

WORLD TRADE ORGANIZATION

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(99-0310)

Committee on Regional Trade Agreements

Original: English

FREE TRADE AGREEMENT BETWEEN CROATIA AND SLOVENIA

The following text reproduces the Agreement between the Republic of Slovenia and the Republic of Croatia.

Agreement between the Republic of Slovenia and the Republic of Croatia

The Republic of Slovenia and the Republic of Croatia (hereinafter “the Parties”),

Reaffirming their firm commitment to pluralistic democracy based on the rule of law, human rights and fundamental freedoms;

Recalling their intention to participate actively in the process of economic integration in Europe and expressing their preparedness to co-operate in seeking ways and means to strengthen this process;

Having regard to the Protocol from the first meeting of the Committee for economic co-operation between Slovenia and Croatia signed on October 5, 1994 and to the Joint declaration of intent on the conclusion of the Free Trade Agreement between the Parties signed on February 7, 1994;

Reaffirming their firm commitment to the principles of a market economy which constitutes the basis for their relations;

Recalling their firm commitment to the Final Act of the Conference on Security and Co-operation in Europe, the Paris Charter, and in particular the principles contained in the final document of the Bonn Conference on Economic Co-operation in Europe;

Resolved to this end to eliminate progressively the obstacles to substantially all their mutual trade, in accordance with the provisions of the General Agreement on Tariffs and Trade 1994 (hereinafter “GATT 1994”) and the Agreement Establishing the World Trade Organization (hereinafter “WTO”), the Republic of Croatia having objective to become a Member of the WTO;

Firmly convinced that this Agreement will foster the intensification of mutually beneficial trade relations among them and contribute to the process of integration in Europe;

Considering that no provision of this Agreement may be interpreted as exempting the Parties from their obligations under other international agreements;

Have agreed as follows:

Article 1

Objectives

1. The Parties shall gradually establish a free trade area on substantially all their bilateral trade in a transitional period ending on January 1, 2001, in accordance with the provisions of this Agreement and in conformity with Article XXIV of the GATT 1994 and the WTO.
2. The objectives of this Agreement are:
 - (a) to promote through the expansion of mutual trade the harmonious development of economic relations between the Parties and thus to foster in the Parties the advance of economic activity;
 - (b) to provide fair conditions of competition for trade between the Parties;
 - (c) to contribute by the removal of barriers to trade to the harmonious development and expansion of world trade.

CHAPTER I

Industrial Products

Article 2

Scope

1. The provisions of this Chapter shall apply to industrial products originating in one of the Parties.
2. The term "industrial products" means for the purpose of this Agreement the products falling within Chapters 25 to 97 of the Harmonized Commodity Description and Coding System, with the exception of the products listed in Annex I to this Agreement.

Article 3

Basic Duties

1. For each product the basic duty to which the successive reductions set out in this Agreement are to be applied shall be the Most Favoured Nation rate of duty in force on January 1, 1998.
2. If, after entry into force of this Agreement, any tariff reduction is applied on an erga omnes basis, in particular reductions resulting from the tariff agreement concluded as a result of the GATT Uruguay Round of multilateral trade negotiations, such reduced duties shall replace the basic duties referred to in paragraph 1 as from that date when such reductions are applied.
3. The reduced duties calculated in accordance with paragraph 2 shall be applied rounded to the first decimal place.
4. The Parties shall notify each other their respective customs duties.

Article 4

Customs Duties on Imports

1. No new customs duty on imports shall be introduced in trade between the Parties as of the date of entry into force of this Agreement.
2. All customs duties on imports shall be abolished in accordance with the provisions of the Protocol 1 to this Agreement (hereinafter "Protocol 1").

Article 5

Charges Equivalent to Customs Duties

1. No new charge having an effect equivalent to a customs duty on imports shall be introduced in trade between the Parties as of the date of entry into force of this Agreement.
2. All charges having an effect equivalent to customs duties on imports shall be abolished on the date of the entry into force of this Agreement.

Article 6

Fiscal Duties

1. The provisions of Article 4 shall also apply to customs duties of a fiscal nature.

Article 7

Customs Duties on Exports and Charges Having Equivalent Effect

1. No new customs duty on exports or charge having equivalent effect shall be introduced in trade between the Parties as of the date of entry into force of this Agreement.
2. All customs duties on exports and charges having equivalent effect shall be abolished on the date of entry into force of this Agreement.

