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ACCESSION OF LATVIA

Elements of a Draft Report of the Working Party on the Accession of Latvia

Revision

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 the wish to serve on it. In pursuance of the Ministerial Decision of 14 April 1994 on Acceptance of and Accession to the 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.1.

2. The Working Party met on 28-29 March and 13 November 1995; 22 March and 16 September 1996; and 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 Régime of Latvia (L/7526 with Addenda 1, 2 and 3) and the questions submitted by Members on the foreign trade régime 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/Spec(95)6; WT/SPEC/26). The Government of Latvia made available to the Working Party the following documentation:

- The 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 and Restriction of Monopoly;
- Law on Trademarks;
- Law on Industrial Design Protection;
- Patent Law;
- Resolution and Law on Bookkeeping;
- 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;
- Resolution and Law on Turnover Tax;
- Resolution and Law of the Republic of Latvia on Entrepreneurial Activity;
- 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;
- 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;
- 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;
- 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;
- Draft Customs Code;
- Draft Law on Safety on Products, Services and Liability of Producer, Supplier;
- Draft Law on Uniformity of Measurements;
- Draft Law on Conformity Assessment;
- 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. Although the Russian Federation remained Latvia's principal trading partner, trade with other countries was growing rapidly and he hoped that this trend would continue. 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 many 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 member of the WTO. The WTO principles of national and m.f.n. 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 régime. Minimal tariffs were imposed on imported raw materials, spare parts and capital goods, the basic average m.f.n. 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. Imports of alcohol, spirits, tobacco, pyrotechnic materials, sugar and grain required a licence, but no quantitative limitations were associated with the licences. Exports of spirits, ferrous and non-ferrous metals were also subject to licensing but with no underlying quotas. Finally, he pointed out that Latvia's effort to become 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. Latvia was accordingly requested to 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 régime 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 ... to

ECONOMIC POLICIES

Foreign Exchange and Payments

7. The representative of Latvia said that his country had established one of the most liberal foreign exchange régimes in the world. Latvia had been a member of the 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 physical 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 lat 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 Régime

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 "Quantitative Import Restrictions, including

Prohibitions, Quotas and Licensing Systems", paragraph 47). 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 all restrictions on foreign investment. The amendment had been approved by Parliament on 4 September 1996. The Law on Forestry limited foreign ownership in wood cutting (logging) companies to 49 per cent. The Law on Radio and Television limited foreign ownership in radio and television companies to 20 per cent. The Law on Lotteries and Gambling limited foreign ownership in gambling business to 49 per cent. On 4 September 1996, the Saeima (Parliament) decided that the Government should submit proposals to adjust the mentioned laws to the Law on Foreign Investment within two months. 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 (17 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.

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 would be 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 and excluded from the Enterprise Register, 275 had chosen 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 two 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 as at 1 September 1996, 805 State enterprises (asset units) had been assigned for privatisation, 68 State enterprises assigned for liquidation, State-owned equity holdings of 136 enterprises assigned for privatisation, and 25 real estates assigned for sale by the Cabinet of Ministers. The Privatisation Agency was involved in valuation of 187 cases of restitution of property. Privatization regulations had been approved for 621 State enterprises (asset units) or their parts, 42 State-owned equity holdings, and 20 real estates. Sales agreements had been concluded for 435 State enterprises (asset units) or their parts, 29 State-owned equity holdings, 17 enterprises to be liquidated, and for 14 real estates. The privatization process would generally be completed by the end of 1997.

15. 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. 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 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.

16. As of 11 November 1996, 1,124 State enterprises had been assigned for privatization (93.7 per cent of all State enterprises), among them 302 in 1992-1994, 238 in 1994, 215 in 1995 and 369 in 1996.

	21.04.1994.- 31.12.1995.	01.01.1996.- 30.04.1996.	01.05.1996.- 10.11.1996.
Units under control of Privatization Agency	678	989	1,134
Approved privatization principles	409	78	179
Approved privatization regulations	440	133	161
Signed purchase agreements	259	90	136

In total, 1,147 units had been sold and 53 units placed for liquidation. In order to attract foreign investments, the Privatization Agency had organized three international tenders, offering 125 medium and large enterprises. A special Public Offering Programme had been created to encourage participation of Latvia's population. During four rounds of the Public Offering Programme 29 large enterprises had been offered to the public.

17. The representative of Latvia confirmed that Latvia would provide information on a periodic basis on its privatization efforts, economic reforms and implementation of any transition negotiated in the Protocol.

Pricing Policies

18. 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.

19. The representative of Latvia replied that price control and regulation was carried out according to separate laws and affected products related to energy; agriculture (recommended prices for purchases for the State grain reserve); 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 price could not exceed the import or production price by more than 20 per cent.

20. The representative of Latvia stated 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". Latvia would apply such measures in a WTO-consistent fashion and would take account of the interests of exporting WTO Members as provided for in Article III.9 of the GATT 1994. He confirmed that Latvia was ready to eliminate price control for grain products within a two-year period and was ready to include this commitment in the Protocol.

Competition Policy

21. Some members of the Working Party noted that Latvia intended to harmonize its legislation on competition with that of the EU 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".

22. The representative of Latvia replied that the Law "On Competition and Restriction of Monopoly" of 1991 would be revised. 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. No system had been established to monitor take-overs and mergers, but the Anti-Monopoly Committee cooperated closely with the Company Register of the Republic of Latvia and could intercept registrations

resulting from mergers or take-overs. 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

23. 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.

24. 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.

25. 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.

26. 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 the procedure and the judicial issues and the Constitution, the budget, laws already passed by the Saeima in power, taxes, customs, issuance of Treasury notes etc.

