# FREE TRADE 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**

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**

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**

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**

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 1 a. 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**

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 % 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 % 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 or 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 procedures 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 denounciation**

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 12 $^{th}$ 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 For the Republic of Croatia

**Janez Drnovšek** (s) **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% whey proteins, calculated on the dry matter), albuminates and other albumin derivates. |

**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: |

| HS Codes | | Description of products |
|---|---|---|
| | 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 |
| | 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 |
| | 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 of 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 1996 (Stockholm Act, 1967);
- Patent Co-operation Treaty (Washington, 1970, amended in 1979 and modified in 1984).

## 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 Commitee.

## 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.

## ANNEX A TO PROTOCOL 1

| | | | | | |
|---|---|---|---|---|---|
| 2523 29 | 3921 19 | 4805 29 1 | 4901 91 | 7310 29 | 8450 11 |
| 2715 00 9 | 3921 90 | 4805 29 9 | 4901 99 | 7314 31 | 8481 10 |
| 3208 10 | 3922 10 | 4805 30 | 6403 19 | 7314 39 | 8481 30 |
| 3208 20 | 3922 20 | 4805 60 | 6403 30 | 7314 41 | 8481 40 |
| 3208 90 | 3922 90 | 4805 70 | 6403 59 | 7318 12 | 8481 80 |
| 3209 10 | 3923 10 | 4811 10 | 6403 91 | 7318 13 | 8516 10 |
| 3214 90 | 3923 21 | 4811 21 | 6403 99 | 7318 14 | 8516 60 |
| 3402 20 | 3923 29 | 4811 39 | 6404 11 | 7318 15 | 8703 22 |
| 3402 90 | 3923 90 9 | 4814 20 | 6404 19 | 7318 16 | 8712 00 |
| 3917 21 | 3924 90 | 4818 10 | 6405 10 | 7318 19 | 9028 30 |
| 3917 23 | 3925 20 | 4818 20 | 6405 90 | 7318 29 | 9403 10 |
| 3917 29 | 3925 30 | 4818 30 | 6807 10 | 7321 11 | 9403 30 |
| 3917 32 | 3925 90 | 4818 40 | 7213 10 | 7321 81 | 9403 40 |
| 3917 39 | 3926 90 9 | 4819 30 | 7213 91 | 7324 21 | 9403 50 |
| 3918 10 | 4418 10 | 4819 40 | 7307 19 | 7324 90 | 9403 60 |
| 3918 90 | 4418 20 | 4819 50 9 | 7307 92 | 8302 41 | 9403 90 1 |
| 3919 90 | 4421 90 | 4820 10 | 7307 99 | 8311 10 | 9403 90 2 |
| 3920 10 | 4802 52 2 | 4822 10 | 7308 30 | 8311 20 | 9404 29 |
| 3920 42 | 4802 52 3 | 4823 11 | 7308 90 | 8403 10 | 9405 40 |
| 3921 11 | 4802 52 4 | 4823 51 | 7309 00 | 8418 10 | |
| 3921 12 | 4802 52 9 | 4823 60 | 7310 10 | 8418 21 | |
| 3921 13 | 4805 22 1 | 4901 10 | 7310 21 | 8418 29 | |

## ANNEX B TO PROTOCOL 1

| | | | | | |
|---|---|---|---|---|---|
| 4808 10 | 7214 20 1 | 7306 90 | 7605 19 | 7606 92 | 7610 10 |
| 4819 10 | 7214 99 1 | 7314 20 | 7605 21 | 7607 11 | 7610 90 |
| 4819 20 9 | 7217 10 1 | 7604 10 | 7605 29 | 7607 19 | 7616 99 |
| 4819 50 1 | 7217 10 9 | 7604 21 | 7606 11 | 7607 20 | 8309 90 |
| 4822 90 1 | 7306 30 | 7604 29 | 7606 12 | 7608 10 | 8507 10 |
| 4822 90 9 | 7306 60 | 7605 11 | 7606 91 | 7608 20 | 8507 20 |

## ANNEX C TO PROTOCOL 1

| | | | | | |
|---|---|---|---|---|---|
| 2836 50 | 3917 31 | 3925 20 | 6403 59 | 7308 90 | 8507 20 |
| 3208 10 | 3917 32 | 3925 30 | 6403 91 | 7314 20 | 8516 10 |
| 3208 20 | 3917 33 | 3925 90 | 6403 99 | 7318 29 | 8516 60 |
| 3208 90 | 3917 39 | 3926 90 9 | 6404 11 | 7321 11 | 8525 20 |
| 3209 10 | 3918 10 | 4418 10 | 6404 19 | 7604 29 90 | 8536 10 |
| 3210 | 3921 11 | 4418 20 | 6405 10 | 8415 10 | 8536 20 |
| 3214 90 | 3921 13 | 4421 90 | 6405 90 | 8415 81 | 8536 50 |
| 3402 20 | 3921 90 | 4811 21 | 7113 11 | 8418 10 | 9028 30 |
| 3402 90 | 3922 10 | 4814 10 | 7113 19 | 8418 21 | 9403 10 |
| 3824 90 | 3922 90 | 4821 | 7213 10 | 8418 29 | 9403 40 |
| 3917 21 | 3923 10 | 4823 11 | 7213 20 | 8501 52 | 9404 29 |
| 3917 22 | 3923 21 | 4823 51 | 7213 91 | 8501 61 | 9405 40 |
| 3917 23 | 3923 29 | 6403 19 | 7217 10 | 8504 40 | |
| 3917 29 | 3923 90 90 | 6403 30 | 7308 30 | 8507 10 | |