Article 8

Quantitative Restrictions on Imports and Measures Having Equivalent Effect

1. No new quantitative restriction on imports or measure having equivalent effect shall be introduced in trade between the Parties as of the date of entry into force of this Agreement.
2. All quantitative restrictions on imports and measures having equivalent effect shall be abolished on the date of entry into force of this Agreement.

Article 9

Quantitative Restrictions on Exports and Measures Having Equivalent Effect

1. No new quantitative restriction on exports or measure having equivalent effect shall be applied in trade between the Parties as of the date of entry into force of this Agreement.
2. All quantitative restrictions on exports and measures having equivalent effect shall be abolished on the date of entry into force of this Agreement, except as provided for in Annex II to this Agreement.

Article 10

Elimination of Technical Barriers to Trade

1. The rights and obligations of the Parties relating to technical barriers to trade shall be governed by the WTO Agreement on Technical Barriers to Trade.
2. The Parties shall co-operate and exchange information in the field of standardization, metrology, conformity assessment and accreditation with the aim of reducing technical barriers to trade.
3. In order to eliminate technical barriers and effectively implement this Agreement, the Parties may on the basis hereof conclude an agreement on mutual recognition of test reports, certificates of conformity and other documents directly or indirectly related to conformity assessment of the products which are the subject of the goods exchange between the Parties with the regulations effective in the importing country.

CHAPTER II

Agricultural Products

Article 11

Scope

1. The provisions of this Chapter shall apply to agricultural products originating in one of the Parties.
2. The term "agricultural products" means for the purpose of this Agreement the products falling within Chapter 1 to 24 of the Harmonized Commodity Description and Coding System and all the products listed in Annex I to this Agreement.

Article 12

Exchange of Concessions

1. The Parties shall grant each other the concessions specified in the Protocol 2 to this Agreement (hereinafter "Protocol 2") as laid down in that Protocol and in accordance with provisions of this Chapter.

2. Taking account of:

- the role of agriculture in their economies,
- the development of trade in agricultural products between the Parties,
- the particular sensitivity of the agricultural products,
- the rules of their agricultural policies,
- the results of the multilateral trade negotiations under the WTO,

the Parties shall examine, within the framework of the Joint Committee, the possibilities of granting each other further concessions in trade in agricultural products.

Article 13

Concessions and Agricultural Policies

1. Without prejudice to the concessions granted under Article 12 to this Agreement, the provisions of this Chapter shall not restrict in any way the pursuance of the respective agricultural policies of the Parties or the taking of any measures under such policies, including the implementation of the results of the Uruguay Round agreements.

2. The Parties shall notify to the Joint Committee changes in their respective agricultural policies pursued or measures applied which may affect the conditions of trade in agricultural products between them. On the request of a Party, prompt consultations shall be held, to examine the situation.

Article 14

Specific Safeguards

1. Notwithstanding other provisions of this Agreement, in particular Article 27 to this Agreement, and given the particular sensitivity of the agricultural products, if imports of products originating in a Party which are subject to concessions granted under this Agreement cause serious disturbances to the market of the other Party, the Party concerned shall immediately enter into consultations to find an appropriate solution. Pending such solution, the Party concerned may take measures it deems necessary.

Article 15

Sanitary and Phytosanitary Measures

1. The Parties shall apply their regulations in veterinary, plant health and health matters, in particular in the exchange of information on infectious diseases of domestic animals, quarantine diseases, plant pests and weed, as well as in the adjustment of similar documents in the exchange and

transport of goods, taking into account that the Agreement on co-operation in the field of veterinary medicine has already been signed in Zagreb on September 13, 1995.

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

CHAPTER III

General Provisions

Article 16

Rules of Origin and Co-operation in Customs Administration

1. Protocol 3 to this Agreement (hereinafter "Protocol 3") lays down the rules of origin and related methods of administrative co-operation.

2. The Parties shall take appropriate measures, including regular reviews by the Joint Committee and arrangements for administrative co-operation, to ensure that the provisions of Protocol 3 and Articles 3 to 9, 12, 17, 27, 28 and 29 to this Agreement are effectively and harmoniously applied, and to reduce, as far as possible, the formalities imposed on trade, and to achieve mutually satisfactory solutions to any difficulties arising from the operation of those provisions.