27. 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 arbiter court.

28. The Ministry of Economy was the competent institution for the administration of trade policies according to Article 4.3 of Regulation No. 47 of the Cabinet of Ministers "The Governing Regulations of the Ministry of Economy" (of 7 March 1995). The Ministry of Economy formulated and implemented the general principles of the domestic and foreign trade policy of the State. Sub-central governments were not entitled to establish policies affecting international trade under the legal rules regulating their functions.

POLICIES AFFECTING TRADE IN GOODS

Trading Rights

29. A member asked Latvia to confirm the abolition of the State trading monopoly and that no restrictions existed on the right of foreign and domestic individuals and enterprises to import and export goods and services within Latvia's customs territory, except as provided for in WTO Agreements. Latvia should also confirm that individuals and firms were not restricted in their ability to import or export based on their registered scope of business, and that the criteria for the registration of companies in Latvia were generally applicable and published in the official journal.

30. The representative of Latvia replied that in accordance with the Law "On Entrepreneurship", enterprises and entrepreneurs should be registered in Register of Enterprises. 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 Entrepreneurship" and the Rules of the Cabinet of Ministers "On restriction 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 licence or certificate. The kinds of entrepreneurship requiring certificate or licence were listed in the above-mentioned Rules of the Cabinet of Ministers.

Market Access Negotiations

31. The representative of Latvia announced his Government's readiness to enter into bilateral negotiations on market access for goods and services in March 1995 (document WT/L/57) and presented an initial offer on goods (WT/L/57/Add.1) together with supporting data on imports (WT/L/57/Add.2).

1. Import Regulation

Customs Tariff

32. 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.

Customs Duties

33. Some members of the Working Party requested Latvia to describe the legal basis for the imposition of customs duties, submit a copy of its Customs Tariff, identify products attracting duties of more than 20 per cent, list products subject to specific duties (and the estimated ad valorem equivalent), outline plans to convert specific duties into ad valorem rates, and provide estimates of trade-weighted average duties on agricultural and industrial products.

34. The representative of Latvia said that the Law "On Customs Duties (Tariffs)" had been in force since 1 December 1994. Duties were generally set at 15 to 20 per cent. Minimal duties (0.5 or 1 per cent) were levied on goods with no domestic production and higher duties applied for sensitive agricultural commodities. Latvia listed products with m.f.n. duties exceeding 20 per cent (WT/L/49, pp.27-28) and products subject to specific duties and the ad valorem equivalents (WT/ACC/LVA/12). Latvia had no specific timetable for the conversion of specific duties to ad valorem rates. The simple average duties amounted to 5.69 per cent; 13 per cent for agricultural products and 3.74 per cent for industrial goods.

Other Duties and Charges

35. A member of the Working Party asked Latvia to clarify the situation concerning any other duties and charges related to importation.

36. The representative of Latvia confirmed that Latvia levied no duties and charges on imports other than ordinary customs duties.

Tariff Rate Quotas, Tariff Exemptions

37. 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 or in the implementation of preferential trade agreements 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.

38. 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 April 1995 and 1996 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. Such tariff quotas would be subject to public tender. Tariff quotas in the context of preferential trade were only applied under the Latvia-EU Free Trade Agreement. 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.

Fees and Charges for Services Rendered

39. A member of the Working Party asked Latvia to clarify what fees and charges, if any, were applied for services rendered related to importation.

40. The representative of Latvia confirmed that Latvia levied no duties or charges for services rendered related to importation.

Application of Internal Taxes

Excise taxes

41. 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.

42. In reply, the representative of Latvia said that excise taxes were levied on alcohol, tobacco, motor vehicles, petroleum products and jewellery. Tax rates 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. The rates of excise tax were the following:

Rectified ethyl alcohol of 200-proof alcohol	Ls 3.50 per litre
Champagne and all other types of wine	Ls 0.25 "

Other alcoholic beverages, per litre pure alcohol	Ls 3.50	"
Cigarettes, with filter	Ls 0.0035	per piece
Cigarettes, without filter	Ls 0.05	"
Cigars and cigarillos	Ls 0.01	"
Other tobacco products for retail sale	100	per cent
Unleaded petrol, from 1 June 1996	Ls 0.10	per litre
" " 1 January 1997	Ls 0.12	"
" " 1 January 1998	Ls 0.14	"
" " 1 January 1999	Ls 0.16	"
" " 1 January 2000	Ls 0.18	"
" " 1 January 2001	Ls 0.20	"
Leaded petrol, from 1 June 1996	Ls 0.10	"
" " 1 January 1997	Ls 0.13	"
" " 1 January 1998	Ls 0.16	"
" " 1 January 1999	Ls 0.19	"
" " 1 January 2000	Ls 0.21	"
" " 1 January 2001	Ls 0.23	"
Gasoil, from 1 January 1997	Ls 0.02	"
" " 1 January 1998	Ls 0.04	"
" " 1 January 1999	Ls 0.10	"
" " 1 January 2000	Ls 0.16	"
" " 1 January 2001	Ls 0.17	"
Beer, per litre of 200-proof alcohol, from 1 January 1997	Ls 3.50	"
Motor cars	10	per cent
Goods made from gold and other precious metals, jewellery		
including diamonds, precious or semi-precious stones	30	per cent

Only tobacco products 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. 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 1.

Table 1: 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 ³ ;	
Cars with compression ignition internal combustion reciprocating engine (diesels or semi-diesels), working volume of engine cylinders of which does not exceed 1900 cm ³ ;	
Cars older than 7 years from the date of industrial production;	
Cars with electrical engine (electrocars).	
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 excise 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.	