## ANNEX D TO PROTOCOL 1

| | | | | | |
|---|---|---|---|---|---|
| 2523 29 | 4811 39 | 7222 30 | 7306 60 | 7606 92 | 8311 20 |
| 2715 | 4811 90 | 7223 | 7306 90 | 7607 11 | 8515 80 |
| 3403 19 | 4819 10 | 7227 10 | 7604 10 | 7607 19 | 9018 41 |
| 3810 90 | 4819 20 | 7227 20 | 7604 21 | 7607 20 | 9018 49 |
| 3920 10 | 7214 10 | 7227 90 | 7604 29 10 | 7608 10 | 9025 80 |
| 3920 20 | 7214 20 | 7228 10 | 7605 11 | 7608 20 | 9105 19 |
| 3920 69 | 7214 91 | 7228 20 | 7605 19 | 7610 10 | 9105 29 |
| 3920 71 | 7215 50 | 7228 30 | 7605 21 | 7610 90 90 | |
| 3921 19 | 7215 90 | 7228 40 | 7605 29 | 7616 99 | |
| 4808 10 | 7222 11 | 7228 50 | 7606 11 | 7905 | |
| 4809 20 | 7222 19 | 7228 60 | 7606 12 | 8309 90 | |
| 4810 91 | 7222 20 | 7306 30 | 7606 91 | 8311 10 | |

## ANNEX E TO PROTOCOL 1

| | Customs duty (%) | |
|---|---|---|
| **HS Code** | **1998** | **1999** |
| 2710 00 27 0 | 3 | 1.5 |
| 2710 00 29 0 | 3 | 1.5 |
| 2710 00 36 0 | 3 | 1.5 |
| 2710 00 66 0 | 3 | 1.5 |
| 2710 00 67 0 | 3 | 1.5 |
| 2710 00 68 0 | 3 | 1.5 |
| 2710 00 74 1 | 1.5 | 0.75 |
| 2710 00 74 9 | 1.5 | 0.75 |
| 2710 00 76 0 | 3.9 | 1.95 |
| 2710 00 77 0 | 4.8 | 2.4 |

## PROTOCOL 2

1. The products originating in the Republic of Slovenia listed in Annex A to this Protocol shall be imported into the Republic of Croatia according to the conditions established in this Annex.

2. The products originating in the Republic of Croatia listed in Annex B to this Protocol shall be imported into the Republic of Slovenia according to the conditions established in this Annex.

## ANNEX A TO PROTOCOL 2

| HS/CN Code | Duty rate (%) | Quota (tons) |
|---|---|---|
| 0201 | 1 | 500 |
| 0203 | 10 | 100 |
| 0206 | 1 | 20 |
| 0207 | 1 | 300 |
| 0209 | 1 | 20 |
| 0210 | 1 | 100 |
| 0401.109,209,309<br>0401.2011<br>0401.2012 | 1<br>5<br>5 | 12500<br>500<br>500 |
| 0402 | 7 | 250 |
| 0403 | 7 | 200 |
| 0405 | 7 | 100 |
| 0406<br>out of which<br>0406.90 | 5 | 650<br><br>350 |
| 0409 | 1 | 20 |
| 0701.90 | 1 | 1000 |
| 0808.10[1] | 1 | 6000 |
| 0808.20[2] | 1 | 500 |
| 0810.10[3] | 1 | 250 |
| 1101 | 1 | 500 |
| 1103.11 | 1 | 150 |
| 1103.13 | 1 | 100 |
| 1515.29 | 1 | 300 |
| 1601 | 10 | 1350 |
| 1602<br>out of which<br>1602.30 | 10 | 900<br><br>350 |
| 1604.13 | 1 | 100 |
| 1604.20 | 1 | 50 |
| 1704.10<br>1704.90 | 1<br>1 | 100<br>250 |
| 1806 | 1 | 450 |
| 1901 | 1 | 300 |
| 1902 | 10 | 600 |
| 1904.10<br>1905.30<br>1905.40<br>1905.90 | 1<br>1<br>1<br>1 | 50<br>700<br>200<br>100 |
| 2001 | 1 | 300 |
| 2002.90 | 1 | 150 |
| 2003.10 | 1 | 20 |
| 2005.20 | 1 | 30 |
| 2005.70 | 1 | 20 |
| 2005.90 | 1 | 100 |
| 2007.99 | 1 | 100 |
| 2008.60 | 1 | 50 |
| 2009<br>2009.70<br>2009.80<br>2009.90 | 1 | 1100 |
| 2102 | 1 | 500 |
| 2103.30 | 1 | 50 |
| 2103.90[4] | 1 | 600 |
| 2104.10 | 1 | 250 |
| 2105 | 1 | 500 |
| 2106.90 | 1 | 1000 |
| 2201.10 | 1 | 3500 |
| 2202.10 | 1 | 4500 |
| 2202.90 | 1 | 1000 |
| 2203 | 1 | 6000 |
| 2204.10<br>2204.21<br>2204.29 | 1<br>1<br>1 | 50<br>800<br>800 |
| 2208.90 | 1 | 200 |