3. Protocol 4 to this Agreement (hereinafter "Protocol 4") shall stipulate mutual assistance and co-operation between Customs Administrations of the Parties.

Article 17

Internal Taxation

1. The Parties shall refrain from any measure or practice of an internal fiscal nature establishing, whether directly or indirectly, discrimination between the products originating in the Parties.

2. Products exported to the territory of one of the Parties may not benefit from repayment of internal taxation in excess of the amount of direct or indirect taxation imposed on them.

Article 18

General Exceptions

1. This Agreement shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security; of the protection of health and life of humans, animals or plants; of the protection of national treasures possessing artistic, historic or archaeological value; of the protection of intellectual property, or of the rules relating to gold or silver or to the conservation of exhaustible natural resources, if such measures are made effective in conjunction with restrictions on domestic production or consumption. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between the Parties.

Article 19

Security Exceptions

1. Nothing in this Agreement shall prevent a Party from taking any appropriate measure which it considers necessary:

- (a) to prevent the disclosure of information contrary to its essential security interests;
- (b) for the protection of its essential security interests or for the implementation of international obligations or national policies:
 - (i) relating to the traffic in arms, ammunition and implements of war, provided that such measures do not impair the conditions of competition in respect of products not intended for specifically military purposes, and to such traffic in other goods, materials and services as is carried on directly or indirectly for the purpose of supplying a military establishment; or
 - (ii) relating to the non proliferation of biological and chemical weapons, nuclear weapons or other nuclear explosive devices; or
 - (iii) taken in time of war or other serious international tension.

Article 20

State Monopolies

1. The Parties shall adjust progressively any State monopoly of a commercial character so as to ensure that by the end of the transitional period laid down in Article 1 to this Agreement, no discrimination regarding the conditions under which goods are procured and marketed exists between nationals of the Parties. The Parties shall inform each other about the measure adopted to implement this objective.

2. The provisions of this Article shall apply to any body through which the competent authorities of the Parties, in law or in fact, either directly or indirectly supervise, determine or appreciably influence imports or exports between the Parties. These provisions shall likewise apply to monopolies delegated by the State to other bodies.

Article 21

Payments

1. Payments in freely convertible currencies relating to trade in goods between the Parties and the transfer of such payments to the territory of the Party where the creditor resides shall be free from any restrictions.

2. The Parties shall refrain from any exchange or administrative restrictions on the grant, repayment or acceptance of short and medium term credits to trade in goods in which a resident of a Party participates.

3. Notwithstanding the provisions of paragraph 2, any measures concerning current payments connected with the movement of goods shall be in conformity with the conditions laid down under Article VIII of the Articles of the Agreement of the International Monetary Fund.

Article 22

Rules of Competition Concerning Undertakings

1. The following are incompatible with the proper functioning of this Agreement in so far as they may affect trade between the Parties:

- (a) all agreements between undertakings, decisions by associations of undertakings and concerted practices between undertakings which have as their object or effect the prevention, restriction or distortion of competition;
- (b) abuse by one or more undertakings of a dominant position in the territories of the Parties as a whole or in a substantial part thereof.

2. The provisions of paragraph 1 shall apply to the activities of all undertakings including public undertakings and undertakings to which the Parties grant special or exclusive rights. Undertakings entrusted with the operation of services of general economic interest or having the character of a revenue-producing monopoly, shall be subject to provisions of paragraph 1 in so far as the application of these provisions does not obstruct the performance, in law or fact, of the particular public tasks assigned to them.

3. With regard to products referred to in Chapter II to this Agreement the provisions of paragraph 1a. shall not apply to such agreements, decisions and practices which form an integral part of a national market organization.

4. If a Party considers that a given practice is incompatible with paragraphs 1, 2 and 3 and if such practice causes or threatens to cause serious prejudice to the interest of that Party or material injury to its domestic industry, it may take appropriate measures under the conditions and in accordance with the procedure laid down in Article 31 to this Agreement.

Article 23

State Aid

1. Any aid granted by a State being Party to this Agreement or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it may affect trade between the Parties, be incompatible with the proper functioning of this Agreement.