Value Added Tax

43. Noting that a Value Added Tax (VAT) would replace 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 (Table 2). In response to specific questions on VAT exemption for mass-media and certain publications produced in Latvia, he assured the Working Party

that the exemption was also applicable to imported films. The Ministry of Finance was drafting amendments to the Law "On the Value Added Tax" that would provide equal regulations for domestic and imported mass media.

Table 2: Goods and Services Exempt from VAT or Zero-rated

Exemptions (Article 6)

1. The tax shall not be levied on the following:
 - (i) services of nursing homes;
 - (ii) services of day-care centres and kindergartens;
 - (iii) catering in penitentiaries;
 - (iv) services of educational establishments directly connected with the process of education, including tuition at State and local government art and music schools;
 - (v) services of training farms in catering for students at agricultural educational establishments;
 - (vi) services of public libraries;
 - (vii) tuition at private educational establishments accredited by the State;
 - (viii) visits to theatres, movies (except video), 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 sports;
 - (ix) 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.
 - (x) supplies of gold, coins and bank notes to the Bank of Latvia;
 - (xi) betting, lotteries and other types of gambling;
 - (xii) 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;
 - (xiii) insurance services supplied by insurance companies in accordance with the Law On Insurance;
 - (xiv) payments of individuals on apartment rent contracts signed, except payments for rent of hotels, motels and similar establishments;
 - (xv) specialised baby-food in accordance with the list adopted by the Ministry of Welfare and approved by the Ministry of Finance;
 - (xvi) scientific research financed by public foundations, or by funding from the State and local government budget, or international institutions;
 - (xvii) the following goods and financial services:
 - (a) extension of loans and their monitoring, as well as services connected with loan guarantees or other financial guarantees and their monitoring, except debt collection;
 - (b) services of loan institutions connected with deposit and current account operations, payments, transfers, debts, checks and other negotiable instruments;
 - (c) negotiable instruments and services connected with purchase or sale of negotiable instruments in circulation, except items (money, coins) supplied for collection, or that contain precious metal;
 - (d) securities and capital investments, as well as services supplied at purchase and sale of securities and capital investments;
 - (xviii) humanitarian aid and gifts in accordance with the Cabinet regulations, but if said goods are sold, the tax shall be paid in accordance with law;
 - (xix) consular services;
 - (xx) school books and scientific literature, first publications of works of original literature in Latvian and publications for children published and printed in Latvia in accordance with lists adopted by the Ministry of Education and Science;

Table 2: Goods and Services Exempt from VAT or Zero-rated

- (xxi) mass media registered in the Republic of Latvia;
 - (xxii) 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 cooperatives) to farmers holdings that are not taxable persons;
 - (xxiii) sale of real estate, except sale or transfer of an unused real estate to its owner after completion of construction;
 - (xxiv) supplies of imported goods not subject to customs duties in accordance with Chapters 6 and 7 of the Law On Customs Duty (Tariffs) under a procedure set by the Cabinet, except supplies of goods to which the 0% rate of customs duty is applied;
 - (xxv) fire-fighting services provided by the Firefighting and Rescue Service department of the Ministry of Interior, firefighting services of institutions, enterprises (entrepreneurial companies) and organizations, voluntary firefighters' unions and formations of firefighting volunteers;
 - (xxvi) postal services provided by the State enterprise "Latvian Post".
2. A person supplying said services (goods) may subject them to the tax by registering at the State Revenue Service.
3. Fixed assets imported in the Republic of Latvia by a taxable person, shall not be subject to the tax on the border. In case imported fixed assets do not create distortions of competition in the country, for example, due to production of analogous fixed assets in Latvia, the tax shall be written off. Otherwise the cancelled tax shall be collected from a person who has imported the fixed assets. The procedure for tax write-off and collection shall be determined by the Cabinet regulations. If a taxable person supplies goods and services not subject to the tax in accordance with Part 1 of this Article, the tax may be written off only for the portion of the tax that corresponds to the ratio established by Part 5 of Article 10.

Application of Zero Rate to Exports and International Transport (Article 7)

1. 0% tax rate shall be applied to:
- (i) supplies of goods outside the Republic of Latvia;
 - (ii) services related to supplies of goods referred to in Paragraph 1 of this Part;
 - (iii) supplies of services outside the domestic territory;
 - (iv) supplies of goods and services related to supply and maintenance of vessels that:
 - (a) operate on international shipping lines;
 - (b) perform emergency and rescue missions, or provide assistance on sea;
 - (v) delivery, reconstruction, repairs, maintenance, chartering and lease of vessels referred to in Paragraph 4 of this Part, and supplies and services in this regard;
 - (vi) delivery, reconstruction, repairs, maintenance, chartering and lease of aircraft operating on international routes, and supplies and services in this regard;
 - (vii) agent services and services for cargo handling of transportation vehicles listed in Paragraphs 1-6 of this Part;
 - (viii) on the basis of parity, goods and services supplied to diplomatic and consular establishments in the Republic of Latvia, their diplomatic and consular agents and their underage family members residing with them, in accordance with the procedure set by the Cabinet.
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% rate shall apply for the agent on supplies of goods in accordance with the procedure set by the Cabinet.
3. To receive input tax refund, a VAT taxable person registered at the State Revenue Service shall submit documentary evidence substantiating that the supply of goods or services referred to in Part 1 of this Article has occurred.
4. The VAT amount paid by natural persons for goods (if their value exceeds Ls 100) exported from the domestic territory shall be refunded in accordance with the Cabinet regulations.