1 The product shall not be imported into the Republic of Croatia within the period 01 October - 31 December.

2 The product shall not be imported into the Republic of Croatia within the period 01 October - 31 December.

3 The product shall not be imported into the Republic of Croatia within the period 15 May - 30 June.

4 Out of which 300 tons shall be mayonnaise and 300 tons other.

## ANNEX B TO PROTOCOL 2

| HS/CN Code | Duty rate (%) | Quota (tons) |
|---|---|---|
| 0201 | 1 | 100 |
| 0203 | 10 | 100 |
| 0206 | 1 | 20 |
| 0207 | 1 | 200 |
| 0210 | 1 | 100 |
| 0401.20 11 | 5 | 500 |
| 0401.20 91 | 5 | 500 |
| 0402 | 7 | 50 |
| 0403 | 7 | 200 |
| 0405 | 7 | 100 |
| 0406.20 | 5 | 50 |
| 0406.30 | 5 | 300 |
| 0406.40 | 5 | 100 |
| 0406.90 | 5 | 200 |
| 0701.90 | 1 | 1000 |
| 0707 | 1 | 350 |
| 0709.51 | 1 | 15 |
| 0709.60 | 1 | 200 |
| 0805.20 | 1 | 1000 |
| 0808.10 | 1 | 1000 |
| 0810.10[1] | 1 | 250 |
| 1001.90 | 1 | 6500 |
| 1005.90 | 1 | 28000 |
| 1101 | 1 | 500 |
| 1103.11 | 1 | 150 |
| 1103.13 | 1 | 100 |
| 1517.10 | 1 | 1000 |
| 1601 | 10 | 50 |
| 1602 | 10 | 1400 |
| 1604.13 | 1 | 100 |
| 1604.20 | 1 | 50 |
| 1704.90 | 1 | 350 |
| 1806 | 1 | 450 |
| 1901 | 1 | 700 |
| out of which | | |
| 1901.10 | | 400 |
| 1902 | 10 | 150 |
| 1904.10 | 1 | 50 |
| 1905.30 | 11 | 700 |
| 1905.90 | | 300 |
| 2001 | 1 | 300 |
| 2002.90 | 1 | 150 |
| 2003.10 | 1 | 20 |
| 2005.20 | 1 | 30 |
| 2005.70 | 1 | 20 |
| 2005.90 | 1 | 100 |
| 2007.99 | 1 | 100 |
| 2008.60 | 1 | 50 |
| 2009<br>2009.70<br>2009.80<br>2009.90 | 1 | 1100 |
| 2101.30 | 1 | 250 |
| 2102 | 1 | 500 |
| 2103.30 | 1 | 50 |
| 2103.90[2] | 1 | 600 |
| 2104.10 | 1 | 250 |
| 2105 | 1 | 500 |
| 2106.90 | 1 | 1000 |
| 2201.10 | 1 | 3500 |
| 2202.10 | 1 | 4500 |
| 2202.90 | 1 | 1000 |
| 2203 | 1 | 6000 |
| 2204.21 | 1 | 220 |
| 2207.10 | 1 | 1000 |
| 2208.20 | 1 | 400 |
| 2208.60 | 1 | 150 |
| 2208.70 | 1 | 100 |
| 2208.90 | 1 | 400 |
| 2402.20 | 10 | 200 |

[1] The product shall not be imported into the Republic of Slovenia within the period 15 May - 30 June.

[2] Out of which 120 tons shall be mayonnaise and 480 tons other (which shall primarily be allocated to product named "Vegeta" and than to other products).