2. The provisions of paragraph 1 shall not apply to products covered by Chapter II to this Agreement.

3. The Joint Committee shall, within three years from the entry into force of this Agreement, adopt the criteria on the basis of which the practices contrary to paragraph 1 shall be assessed, as well as the rules for their implementation.

4. The Parties shall ensure transparency in the area of state aid, *inter alia* by reporting annually to the Joint Committee on the total amount and the distribution of the aid given and by providing to the other Party, upon request, information on aid schemes and on particular individual cases of state aid.

5. If a Party considers that a particular practice, including that in agriculture:

- is incompatible with the terms of paragraph 1, and is not adequately dealt with under the implementing rules referred to in paragraph 3, or
- in the absence of rules, referred to in paragraph 3, causes or threatens to cause serious prejudice to the interest of that Party or material injury to its domestic industry,

it may take appropriate measures under the conditions of and in accordance with the provisions laid down in Article 31 to this Agreement.

6. Such appropriate measures may only be taken in conformity with the procedures and under the conditions laid down by the GATT 1994 and by the WTO, and any other relevant instruments negotiated under their auspices, which are applicable between the Parties concerned.

Article 24

Public Procurement

1. The Parties consider the liberalization of their respective public procurement markets as an objective of this Agreement.

2. The Parties shall progressively adjust their respective rules, conditions and practices with a view to grant suppliers of the other Party by the end of the transitional period at the latest access to contract award procedures on their respective public procurement markets taking into account the provisions of the Agreement on Government Procurement of the WTO.

3. The Joint Committee shall examine developments related to the achievement of the objectives of this Article so as to ensure free access, transparency and mutual opening of their respective public procurement markets.

4. The Parties shall endeavour to accede to the relevant Agreements negotiated under the auspices of the GATT 1994 and the WTO.

Article 25

Protection of Intellectual Property

1. The Parties shall grant and ensure protection of intellectual property rights on a non-discriminatory basis, including measures for the grant and enforcement of such rights, even in the cases when they are violated. By the end of transitional period the protection shall be gradually improved to a level corresponding to the substantive standards of the multilateral agreements which are specified in Annex III to this Agreement.

2. For the purpose of this Agreement "intellectual property protection" includes in particular protection of copyright and related rights, including computer programs, data bases, trade and service

marks, geographical indicators including mark of origin, patents, industrial designs, new varieties of plants, topographies of integrated circuits, as well as undisclosed information.

Article 26

Dumping

1. If a Party finds that dumping within the meaning of Article VI of the GATT 1994 is taking place in trade relations governed by this Agreement, it may take appropriate measures against that practice in accordance with the WTO Agreement on Implementation of Article VI of the GATT 1994 under the conditions and in accordance with the procedure laid down in Article 31 to this Agreement.

Article 27

General Safeguards

1. Where any product is being imported in such increased quantities and under such conditions as to cause or threaten to cause:

- (a) serious injury to domestic producers of like or directly competitive products in the territory of the importing Party, or
- (b) serious disturbances in any related sector of the economy or difficulties which could bring about serious deterioration in the economic situation of a region,

the Party concerned may take appropriate measures under the conditions and in accordance with the procedure laid down in Article 31 to this Agreement.

Article 28

Structural Adjustment

1. Exceptional measures of limited duration which derogate from the provisions of Article 4 to this Agreement may be taken by any of the Parties in the form of increased customs duties.

2. These measures may only concern infant industries, or certain sectors undergoing restructuring or facing serious difficulties, particularly where these difficulties produce important social problems.

3. Customs duties on imports applicable in the Party concerned to products originating in the other Party introduced in accordance with the paragraphs 1 and 2 of this Article may not exceed 25 per cent *ad valorem* and shall maintain an element of preference in customs duties for products originating in the Parties. The total value of imports of the products which are subject to these measures may not exceed 15 per cent of total imports of industrial products from the other Party as defined in Chapter I to this Agreement, during the last year for which statistics are available.

4. These measures shall be applied for a period not exceeding the transitional period determined in paragraph 1 of the Article 1 to this Agreement. They shall cease to apply on January 1, 2001 at the latest.