Table 2: Goods and Services Exempt from VAT or Zero-rated

5.	If a taxable person that has supplied goods or services in accordance with Part 1 of this Article cannot produce documents certifying to export, it shall be subject to the tax for goods and services supplied in accordance at the rate set by Part 1, Article 5.
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44. Some members of the Working Party requested that in pursuance of Article III of the GATT 1994, the exemptions from VAT for books and mass media items published or (in the case of mass media) registered in Latvia be extended to all items covered by these two points.

45. The representative of Latvia confirmed that VAT and excise tax were applied equally to domestic and imported goods.

Quantitative Import Restrictions, including Prohibitions, Quotas and Licensing Systems

46. Some members of the Working Party asked Latvia to specify the business activities subject to licensing. 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.

47. The representative of Latvia said that 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 securing of State 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 permissions (licences) or certificates of professional qualification issued by the Cabinet of Ministers or institutions authorised by it, local governments, professional associations or the Bank of Latvia. 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. Any disputes arising from the application of restrictions on entrepreneurial activity would be settled by a higher institution or a Court of Justice.

48. In Table 3, the representative of Latvia provided the information on non-tariff measures affecting imports and the legal basis for these measures, which is summarized. 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 régime did not correspond to the WTO Agricultural Agreement and Latvia was ready to prepare adoption of the necessary legal amendments to bring the sugar régime in line with WTO requirements. Latvia was ready to eliminate the import ban on white sugar and the restrictive import licensing on other sugar products by the time of its accession to the WTO.

Table 3: Products subject to non-tariff measures (import licensing)			
HS tariff line	Description	Legal basis	WTO justification
Chapter 10	Cereals	Law "On the Latvian grain market and State grain reserves" (Article 4)	WTO Import Licensing Agreement
Chapter 11	Products of the milling industry	Law "On the Latvian grain market and State grain reserves" (Article 4)	WTO Import Licensing Agreement
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)	WTO Import Licensing Agreement
1701	Cane or beet sugar and chemically pure sucrose	Law "On Entrepreneurial Activity" (Article 32), Law "On Sugar", and Regulation No.61	WTO Import Licensing Agreement

Chapter 22	Alcoholic beverages, spirits and vinegar	Law "On Entrepreneurial Activity" and Regulation No. 37 of 25 January 1994	WTO Import Licensing Agreement
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)	WTO Import Licensing Agreement
Chapter 24	Tobacco products	Law "On Entrepreneurial Activity" (Article 32) and Regulation No. 86 of 14 April 1994	WTO Import Licensing Agreement

49. The representative of Latvia said that quantitative restrictions concerned only HS product groups 1001 to 1004 and 1701. Licensing of other products was maintained for statistical purposes only. The State Cereals Bureau prepared an annual balance sheet of grain production and consumption for the Government. Tendering procedures for import licences were required only for wheat. Public tenders would be organized when the proposed imported quantity exceeded 1,000 tons. Actual import volumes occasionally fell short of approved quantities as importers were unable to use their entitlements due to unforeseen problems.

50. 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) and for the collection of excise taxes; these objectives could not be attained by other measures.

51. With reference to the licensing system for tobacco products, the representative of Latvia said that the licensing served statistical purposes and the collection of excise taxes. The distribution of imported tobacco products was not restricted. As per December 1995, 76 enterprises had been licensed for wholesale trade, 11 enterprises for importing and 2 enterprises for the production of tobacco products. 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".

52. Some members of the Working Party requested that Latvia undertake to eliminate all measures applied to enforce quantitative restrictions, including the 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.

53. The representative of Latvia confirmed that Latvia would implement the Agreement on Import Licensing Procedures on the date of accession to the WTO. He further confirmed that all quantitative restrictions, including import licensing for grains and the ban on sugar imports, would be eliminated upon accession, as required by Article XI of the GATT 1994 and the Agreement on Agriculture. He confirmed that import licensing on other commodities, especially wheat flour, cereal flour, cereal groats, cereal grains otherwise worked, sugar and animal feed were administered in conformity with Article XI and the Agreement on Import Licensing Procedures. Latvia would also ensure that licensing and special permit requirements on the importation of alcoholic beverages and tobacco products would not, in fact, restrict the right to import these products into Latvia or in any way discriminate against imported products.

Customs Valuation

54. 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.

55. The representative of Latvia said that current valuation practices were based on the Law on Customs Duty 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

acknowledged the disparity between its legislation and the WTO Agreement on Implementation of Article VII. Amendments to existing rules had accordingly been drafted and were awaiting approval of the Cabinet of Ministers and ratification by Parliament. The new Customs Law was expected to enter into force on 1 July 1997. The valuation methods in the new Code 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 draft law was provided to the Working Party.

56. The representative of Latvia said that Latvia would undertake to introduce customs valuation legislation in accordance with the requirements of Article VII of the GATT 1994 and the Agreement on the Implementation of Article VII of the GATT 1994 by 1 July 1997.

Other Customs Formalities

57. 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 submitted to the Government. Norms laid down in the Kyoto Convention had been taken into account in the development of the new Customs Law.

Anti-Dumping, Countervailing Duties and Safeguard Régimes

58. 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 duties 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, draft legislation on countervailing duties would be presented to the Cabinet of Ministers by 1998, and a study on the introduction of anti-dumping legislation would be completed in the beginning of 1998.

59. Some members of the Working Party asked Latvia to describe its safeguards régime 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 régime 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 régime was temporary and would be replaced by new legislation.

60. The representative of Latvia said that 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 Agreements on the Implementation of Article VI, the Agreement on Subsidies and Countervailing Measures and the Agreement on Safeguards. Latvia would also 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

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

62. 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 antiquities. The list of concerned products, by HS tariff line, and the respective tariff rates is reproduced in Table 4. 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.