**PROTOCOL 3**

**concerning the definition of the concept of "originating products" and methods of administrative cooperation**

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## TITLE I

## GENERAL PROVISIONS

### Article 1
### Definitions

For the purposes of this Protocol:

(a) "manufacture" means any kind of working or processing including assembly or specific operations;

(b) "material" means any ingredient, raw material, component or part, etc., used in the manufacture of the product;

(c) "product" means the product being manufactured, even if it is intended for later use in another manufacturing operation;

(d) "goods" means both materials and products;

(e) "customs value" means the value as determined in accordance with the 1994 Agreement on implementation of Article VII of the General Agreement on Tariffs and Trade (WTO Agreement on customs valuation);

(f) "ex-works price" means the price paid for the product ex works to the manufacturer in the contracting Party in whose undertaking the last working or processing is carried out, provided the price includes the value of all the materials used, minus any internal taxes which are,

or may be, repaid when the product obtained is exported;

(g) "value of materials" means the customs value at the time of importation of the non-originating materials used, or, if this is not known and cannot be ascertained, the first ascertainable price paid for the materials in the contracting Party;

(h) "value of originating materials" means the value of such materials as defined in subparagraph (g) applied *mutatis mutandis*;

(i) "added value" shall be taken to be the ex works price minus the customs value of each of the products incorporated which did not originate in the country in which those products were obtained;

(j) "chapters" and "headings" means the chapters and the headings (four-digit codes) used in the nomenclature which makes up the Harmonized Commodity Description and Coding System, referred to in this Protocol as "the Harmonized System" or "HS";

(k) "classified" refers to the classification of a product or material under a particular heading;

(l) "consignment" means products which are either sent simultaneously from one exporter to one consignee or covered by a single transport document covering their shipment from the exporter to the consignee or, in the absence of such a document, by a single invoice.

(m) "territories" includes territorial waters,

(n) "units of accounts" shall be the equivalent to the European Currency Unit (ECU).

## TITLE II

## DEFINITION OF THE CONCEPT OF "ORIGINATING PRODUCTS"

### Article 2
### General requirements

For the purpose of implementing this Agreement, the following products shall be considered as originating in a contracting Party:

(a) products wholly obtained in a contracting Party within the meaning of Article 4 of this Protocol;

(b) products obtained in a contracting Party incorporating materials which have not been wholly obtained there, provided that such materials have undergone sufficient working or processing in that contracting Party within the meaning of Article 5 of this Protocol.

### Article 3
### Bilateral cumulation of origin

Materials originating in an importing contracting Party shall be considered as materials originating in the exporting contracting Party when incorporated into a product obtained there. It shall not be necessary that such materials have undergone sufficient working or processing, provided that they have undergone working or processing going beyond that referred to in Article 6 (1) of this Protocol.

### Article 4
### Wholly obtained products

1. The following shall be considered as wholly obtained in a contracting Party:

(a) mineral products extracted from their soil or from their seabed;

(b) vegetable products harvested there;

(c) live animals born and raised there;

(d) products from live animals raised there;

(e) products obtained by hunting or fishing conducted there;

(f) products of sea fishing and other products taken from the sea outside the territorial waters of the contracting Parties by their vessels;

(g) products made aboard their factory ships exclusively from products referred to in subparagraph (f);

(h) used articles collected there fit only for the recovery of raw materials, including used tyres fit only for retreading or for use as waste;

(i) waste and scrap resulting from manufacturing operations conducted there;

(j) products extracted from marine soil or subsoil outside their territorial waters provided that they have sole rights to work that soil or subsoil;

(k) goods produced there exclusively from the products specified in subparagraphs (a) to (j).

2. The terms "their vessels" and "their factory ships" in subparagraphs 1(f) and (g) shall apply only to vessels and factory ships:

(a) which are registered or recorded in a contracting Party;

(b) which sail under the flag of a contracting Party;

(c) which are owned to an extent of at least 50% by nationals of the contracting Parties, or by a company with its head office in one of these States, of which the manager or managers, Chairman of the Board of Directors or the Supervisory Board, and the majority of the members of such boards are nationals of the contracting Parties and of which, in addition, in the case of partnerships or limited companies, at least half the capital belongs to those States or to public bodies or nationals of the said States;

(d) of which the master and officers are nationals of the contracting Parties; and

(e) of which at least 75 per cent of the crew are nationals of the contracting Parties.

Article 5

**Sufficiently worked or processed products**

1. For the purposes of Article 2, products which are not wholly obtained are considered to be sufficiently worked or processed when the conditions set out in the list in Annex II of this Protocol are fulfilled.

The conditions referred to above indicate, for all products covered by this Agreement, the working or processing which must be carried out on non-originating materials used in manufacturing and apply only in relation to such materials. Accordingly, it follows that if a product, which has acquired originating status by fulfilling the conditions set out in the list is used in the manufacture of another product, the conditions applicable to the product in which it is incorporated do not apply to it, and no account shall be taken of the non-originating materials which may have been used in its manufacture.

2. Notwithstanding paragraph 1, non-originating materials which, according to the conditions set out in the list, should not be used in the manufacture of a product may nevertheless be used, provided that:

(a) their total value does not exceed 10% of the ex-works price of the product;

(b) any of the percentages given in the list for the maximum value of non-originating materials are not exceeded through the application of this paragraph.

This paragraph shall not apply to products falling within chapters 50 to 63 of the Harmonized System.