5. The Party concerned shall inform the other Party of any exceptional measures it intends to take and, at the request of the other Party, consultations shall be held immediately within the Joint Committee on such measures and the sectors to which they apply prior to their introduction. When taking such measures the Party concerned shall provide the Joint Committee with a schedule for the elimination of the customs duties introduced under this Article. This schedule shall provide for a phasing out of these duties starting at the latest two years after their introduction, at equal annual rates. The Joint Committee may decide on a different schedule.

Article 29

Re-export and Serious Shortage

Where compliance with the provisions of Articles 7 and 9 to this Agreement leads to:

- (a) re-export towards a third country against which the exporting Party maintains for the product concerned quantitative export restrictions, export duties or measures or charges having equivalent effect; or
- (b) a serious shortage, or threat thereof, of a product essential to the exporting Party;

and where the situations referred to above give rise to are likely to give rise to major difficulties for the exporting Party, that Party may take appropriate measures under the conditions and in accordance with the procedure laid down in Article 31 to this Agreement.

Article 30

Fulfilment of Obligations

1. The Parties shall take any general or specific measures required to fulfil their obligations under this Agreement. They shall see to it that the objectives set out in this Agreement are attained.
2. If a Party considers that the other Party has failed to fulfil an obligation under this Agreement, the Party concerned may take appropriate measures under the conditions and in accordance with the procedure laid down in Article 31 to this Agreement.

Article 31

Procedure for the Application of Safeguard Measures

1. Before initiating the procedure for the application of safeguard measures set out in the following paragraphs of this Article, the Parties shall endeavour to solve any differences between them through direct consultations.
2. In the event of a Party subjecting imports of products liable to give rise to the situation referred to in Article 27 to this Agreement to an administrative procedure having as its purpose the rapid provision of information on the trend of trade flows, it shall inform the other Party.
3. Without prejudice to paragraph 7 of this Article, a Party which considers resorting to safeguard measures shall promptly notify the other Party thereof and supply all relevant information.

Consultations between the Parties shall take place without delay within the Joint Committee with a view to finding a solution acceptable to the Parties.

4. (a) With regard to Articles 26, 27 and 29 to this Agreement, the Joint Committee shall examine the case or situation and may take any decision needed to put an end to the difficulties notified by the Party concerned. In the case of the absence of such decision within thirty days of the matter being referred to the Joint Committee, the Party concerned may adopt the measures necessary in order to remedy the situation.
 - (b) As regards Article 30 to this Agreement, the Party concerned may take appropriate measures after the consultations have been concluded or a period of three months has elapsed from the date of the notification to the other Party.
 - (c) With regard to Article 22 and 23 to this Agreement, the Party concerned shall give the Joint Committee all the assistance required in order to examine the case and, where appropriate, eliminate the practice objected to. If the Party in question fails to put an end to the practice objected to within the period fixed by the Joint Committee or if the Joint Committee fails to reach an agreement within thirty working days of the matter being referred to it, the Party concerned may adopt the appropriate measures to deal with the difficulties resulting from the practice in question.
5. The safeguard measures taken shall be immediately notified to the other Party. They shall be limited with regard to their extent and to their duration to what is strictly necessary in order to rectify the situation giving rise to their application and shall not be in excess of the injury caused by the practice or the difficulty in question. Priority shall be given to such measures which will least disturb the functioning of this Agreement. The measures taken by a Party against an action or an omission of the other Party may only affect the trade with that Party.
6. The safeguard measures taken shall be the object of periodic consultations within the Joint Committee with a view to their relaxation as soon as possible, or abolition when conditions no longer justify their maintenance.
7. Where exceptional circumstances requiring immediate action make prior examination impossible, the Party concerned may, in the cases of Articles 26, 27 and 29 to this Agreement, apply forthwith the provisional measures strictly necessary to remedy the situation. The measures taken shall be notified without delay and consultations between the Parties shall take place as soon as possible within the Joint Committee.

Article 32

Balance of Payments Difficulties

1. The Parties shall endeavour to avoid the imposition of restrictive measures including measures relating to imports for balance of payments purposes.
2. Where one of the Parties is in serious balance of payments difficulties, or under imminent threat thereof, the Party concerned may, in accordance with the conditions established under the GATT 1994 and the WTO, adopt restrictive measures, including measures related to imports, which shall be of limited duration and may not go beyond what is necessary to remedy the balance of payments situation. The measures shall be progressively relaxed as balance of payments conditions

improve and they shall be eliminated when conditions no longer justify their maintenance. The Party concerned shall inform the other Party forthwith of their introduction and, whenever practicable, of a time schedule for their removal.