Table 4: Export Duties							
LCCN code	Description	Basic rate of duty		Rate of duty for "the most favourable regime"		Rate of duty for "The free trade regime"	
		%	Ls	%	Ls	%	Ls
1	2	3	4	5	6	7	8
	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared						
4403 20 001	-- Round timber with length above 2m and diameter from 14cm to 24cm, dense M ³ *		6.0		6.0		6.0
4403 20 002	-- Round timber with length above 2m and diameter 26cm and more, dense M ³ *		8.0		8.0		6.0
4403 91 001	-- Oak-tree round timber with length above 1m and diameter above 14cm, dense M ³ *		50.0		50.0		50.0

Table 4: Export Duties							
LCCN code	Description	Basic rate of duty		Rate of duty for "the most favourable regime"		Rate of duty for "The free trade regime"	
		%	Ls	%	Ls	%	Ls
1	2	3	4	5	6	7	8
4403 92 001	-- Beech round timber with length above 1m and diameter above 14 cm, dense M ³ *		60.0		60.0		60.0
4403 99 901	---- Round timber with length above 1.6m and diameter from 16 to 24cm (veneer blocks, match blocks and saw-timber of sort A), dense M ³ *		16.0		16.0		16.0
4403 99 902	---- Round timber with length above 1.6m and diameter 26cm and more (veneer blocks, match blocks and saw-timber of sort A), dense M ³ *		20.0		20.0		20.0
4403 99 903	---- Round timber with length above 1.6m and diameter from 16 to 24cm (except veneer blocks, match blocks and saw-timber of sort A), dense M ³ *		4.0		4.0		2.0
4403 99 904	---- Round timber with length above 1.6m and diameter 26cm and more (except veneer blocks, match blocks and saw-timber of sort A), dense M ³		6.0		6.0		2.0
4403 99 909	---- Ash-tree, elm, elm-tree, hornbeam, maple and other Latvian hard leaf-bearing round timber with length above 1m and diameter above 14cm, dense M ³ *		50.0		50.0		50.0
	Printed books, brochures, leaflets and similar printed matter, whether or not in single sheets						
4901 10 002	-- Published before 50-100 years*	50		50		0	
4901 10 003	-- Older than 100 years*	100		100		0	
	- Other:						
	-- Dictionaries and encyclopedias, and serial instalments thereof						
4901 91 002	-- Published before 50-100 years*	50		50		0	
4901 91 003	-- Older than 100 years*	100		100		0	
	- Other:						
4901 99 002	-- Published before 50-100 years*	50		50		0	
4901 99 003	-- Older than 100 years*	100		100		0	
7204	Ferrous waste and scrap; remelting scrap ingots of iron or steel	100		100		100	
7404 00	Copper waste and scrap	20		20		20	
7503 00	Nickel waste and scrap:	20		20		20	
7602 00	Aluminium waste and scrap:	20		20		20	
	Works of art, collectors' pieces and antiques						
	- Paintings, drawings and pastels						
9701 10 002	-- From 50 to 100 years*	50		50		0	
9701 10 003	-- Older than 100 years*	100		100		0	
9701 90 002	-- From 50 to 100 years*	50		50		0	
9701 90 003	-- Older than 100 years*	100		100		0	
	Original engravings, prints and lithographs						
9702 00 002	-- From 50 to 100 years*	50		50		0	
9702 00 003	-- Older than 100 years*	100		100		0	

Table 4: Export Duties							
LCCN code	Description	Basic rate of duty		Rate of duty for "the most favourable regime"		Rate of duty for "The free trade regime"	
		%	Ls	%	Ls	%	Ls
1	2	3	4	5	6	7	8
	Original sculptures and statuary, in any material						
9703 00 002	-- From 50 to 100 years*	50		50		0	
9703 00 003	-- Older than 100 years*	100		100		0	
9706 00 000	Antiques of an age exceeding 100 years	100		100		0	

63. The representative of Latvia confirmed that Latvia would abolish all export duties by 1 January 2000 with the exception of the duty on antiques. Present export tariff rates related only to the goods listed in Table 4 Export Duties. All customs tariff changes were published in the official journal of the Republic of Latvia - the newspaper "Latvijas Vēstnesis".

Export Restrictions

64. Some members of the Working Party requested details on the licensing régime 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.

Export Subsidies

65. 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.

Internal Policies Affecting Foreign Trade in Goods

Industrial Policy, including Subsidies

66. 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.

67. The representative of Latvia replied that the Government aimed at improving infrastructure generally and would not target any particular industry or enterprise. He confirmed that Latvia did not maintain subsidies which met the definition of a prohibited subsidy, within the meaning of Article 3 of the Agreement on Subsidies and Countervailing Measures.

Technical Barriers to Trade, Sanitary and Phytosanitary Measures

68. 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.

69. The representative of Latvia stated that the Latvian National Standardization and Metrology Centre prepared national standards, all of which were voluntary except those related to human health, safety and the environment. Standards were formulated in technical committees comprising representatives of relevant Ministries, producers and other experts. The Centre was an affiliated member of the European Standardization Committee (CEN), a corresponding member of the ISO, and would be the responsible body for implementing the Code of Good Practice. Certification of goods was prescribed in the Law "On the Protection of Consumer Rights"; three 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. The National Accreditation Office intended to join ISO CASCOS. Certificates issued by foreign institutions were recognized in accordance with bilateral agreements. Safety standards and requirements were identical for imported and domestic products. Latvia provided information on technical barriers to trade in document WT/ACC/LVA/4, Annex 5. All draft standards were not published due to financial difficulties. However, draft standards were disseminated among all interested parties for discussion and comments.

70. Some members of the Working Party asked Latvia to describe its régime 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 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.