3. Paragraphs 1 and 2 shall apply except as provided in Article 6.

Article 6

**Insufficient working or processing operations**

1. Without prejudice to paragraph 2, the following operations shall be considered as insufficient working or processing to confer the status of originating products, whether or not the requirements of Article 5 are satisfied:

(a) operations to ensure the preservation of products in good condition during transport and storage (ventilation, spreading out, drying, chilling, placing in salt, sulphur dioxide or other aqueous solutions, removal of damaged parts, and like operations);

(b) simple operations consisting of removal of dust, sifting or screening, sorting, classifying, matching (including the making-up of sets of articles), washing, painting, cutting up:

(c) (i) changes of packaging and breaking up and assembly of packages,

(ii) simple placing in bottles, flasks, bags, cases, boxes, fixing on cards or boards etc., and all other simple packaging operations;

(d) affixing marks, labels and other like distinguishing signs on products or their packaging;

(e) simple mixing of products, whether or not of different kinds, where one or more components of the mixtures do not meet the conditions laid down in this Protocol to enable them to be considered as originating in a contracting Party;

(f) simple assembly of parts to constitute a complete product;

(g) a combination of two or more operations specified in subparagraphs (a) to (f)

(h) slaughter of animals.

2. All the operations carried out in an contracting Party on a given product shall be considered together when determining whether the working or processing undergone by that product is to be regarded as insufficient within the meaning of paragraph 1.

Article 7

**Unit of qualification**

1. The unit of qualification for the application of the provisions of this Protocol shall be the particular product which is considered as the basic unit when determining classification using the nomenclature of the Harmonized System.

Accordingly, it follows that:

(a) when a product composed of a group or assembly of articles is classified under the terms of the Harmonized System in a single heading, the whole constitutes the unit of qualification;

(b) when a consignment consists of a number of identical products classified under the same heading of the Harmonized System, each product must be taken individually when applying the provisions of this Protocol.

2. Where, under general rule 5 of the Harmonized System, packaging is included with the product for classification purposes, it shall be included for the purposes of determining origin.

Article 8

**Accessories, spare parts and tools**

Accessories, spare parts and tools dispatched with a piece of equipment, machine, apparatus or vehicle, which are part of the normal equipment and included in the price thereof or which are not separately invoiced, are regarded as one with the piece of equipment, machine, apparatus or vehicle in question.

Article 9

**Sets**

Sets, as defined in general rule 3 of the Harmonized System, shall be regarded as originating when all component products are originating. Nevertheless, when a set is composed of originating and non-originating products, the set as a whole shall be regarded as originating, provided that the value of the non-originating products does not exceed 15 per cent of the ex-works price of the set.

Article 10

**Neutral elements**

In order to determine whether a product originates, it shall not be necessary to determine the origin of the following which might be used in its manufacture :

a) energy and fuel;

b) plant and equipment;

c) machines and tools;

d) goods which do not enter and which are not intended to enter into the final composition of the product.

## TITLE III

## TERRITORIAL REQUIREMENTS

Article 11

**Principle of territoriality**

1. The conditions set out in Title II relative to the acquisition of originating status must be fulfilled without interruption in a contracting Party.

2. If originating goods exported from a contracting Party to another country are returned they must be considered as non-originating, unless it can be demonstrated to the satisfaction of the customs authorities that:

(a) the goods returned are the same goods as those exported; and

(b) they have not undergone any operation beyond that necessary to preserve them in good condition while in that country or while being exported.

Article 12

**Direct transport**

1. The preferential treatment provided for under the Agreement applies only to products, satisfying the requirements of this Protocol, which are transported directly between the contracting Parties. However, products constituting one single consignment may be transported through other territories with, should the occasion arise, trans-shipment or temporary warehousing in such territories, provided that they remain under the surveillance of the customs authorities in the country of transit or warehousing and do not undergo operations other than unloading, reloading or any operation designed to preserve them in good condition.

Originating products may be transported by pipeline across territory other than that of the contracting Parties.

2. Evidence that the conditions set out in paragraph 1 have been fulfilled shall be supplied to the customs authorities of the importing country by the production of:

(a) a single transport document covering the passage from the exporting country through the country of transit; or

(b) a certificate issued by the customs authorities of the country of transit:

(i) giving an exact description of the products;

(ii) stating the dates of unloading and reloading of the products and, where applicable, the names of the ships, or the other means of transport used; and

(iii) certifying the conditions under which the products remained in the transit country; or

(c) failing these, any substantiating documents.

Article 13
**Exhibitions**

1. Originating products, sent for exhibition outside the contracting Parties and sold after the exhibition for importation in a contracting Party shall benefit on importation from the provisions of the Agreement provided it is shown to the satisfaction of the customs authorities that :

(a) an exporter has consigned these products from a contracting Party to the country in which the exhibition is held and has exhibited them there;

(b) the products have been sold or otherwise disposed of by that exporter to a person in a contracting Party;

(c) the products have been consigned during the exhibition or immediately thereafter in the state in which they were sent for exhibition; and

(d) the products have not, since they were consigned for exhibition, been used for any purpose other than demonstration at the exhibition.