Article 33

Evolutionary Clause

1. Where a Party considers that it would be useful in the interests of the economies of the Parties to develop and deepen the relations established by this Agreement by extending them to fields not covered thereby, it shall submit a reasoned request to the other Party. The Parties may instruct the Joint Committee to examine such request and, where appropriate, may make recommendations, particularly with a view to opening negotiations.
2. Agreements resulting from the procedure referred to in paragraph 1 will be subject to ratification or approval by the Parties in accordance with their internal legislation.

Article 34

The Joint Committee

1. A Joint Committee is hereby established and shall be composed of the representatives of the Parties.
2. The implementation of this Agreement shall be supervised and administered by the Joint Committee.
3. For the purpose of the proper implementation of this Agreement, the Parties shall exchange information and, at the request of any Party, shall hold consultations within the Joint Committee. The Committee shall keep under review the possibility of further removal of the obstacles to trade between the Parties.
4. The Joint Committee may take decisions in the cases provided for in this Agreement. On other matters the Committee may take recommendations.

Article 35

Procedures of the Joint Committee

1. For the proper implementation of this Agreement the Joint Committee shall meet whenever necessary but at least once a year. Each Party may request that a meeting be held.
2. The Joint Committee shall act by common agreement.
3. If the representative of a Party in the Joint Committee has accepted, under reservation, a decision subject to the fulfilment of internal legal requirements, the decision shall enter into force, if no later date is contained therein, on the date of the receipt of a written notification as to the fulfilment of such requirements.

4. For the purpose of this Agreement the Joint Committee shall adopt its rules of procedure which shall inter alia contain provisions for conveying meeting and for the designation of the Chairman and his/her term of office.

5. The Joint Committee may decide to set up such subcommittees and working groups as it considers necessary to assist it in accomplishing its tasks.

Article 36

Services and Investment

1. The Parties recognise the growing importance of certain areas, such as services and investments. In their efforts to gradually develop and broaden their cooperation, in particular in the context of the European integration, they will co-operate with the aim of achieving a progressive liberalization and mutual opening of markets for investments and trade in services, taking into account relevant provisions of the General Agreement on Trade in Services.

2. The Parties will discuss in the Joint Committee the possibilities to extend their trade relations to the fields of foreign direct investment and trade in services.

Article 37

Customs Unions, Free-Trade Areas and Frontier Trade

This Agreement shall not prevent the maintenance or establishment of customs unions, free-trade areas or arrangements for frontier trade to the extent that these do not negatively affect the trade regime of the Parties and in particular the provisions concerning rules of origin provided for by this Agreement.

Article 38

Annexes, Protocols and Amendments

1. The Annexes and the Protocols to this Agreement are an integral part of it. The Joint Committee may decide to amend the Annexes and Protocols in accordance with the provisions of paragraph 3 of the Article 35 to this Agreement.

2. Amendments to this Agreement other than those decided upon in accordance with paragraph 4 of Article 34 to this Agreement, and which are approved by the Joint Committee, shall be submitted to the other Party for acceptance and shall enter into force if accepted by both Parties.

Article 39

Entry into Force

This Agreement shall enter into force on the first day of the month following the date when the Parties have notified each other through diplomatic channels that their respective internal requirements for the entry into force of this Agreement have been fulfilled.

Article 40

Provisional Application

This Agreement shall be applied provisionally from January 1, 1998.

Article 41

Validity and Denunciation

This Agreement is concluded for an indefinite period of time. Each Party may denounce it through diplomatic channels by a written notification to the other Party. In such case the Agreement shall be terminated on the first day of seventh month after the date on which the notification was received by the other Party.

IN WITNESS WHEREOF the undersigned plenipotentiaries, being duly authorized thereto, have signed this Agreement.

DONE at Zagreb, this 12th day of December 1997 in duplicate copies in the Slovenian, Croatian and English languages, all texts being equally authentic. In case of divergences in interpretation the English text shall prevail.

