthly Bulletin of Bank of Slovenia, June-July 1997