2. A proof of origin must be issued or made out in accordance with the provisions of Title IV and submitted to the customs authorities of the importing country in the normal manner. The name and address of the exhibition must be indicated thereon. Where necessary, additional documentary evidence of the conditions under which they have been exhibited may be required.

3. Paragraph 1 shall apply to any trade, industrial, agricultural or crafts exhibition, fair or similar public show or display which is not organized for private purposes in shops or business premises with a view to the sale of foreign products, and during which the products remain under customs control.

## TITLE IV

## PROOF OF ORIGIN

Article 14
**General requirements**

1. Products originating in a contracting Party shall, on importation into the other contracting Party benefit from this Agreement upon submission of either :

(a) a movement certificate EUR.1, a specimen of which appears in Annex III; or

(b) in the cases specified in Article 19(1), a declaration, the text of which appears in Annex IV, given by the exporter on an invoice, a delivery note or any other commercial document which describes the products concerned in sufficient detail to enable them to be identified (hereinafter referred to as the "invoice declaration").

2. Notwithstanding paragraph 1, originating products within the meaning of this Protocol shall, in the cases specified in Article 24, benefit from this Agreement without it being necessary to submit any of the documents referred to above.

Article 15
**Procedure for the issue of a movement certificate EUR.1**

1. A movement certificate EUR.1 shall be issued by the customs authorities of the exporting country on application having been made in writing by the exporter or, under the exporter's responsibility, by his authorized representative.

2. For this purpose, the exporter or his authorized representative shall fill out both the movement certificate EUR.1 and the application form, specimens of which appear in Annex III. These forms shall be completed in one of the official languages of the contracting Parties or in English language and in accordance with the provisions of the domestic law of the exporting country. If they are handwritten, they shall be completed in ink in printed characters. The description of the products must be given in the box reserved for this purpose without leaving any blank lines. Where the box is not completely filled, a horizontal line must be drawn below the last line of the description, the empty space being crossed through.

3. The exporter applying for the issue of a movement certificate EUR.1 shall be prepared to submit at any time, at the request of the customs authorities of the exporting country where the movement certificate EUR.1 is issued, all appropriate documents proving the originating status of the products concerned as well as the fulfilment of the other requirements of this Protocol.

4. A movement certificate EUR.1 shall be issued by the customs authorities of a contracting Party if the products concerned can be considered as products originating in one of the contracting Parties and fulfill the other requirements of this Protocol.

5. The issuing customs authorities shall take any steps necessary to verify the originating status of the products and the fulfilment of the other requirements of this Protocol. For this purpose, they shall have the right to call for any evidence and to carry out any inspection of the exporter's accounts or any other check considered appropriate. The issuing customs authorities shall also ensure that the forms referred to in paragraph 2 are duly completed. In particular, they shall check whether the space reserved for the description of the

products has been completed in such a manner as to exclude all possibility of fraudulent additions.

6. The date of issue of the movement certificate EUR.1 shall be indicated in Box 11 of the certificate.

7. A movement certificate EUR.1 shall be issued by the customs authorities and made available to the exporter as soon as actual exportation has been effected or ensured.

Article 16

**Movement certificates EUR.1 issued retrospectively**

1. Notwithstanding Article 15(7), a movement certificate EUR.1 may exceptionally be issued after exportation of the products to which it relates if:

(a) it was not issued at the time of exportation because of errors or involuntary omissions or special circumstances; or

(b) it is demonstrated to the satisfaction of the customs authorities that a movement certificate EUR.1 was issued but was not accepted at importation for technical reasons.

2. For the implementation of paragraph 1, the exporter must indicate in this application the place and date of exportation of the products to which the movement certificate EUR.1 relates, and state the reasons for his request.

3. The customs authorities may issue a movement certificate EUR.1 retrospectively only after verifying that the information supplied in the exporter's application agrees with that in the corresponding file.

4. Movement certificates EUR.1 issued retrospectively must be endorsed with one of the following phrases:

"ISSUED RETROSPECTIVELY",

"IZDANO NAKNADNO",

"NAKNADNO IZDANO".

5. The endorsement referred to in paragraph 4 shall be inserted in the "Remarks" box of the movement certificate EUR.1.

Article 17

**Issue of a duplicate movement certificate EUR.1**

1. In the event of theft, loss or destruction of a movement certificate EUR.1, the exporter may apply to the customs authorities which issued it for a duplicate made out on the basis of the export documents in their possession.

2. The duplicate issued in this way must be endorsed with one of the following words:

"DUPLICATE", "DVOJNIK", "DUPLIKAT",

3. The endorsement referred to in paragraph 2 shall be inserted in the "Remarks" box of the duplicate movement certificate EUR.1.

4. The duplicate, which must bear the date of issue of the original movement certificate EUR.1, shall take effect as from that date.