For the Republic of Slovenia
Janez Drnovšek (s)

For the Republic of Croatia
Zlatko Mateša (s)

ANNEX I
(referred to in Articles 2 and 11)

CN Code	Description of products
3502	Albumins (including concentrates of two or more whey proteins, containing by weight more than 80% cent whey proteins, calculated on the dry matter), albuminates and other albumin derivatives.

ANNEX II
(referred to in paragraph 2 of Article 9)

The Republic of Croatia shall abolish, by January 1, 2001 at the latest, quantitative restrictions on exports of the following products:

HS Codes		Description of products
27.09	2709.00	Petroleum oils and oils obtained from bituminous minerals, crude:
	2709.001	--- Petroleum oils
27.11		Petroleum gases and other gaseous hydrocarbons
	2711.2	- In gaseous state:
	2711.21	--- Natural gas
41.01		Raw hides and skins of bovine or equine animals (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split
41.02		Raw skins of sheep or lambs (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not with wool on or split, other than those excluded by note 1.c) to this chapter:
41.04		Leather of bovine or equine animals, without hair on, other than leather of heading No 41.08 or 41.09
44.01		Fuel wood, in logs, in bullets, in twigs, in faggots or in similar forms; wood in chips or particles; sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms:
	4401.10	- Fuel wood, in logs, in bullets, in twigs, in faggots or in similar forms.
44.03		Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared:
	4403.10	- treated with paint, stains, creosote or other preservatives

HS Codes	Description of products
4403.20	- Other, coniferous:
4403.201	--- exotic coniferous
4403.202	--- poles for splitting and for veneering from other coniferous wood
4403.203	--- cellulose
4403.204	--- Poles for wires, not impregnated
4403.209	--- Other
4403.9	- Other
4403.91	-- Of oak (Quercus spp.)
4403.911	--- poles for splitting and for veneering
4403.912	--- cellulose
4403.919	--- Other
4403.92	-- Of beech (Fagus spp)
4403.921	--- for splitting and for veneering
4403.922	--- cellulose
4403.929	--- Other
4403.99	--- Other:
4403.991	--- Poles for splitting and for veneering of other hard not - coniferous:
4403.9911	--- Poles for splitting and walnut tree veneer
4403.9919	--- Other
4403.992	--- Cellulose tree from other hard non-coniferous
4403.993	--- Poles for splitting and for veneering for poplar
4403.994	--- Cellulose wood of poplar

HS Codes		Description of products
	4403.995	--- Poles for splitting and for veneering of other soft non-coniferous
	4403.996	--- cellulose wood of other soft non-coniferous
	4403.999	--- other
47.07		Recovered (waste and scarp) paper or paperboard
	4707.10	- Unbleached kraft paper or paperboard or corrugated paper or paperboard
	4707.20	- other paper or paperboard made mainly or bleached chemical pulp not coloured in the mass
	4707.30	- paper or paperboard made mainly of mechanical pulp (for example, newspapers, journals and similar printed material)
	4707.301	--- Old and unsold newspapers
	4707.90	- other, including unsorted waste and scarp
70.01	7001.00	Cullet and other waste and scarp of glass; glass in the mass:
	7001.002	--- other glass in the mass

ANNEX III
(referred to in paragraph 1 of Article 25)

On Intellectual Property

1. The Party which is not a member of one or more agreements listed below, shall accede to the following conventions in the period of three years after the date of entry into force this Agreement.

- WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS Agreement);
- International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations of 26 October 1961 (Rome Convention);
- Convention for the Protection of Producers of Phonograms Against Unauthorised Duplication of Their Phonograms (Geneva, 1971);
- Protocol relating to the Madrid Agreement concerning the International Registration of Marks (Madrid, 1989);
- Budapest Treaty on the International Recognition of the Deposit of Micro-organisms for the purpose of Patent Procedures (Budapest, 1977);
- International Convention for the Protection of New Varieties of Plants (UPOV, Geneva 1991).

2. The Parties confirm the importance they attach to the obligations arising from the following multilateral conventions:

- Bern Convention for the Protection of Literary and Artistic Works of 9 September 1971 (Paris Act, 1971);
- Paris Convention for the Protection of Industrial Property of 20 March 1966 (Stockholm Act, 1967);
- Patent Co-operation Treaty (Washington, 1970, amended in 1979 and modified in (1984).