71. The representative of Latvia said Latvia participated in the activities of the Codex Alimentarius Commission, the International Office of Epizootics (IOE) and the European and Mediterranean Plant Protection Convention and hoped to join the International Plant Protection Organization in 1996 or 1997. 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).

72. 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". Latvia was in the process of establishing adequate approval, control and inspection procedures as required by the WTO Agreement. Veterinary controls were effected by the Veterinary Department of the Ministry of Agriculture. Imported products were accompanied by certificates issued by the veterinary authorities of the exporting country in accordance with Latvian quality requirements. The products covered by veterinary regulations fell under HS Chapter headings 0100, 0200, 0300, 0400, 0407, 0409, 0410, 0500, 0714, 1000, 1200,

1201, 1202, 1204-1208, 1211, 1212, 12149010, 1500, 1600, 2100, 2300, 2302, 2304-2306, 2308 and 2309. The State plant protection service was responsible for the control of products groups 0601-0603, 0701, 0703, 0706, 0708, 0713, 0714, 0801-0806, 0808, 0809, 0813, 090111, 090130, 0904, 0906-0908, 0910, 1000, 1101-1103, 1107, 1200, 1201, 1202, 1203, 1204, 1205, 1206, 1207, 1208, 1209, 1210-1212, 1214910, 1400, 1802, 1802, 2302-2306, 2308 and 2404. The Environment Health service institutions inspected products under HS headings 0200, 0300, 0400, 0409, 0410, 0500, 0700, 0701, 0703, 0706, 0708, 0713, 0714, 0800-0806, 0808, 0809, 0813, 0900, 090111, 0904, 0906-0908, 0910, 1000, 1100-1103, 1107, 1201, 1202, 1204-1207, 1210-1212, 1300, 1500, 1600, 1700, 1800, 1801, 1900, 2000, 2100, 2200, 2402 and 2403. 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.

73. The representative of Latvia agreed that sanitary and phytosanitary measures should be published in advance of implementation to allow comments. A National Food Centre would be established for the dissemination of information prior to Latvia's accession to the WTO. He confirmed that, from the date of accession, Latvia intended to comply fully with the obligations set out in the TBT and SPS Agreements.

Trade-Related Investment Measures (TRIMs)

74. 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). The representative of Latvia said that Latvia did not maintain any measures inconsistent with the TRIMs Agreement and would not invoke provisions in the Agreement that provide for the progressive elimination of such measures within a fixed period of time.

State Trading Entities

75. 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 Grain Board 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.

76. 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 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 rôle in their activities.

77. 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 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.

Free Zones, Special Economic Areas

78. The representative of Latvia said that a Free Port régime existed in one part of the Riga Trading Port, established by the Law "On Riga Free Port", passed by Parliament in November 1996. Projects were under way to establish a Free Port régime in the Ventspils port and a Special Economic Zone in the Liepaja region. The Liepaja project was designed to promote regional economic development in a depressed region, and to help restructure and rebuild the totally destroyed environment in the former Soviet Navy base area. The existing and planned Free Port régimes and Special Economic Zone projects

were in all details corresponding to the new Latvian Customs Code. Two laws in preparation "On promotion of depressed regions" and "On Special Economic Zones" would regulate and coordinate the process of the establishment of Special Economic Zones in order to promote economic development in the depressed areas.

Government Procurement

79. 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.

80. The representative of Latvia said that Latvia was drafting a new law on Public Procurement based on the Agreement on Government Procurement and the UNCITRAL Model Law on Procurement. The Law would allow 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 Ls 5,000 (local government or State institutions) or Ls 3,000 (local government institutions). 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.

81. The Law on Public Procurement was passed by Parliament on 24 October 1996. An English version of the Law would be prepared and submitted to the WTO Secretariat. The new Law on Public 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 LS 4 million (SDR 5 million) or the expected value of other works or supplies exceeded Ls 104,000 (SDR 130,000). National treatment applied in the field of government procurement.

82. 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 1997 and had begun preparation of the accession documents. However, additional consultations would be required with WTO experts before negotiations could start.

Transit

83. Some members of the Working Party asked Latvia to describe the régime relating to goods in transit. The presentative 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.

Agricultural Policies

84. Some members of the Working Party asked Latvia to elaborate on its agriculture régime, 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. A member sought a commitment that Latvia would eliminate export subsidies and price controls on grain products.

85. The representative of Latvia said that the weighted average duty in agriculture was 14.8 per cent, by HS two-digit product categories weighted average duties were as follows:

Live animals	16.5 per cent
Meat and by-products	26.6 "

Milk and dairy products; eggs; natural honey; etc.	27.1	"
Products of animal origin	12.1	"
Live trees and other fruit	16.9	"
Vegetables, root-vegetables and tuberous plants	15.9	"
Fruit and nuts	0.8	"
Coffee, tea, mate and spices	0.5	"
Cereal crops	10.9	"
Products of the milling industry	18.5	"
Oil plant seeds and fruit	12.1	"
Lacquer, resin and other plant juices and extracts	13.3	"
Wadding material of plant origin	15.0	"
Animal and vegetable fats and oils	2.1	"
Meat products and marine products	30.7	"
Sugar and sugar confectionery	9.2	"
Cocoa and its derivatives	11.4	"
Cereal, flour, starch and dairy derivatives	20.7	"
Fruit, vegetable, nut derivatives, etc.	14.0	"
Miscellaneous foodstuffs	10.8	"
Non-alcoholic beverages, alcoholic drinks, vinegar	24.9	"
Food processing industry residues, ready-made animal feed	13.5	"
Tobacco and its substitutes	15.0	per cent

86. The representative of Latvia provided a list of sensitive products (Table 5) which attracted high import duties and for which rates had been increased in 1994 in accordance with the proposals of the Farmers' Union. He stressed that the production of sensitive commodities accounted for 18 per cent of total employment in Latvia and was of vital importance to the rural population.