Article 18

**Issue of movement certificates EUR.1 on the basis of a proof of origin issued or made out previously**

When originating products are placed under the control of a customs office in a contracting Party, it shall be possible to replace the original proof of origin by one or more movement certificates EUR.1 for the purpose of sending all or some of these products elsewhere within a contracting Party. The replacement movement certificate(s) EUR1 shall be issued by the customs office under whose control the products are placed.

Article 19

**Conditions for making out an invoice declaration**

1. An invoice declaration as referred to in Article 14(1)(b) may be made out:

(a) by an approved exporter within the meaning of Article 20, or

(b) by any exporter for any consignment consisting of one or more packages containing originating products whose total value does not exceed ECU 6 000.

2. An invoice declaration may be made out if the products concerned can be considered as products originating in the contracting Parties and fulfil the other requirements of this Protocol.

3. The exporter making out an invoice declaration shall be prepared to submit at any time, at the request of the customs authorities of the exporting country, all appropriate documents proving the originating status of the products concerned as well as the fulfilment of the other requirements of this Protocol.

4. An invoice declaration shall be made out by the exporter by typing, stamping or printing on the invoice, the delivery note or another commercial document, the declaration, the text of which appears in Annex IV, using one of the linguistic versions set out in that Annex and in accordance with the provisions of the domestic law of the exporting country. If the

declaration is handwritten, it shall be written in ink in printed characters.

5. Invoice declarations shall bear the original signature of the exporter in manuscript. However, an approved exporter within the meaning of Article 20 shall not be required to sign such declarations provided that he gives the customs authorities of the exporting country a written undertaking that he accepts full responsibility for any invoice declaration which identifies him as if it had been signed in manuscript by him.

6. An invoice declaration may be made out by the exporter when the products to which it relates are exported, or after exportation on condition that it is presented in the importing country no longer than two years after the importation of the products to which it relates.

Article 20
**Approved exporter**

1. The customs authorities of the exporting country may authorize any exporter who makes frequent shipments of products under this Agreement to make out invoice declarations irrespective of the value of the products concerned. An exporter seeking such authorisation must offer to the satisfaction of the customs authorities evidence of the originating status of the products as well as the fulfilment of the other requirements of this Protocol.

2. The customs authorities may grant the status of approved exporter subject to any conditions which they consider appropriate.

3. The customs authorities shall grant to the approved exporter a customs authorisation number which shall appear on the invoice declaration.

4. The customs authorities shall monitor the use of the authorization by the approved exporter.

5. The customs authorities may withdraw the authorization at any time. They shall do so where the approved exporter no longer offers the guarantees referred to in paragraph 1, does not fulfil the conditions referred to in paragraph 2 or otherwise makes an incorrect use of the authorization.

6. The customs authorities competent for the implementation of the verification of proof of origin within the meaning of Article 30 of this Protocol may inform each other on the changes in granting authorizations to the approved exporters and may also mutually exchange the updated lists.

Article 21
**Validity of proof of origin**

1. A proof of origin shall be valid for four months from the date of issue in the exporting country, and must be submitted within the said period to the customs authorities of the importing country.

2. Proofs of origin which are submitted to the customs authorities of the importing country after the final date for presentation specified in paragraph 1 may be accepted for the purpose of applying preferential treatment, where the failure to submit these documents by the final date set is due to exceptional circumstances.

3. In other cases of belated presentation, the customs authorities of the importing country may accept the proofs of origin where the products have been submitted before the said final date.

Article 22
**Submission of proof of origin**

Proofs of origin shall be submitted to the customs authorities of the importing country in accordance with the procedures applicable in that country. The said authorities may require a translation of a proof of origin and may also require the import declaration to be accompanied by a statement from the importer to the effect that the products meet the conditions required for the implementation of this Agreement.

Article 23
**Importation by instalments**

Where, at the request of the importer and on the conditions laid down by the customs authorities of the importing country, dismantled or non-assembled products within the meaning of general rule 2(a) of the Harmonized System falling within Sections XVI and XVII or heading Nos. 7308 and 9406 of the Harmonized System are imported by instalments, a single proof of origin for such products shall be submitted to the customs authorities upon importation of the first instalment.

Article 24
**Exemptions from proof of origin**

1. Products sent as small packages from private persons to private persons or forming part of travellers' personal luggage shall be admitted as originating products without requiring the submission of a proof of origin, provided that such products are not imported by way of trade and have been declared as meeting the requirements of this Protocol and where there is no doubt as to the veracity of such a declaration. In the case of products sent by post, this declaration can be made on the customs declaration CN23, the former C2/CP3 or on a sheet of paper annexed to that document.

2. Imports which are occasional and consist solely of products for the personal use of the recipients or travellers or their families shall not be considered as imports by way of

trade if it is evident from the nature and quantity of the products that no commercial purpose is in view.

3. Furthermore, the total value of these products must not exceed ECU 500 in the case of small packages or ECU 1200 in the case of products forming part of travellers' personal luggage.