PROTOCOL 1
(referred to in paragraph 2 of Article 4)

**Abolition of Customs Duties on Imports between the Republic of Slovenia
and the Republic of Croatia**

1. Customs duties on imports applicable in the Republic of Croatia to products originating in the Republic of Slovenia, listed in Annex A to this Protocol, shall be progressively reduced in accordance with the following timetable:

- | | |
|----------------------|--|
| - on January 1, 1998 | - to 70% of the basic duty; |
| - on January 1, 1999 | - to 40% of the basic duty; |
| - on January 1, 2000 | - the remaining duties shall be abolished. |

2. Customs duties on imports applicable in the Republic of Croatia to products originating in the Republic of Slovenia, listed in Annex B to this Protocol, shall be progressively reduced in accordance with the following timetable:

- | | |
|----------------------|--|
| - on January 1, 1998 | - to 80% of the basic duty; |
| - on January 1, 1999 | - to 60% of the basic duty; |
| - on January 1, 2000 | - to 40% of the basic duty; |
| - on January 1, 2001 | - the remaining duties shall be abolished. |

3. Customs duties on imports applicable in the Republic of Slovenia to products originating in the Republic of Croatia, listed in Annex C to this Protocol, shall be progressively reduced in accordance with the following timetable:

- | | |
|----------------------|--|
| - on January 1, 1998 | - to 70% of the basic duty; |
| - on January 1, 1999 | - to 40% of the basic duty; |
| - on January 1, 2000 | - the remaining duties shall be abolished. |

4. Customs duties on imports applicable in the Republic of Slovenia to products originating in the Republic of Croatia, listed in Annex D to this Protocol, shall be progressively reduced in accordance with the following timetable:

- | | |
|----------------------|--|
| - on January 1, 1998 | - to 80% of the basic duty; |
| - on January 1, 1999 | - to 60% of the basic duty; |
| - on January 1, 2000 | - to 40% of the basic duty; |
| - on January 1, 2001 | - the remaining duties shall be abolished. |

5. Customs duties on imports applicable in the Republic of Slovenia to products originating in the Republic of Croatia, listed in Annex E to this Protocol, shall be for the years 1998 and 1999 reduced to the level set out in this Annex and abolished on January 1, 2000.

6. As from the entry into force of this Agreement all products, other than those listed in Annexes A, B, C, D and E to this Protocol, and originating in the Republic of Croatia or in the Republic of Slovenia, are subject to zero customs duties when imported to the Republic of Croatia or to the Republic of Slovenia.

RECORD OF UNDERSTANDINGS

1. The Parties declare their readiness to examine in the Joint Committee the possibility of extending to each other any concessions they grant or will grant to third countries with which they concluded a free trade agreement or other similar agreement to which Article XXIV of the GATT 1994 applies.

2. As regards paragraph 2 of Article 3 to this Agreement, the Parties agree that where a reduction of duties is effected by way of a suspension of duties made for a particular period of time, such reduced duties shall replace the basic duties only for the period of such suspension; and that whenever a partial suspension of duties is made, the preferential margin between the Parties will be preserved.

3. The Parties shall apply licences which shall not negatively affect the development of mutual trade and shall be in accordance with the provisions of the GATT 1994. The Parties agree that Article 9 to this Agreement does not apply when measures covered by this Article might be required for the administration of international obligations.

4. When elaborating the criteria and rules indicated in paragraph 3 of Article 23 to this Agreement, the Parties:

- shall aim at ensuring their greatest possible conformity with the relevant criteria and rules used under the Agreements establishing an Association between each of the Parties to this Agreement and the European Communities;
- shall define the conditions and/or situations when temporary derogations from the provisions of paragraph 1 may be applicable;
- shall review conditions under which actions against state aid practices may be taken.

5. The Parties recognize the increasing significance of trade in services. With progressive development and extension of co-operation the Parties shall aim to reach full liberalisation and mutual opening of trade services markets.

The Parties shall discuss this co-operation within the Joint Committee and shall continue to develop and deepen relations established by the Agreement.

6. The Parties consider that an arbitration procedure could be envisaged for disputes which cannot be settled through consultations between the Parties or in the Joint Committee. Such a possibility may be further examined in the Joint Committee.