Table 5: Sensitive products	
HS Code	Product Description
0102	Live bovine animals
0103	Live swine

Table 5: Sensitive products	
HS Code	Product Description
0201	Meat of bovine animals, fresh or chilled
0202	Meat of bovine animals, frozen
0203	Meat of swine, fresh, chilled
0204	Meat of sheep or goats, fresh, chilled or frozen
0206	Edible offal of bovine animals, swine, sheep, goats, horses, asses, mules or hingses fresh, chilled or frozen
0207	Meat of edible offal, of the poultry of heading No 0105, fresh chilled or frozen
0209	Pig fat free of lean meat and poultry fat (not rendered), fresh chilled, frozen, in brine, dried or smoked
0210	Meat and edible meat offal, salted in brine, dried or smoked; edible flours and meals of meat or meat offal
0401	Milk and cream, not concentrated or containing added sugar or other sweetening matter
0402	Milk and cream, concentrated or containing added sugar or other sweetening matter
0403	Yoghurt
0404	Whey, whether or not concentrated or containing added sugar or other sweating matter not elsewhere specified or included
0405	Butter and other fats and oils derived from milk
0406	Cheese and curd
0407	Birds eggs, in shell, fresh
0603	Flowers for decorative purpose
0701	Potatoes, fresh or chilled
0702	Tomatoes, fresh or chilled
0704	Cabbages, cauliflower, kohlrabi, kale and similar edible brassicas, fresh or chilled
0706	Carrots, turnips, salad beetroot, salsify, celeriac, radishes and similar edible roots, fresh or chilled
1001	Wheat and meslin
1002	Rye
1003	Barley
1004	Oats
1008	Buckwheat, millet and canary seed
1101	Wheat or meslin flour
1102	Cereals flours other than of wheat or meslin
1103	Cereal grouts, meal and pellets
1104	Cereal grains otherwise worked, except rice of heading No 1006
1105	Flour, meal and flakes of potatoes
1106	Flour and meal of the dried leguminous
1107	malt whether or not roasted
1108	Starches; insulin
1209	Seeds, fruit and spores of a kind used for sowing
1501	Lard, other pig fat and poultry fat, rendered, whether or not pressed
1502	Fats of bovine animals, sheep or goats, raw or rendered

Table 5: Sensitive products	
HS Code	Product Description
1512	Sunflower - seed, safflower or cotton seed
1517	Margarine, edible mixtures or preparations of animal or vegetable fats or oil or of fractions of different fats
1601	Sausages and similar products, of meat, meat offal or blood
1602	Other prepared or preserved meat offal or blood
1701	Cane or beet sugar and chemically pure sucrose, in solid form
1703	Molasses resulting from the extortion or refining of sugar
1704	Confectionery from sugar not containing cacao
1806	Cocoa powder, containing other sugar or other sweetening matter other
19	Products from flour, starch and milk
2001	Vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid
2002	Tomatoes, prepared or preserved otherwise than by vinegar or acetic acid
2003	Mushrooms and truffles, prepared or preserved otherwise than by vinegar or acetic acid
2004	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, frozen
2005	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, not frozen
2006	Fruits, nuts, fruit-peel and other parts of plants, preserved by sugar
2007	Jams, fruit jellies, marmalades, fruit or nut pure and fruit or nut pastes, being cooked preparations, whether or not containing added sugar or other sweetening matter
2009	Fruit juices and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter
2203	Beer from malt
2204	Wine of fresh grapes
2207	Undenaturated ethyl alcohol of an alcoholic strength by volume 80% and higher
2208	Undenaturated ethyl alcohol of an alcoholic strength by volume less than 80% and lower
2302	Bran, sharps and other residues
2309	Preparations of a kind used in animal feeding

87. Regarding domestic support, the representative of Latvia said that Latvia maintained a market price support for flax. According to the classification suggested in document WT/ACC/4, State support for flax was considered as provided in the form of direct payments to the producers and information was given in supporting tables DS:1 and DS:9. Support for flax would be subject to reduction commitments under the WTO Agreement on Agriculture. Subsidies for cereals in specific regions, seed materials and inputs were *de minimis* support. Subsidies for potatoes, cattle and seeds were also *de minimis* support. Latvia considered financing of agricultural research, pest and disease control, advisory services and infrastructure as "green box" measures. Farmers had access to credits at market interest rates through a World Bank facility operated through the Latvian Agricultural Finance Corporation. The State itself did not provide credits but issued loan guarantees.

88. The representative of Latvia said that the Government guaranteed the price of food grain purchased 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. In response to a specific question on elimination of these guaranteed prices, the representative of Latvia said that Latvia would consider the possibility of settling the matter within two years after accession to the WTO.

89. The representative of Latvia added that imported agricultural inputs in exported finished products were exempt from import duties and VAT. Such imports accounted for 2.2 per cent of Latvia's imports of agricultural products in 1995. Before regaining independence, Latvia had exported agricultural products to other republics of the USSR at prices and quantities guaranteed by the former system. Latvia had provided export subsidies for milk powder, canned whole milk, cheese, butter and rye in 1994 and 1995. He stressed that Latvia was not prepared to eliminate export subsidies, but would reduce them consistently with the WTO Agreement.

Fish and Fish Products

90. The representative of Latvia said that the weighted average tariff on fish and crustaceans falling within HS Chapter 3 amounted to 8.9 per cent. Prepared fish products (HS Chapter 16.04) and prepared marine products (HS Chapter 16.05) were classified as sensitive products and thus subject to high import duties in the Latvian Customs Tariff.

Trade in Civil Aircraft

91. 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.

Trade-Related Intellectual Property Rights (TRIPS)

92. Some members of the Working Party asked Latvia to compare its existing régime 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.

93. The representative of Latvia said that, as stated in document WT/ACC/LVA/8 (pp. 39-40), existing legislation was in conformity with the WTO Agreement on TRIPS with the exception of the protection of geographical indications and layout-designs (topographies) of integrated circuits - which Latvia was committed to implement by the end of 1995 under a bilateral agreement - and Part III, sections 3 and 4 of the TRIPS Agreement (provisional and border measures) which would be implemented by 1999. 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. The court system was currently under reform to strengthen its capability to enforce intellectual property rights.

94. The representative of Latvia said that 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. The Criminal Code was amended in October 1995 in regard to violation of copyright and neighbouring rights. Latvia acceded to the Berne Convention in August 1995.

Policies Affecting Trade in Services

95. The representative of Latvia provided a description of Latvia's services régime 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.

96. 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. Applications could be dismissed if the documents submitted for registration did not meet the legal requirements or if the foundation of a bank was considered not to be in the interest of Latvia.

97. 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. 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. However, the restriction did not extend to reinsurance 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. The representative of Latvia said that many service activities were subject to licensing according to Regulation No. 321 of 31 October 1995 "On limitation of Entrepreneurial Activity". Licensing had been introduced to ensure a professional level of services and the protection of consumers. Foreigners were granted national treatment in the issuance of licences to supply individual professional services. However, the Law "On Entrepreneurial Activity" allowed licences for sworn auditors, sworn land surveyors, sworn estimate practice, inspector activities, legal adviser practice, notary practice, coach, sports instructor and specialist practice, pharmaceutical practice, insurance mediation services and other entrepreneurship mentioned in part 4 of its Article 32 to be issued only to physical persons. He confirmed that Latvia had no legislation on safeguard measures related to trade in services and that no restrictions were applied on transfers and current payments for services.

98. The representative of Latvia said that the State enterprise "Latvijas Pasts" (Latvian Post) held monopoly rights on postal services. "Lattelekom", a joint venture between Tilts Communications (British and Finnish ownership) and the Latvian Government, had been granted an exclusive right for 20 years to provide telecommunication services.

99. The representative of Latvia noted that Latvia's free trade agreements had traditionally not covered trade in services. However, Latvia had negotiated an Association (Europe) Agreement with the European Union, signed on 12 June 1995, which would include 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.

Transparency

One member suggested:

[100. 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. He further stated that no law, rule etc. related to international trade would become effective prior to such publication.

101. The representative of Latvia said that at the latest upon entry into force of the Protocol of Accession, Latvia would submit all notifications (other than those required to be made on an *ad hoc* basis) required by any Agreement constituting part of the WTO Agreement.]

Trade Agreements

102. 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 free trade agreements which excluded trade in agricultural products.

103. The representative of Latvia said that agreements for the avoidance of double taxation and prevention of fiscal evasion had entered into force with Canada, the Czech Republic, Denmark, Estonia, Finland, Iceland, Lithuania, the Netherlands, Norway, Poland and Sweden. Latvia had entered into intergovernmental agreements on trade and economic cooperation, providing for m.f.n. status, with Armenia, Australia, Azerbaijan, Czech Republic, Hungary, India, Moldova, Poland, Russian Federation, Tadjikistan, Turkmenistan, Ukraine, United States and Uzbekistan. Free trade agreements had been concluded with the European Union, EFTA, the Czech Republic, the Slovak Republic, Slovenia, and a trilateral free trade agreement with Estonia and Lithuania. These trading partners accounted for nearly 60 per cent of Latvia's foreign trade in 1996.

104. A Europe Agreement between the European Union and Latvia was signed on 12 June 1995. The Free Trade Agreements with Norway and Switzerland were replaced by a Free Trade Agreement between Latvia and EFTA which entered into force on 1 June 1996. This agreement was concluded in accordance with the Article XXIV of the GATT 1994 and had been notified to the WTO. The

trilateral Protocol on Trade in Agricultural Products between Latvia, Estonia and Lithuania was signed on 16 June 1996 and would enter into force on 1 January 1997.

105. The representative of Latvia said that the free trade agreement with the European Union had been notified to the WTO in July 1995 in document WT/REG/7/1. Latvia was committed to reduce tariffs on agricultural imports from the European Union in equal annual steps between 1995 and 2000. Reductions were granted through tariff quotas on 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 EU were meat and meat products, dairy products, chocolate and sweets.

106. 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 preferential trading systems, free trade areas and customs unions of which Latvia was a member were met from the date of accession, in so far as these provisions had not already been met by one of the other Parties to such an agreement.

Conclusions

107. The Working Party took note of the explanations and statements of Latvia concerning its foreign trade régime, as reflected in this summary. The Working Party took note of the assurances given by Latvia in relation to certain specific matters which are reproduced in paragraphs..... of this summary. The Working Party took note of the commitments given by Latvia in relation to certain specific matters which are reproduced in paragraphs of this summary. The Working Party took note that these commitments had been incorporated in paragraph ... of the Protocol of Accession of Latvia to the WTO.

108. Having carried out the examination of the foreign trade régime 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) and its Schedule of Concessions and Commitments on Goods (document) 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.

[To be completed]

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 comprise the commitments referred to in paragraph 86 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 86 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

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 seven, 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

[To be circulated]

Part II - Services

[To be circulated]

[To be completed]