Article 25

**Supporting documents**

The documents referred to in Articles 15(3) and 19(3) used for the purpose of proving that products covered by a movement certificate EUR.1 or an invoice declaration can be considered as products originating in one of the contracting Parties and fulfil the other requirements of this Protocol may consist *inter alia* of the following:

(a) direct evidence of the processes carried out by the exporter or supplier to obtain the goods concerned, contained for example in his accounts or internal bookkeeping;

(b) documents proving the originating status of materials used, issued or made out in one of the contracting Parties where these documents are used in accordance with domestic law;

(c) documents proving the working or processing of materials in one of the contracting Parties, issued or made out in that contracting Party, where these documents are used in accordance with domestic law;

(d) movement certificates EUR.1 or invoice declarations proving the originating status of materials used, issued or made out in a contracting Party in accordance with this Protocol.

Article 26

**Preservation of proof of origin and supporting documents**

1. The exporter applying for the issue of a movement certificate EUR.1 shall keep for at least three years the documents referred to in Article 15(3).

2. The exporter making out an invoice declaration shall keep for at least three years a copy of this invoice declaration as well as the documents referred to in Article 19(3).

3. The customs authorities of the exporting country issuing a movement certificate EUR.1 shall keep for at least three years the application form referred to in Article 15(2).

4. The customs authorities of the importing country shall keep for at least three years the movement certificates EUR.1 and the invoice declarations submitted to them.

Article 27

**Discrepancies and formal errors**

1. The discovery of slight discrepancies between the statements made in the proof of origin and those made in the documents submitted to the customs office for the purpose of carrying out the formalities for importing the products shall not ipso facto render the proof of origin null and void if it is duly established that this document does correspond to the products submitted.

2. Obvious formal errors such as typing errors on a proof of origin should not cause this document to be rejected if these errors are not such as to create doubts concerning the correctness of the statements made in this document.

Article 28

**Amounts expressed in ECU**

1. Amounts in the national currency of the exporting country equivalent to the amounts expressed in the units of account shall be fixed by the exporting country and communicated to the importing country.

2. When the amounts exceed the corresponding amounts fixed by the importing country, the latter shall accept them if the products are invoiced in the currency of the exporting country. When the products are invoiced in the currency of one of the Member States of the European Community or of an EFTA State, the importing country shall recognize the amount notified by the country concerned or the European Commission.

3. The amounts to be used in any given national currency shall be the equivalent in that national currency of the amounts expressed in the units of account as at the first working day in October 1997.

4. The amounts expressed in units of account and their equivalents in the national currencies of the contracting Parties shall be reviewed by the Joint Committee at the request of any of the contracting Parties. When carrying out this review, the Joint Committee shall ensure that there will be no decrease in the amounts to be used in any national currency and shall furthermore consider the desirability of preserving the effects of the limits concerned in real terms. For this purpose, it may decide to modify the amounts expressed in ECUs.

## TITLE V

## ARRANGEMENTS FOR ADMINISTRATIVE COOPERATION

### Article 29
### Mutual assistance

1. The customs authorities of the contracting Parties shall provide each other with specimen impressions of stamps used in their customs offices for the issue of movement certificates EUR.1 and with the addresses of the customs authorities responsible for verifying those certificates and invoice declarations.

2. In order to ensure the proper application of this Protocol, the contracting Parties shall assist each other, through the competent customs administrations, in checking the authenticity of the movement certificates EUR.1 or the invoice declarations and the correctness of the information given in these documents.

### Article 30
### Verification of proofs of origin

1. Subsequent verifications of proofs of origin shall be carried out at random or whenever the customs authorities of the importing country have reasonable doubts as to the authenticity of such documents, the originating status of the products concerned or the fulfilment of the other requirements of this Protocol.

2. For the purposes of implementing the provisions of paragraph 1, the customs authorities of the importing country shall return the movement certificate EUR.1 and the invoice, if it has been submitted, the invoice declaration, or a copy of these documents, to the customs authorities of the exporting country giving, where appropriate, the reasons for the enquiry. Any documents and information obtained suggesting that the information given on the movement certificate EUR.1 or the invoice declaration is incorrect shall be forwarded in support of the request for verification.

3. The verification shall be carried out by the customs authorities of the exporting country. For this purpose, they shall have the right to call for any evidence and to carry out any inspection of the exporter's accounts or any other check considered appropriate.

4. If the customs authorities of the importing country decide to suspend the granting of preferential treatment to the products concerned while awaiting the results of the verification, release of the products shall be offered to the importer subject to any precautionary measures judged necessary.

5. The customs authorities requesting the verification shall be informed of the results of this verification as soon as possible. These results must indicate clearly whether the documents are authentic and whether the products concerned can be considered as products originating in one of the contracting Parties and fulfil the other requirements of this Protocol.

Where the cumulation provisions in accordance with Article 3 of this Protocol were applied and in connection with Article 15 (4), the reply shall include a copy (copies) of the movement certificate(s) or invoice declaration(s) relied upon.

6. If in cases of reasonable doubt there is no reply within ten months of the date of the verification request or if the reply does not contain sufficient information to determine the authenticity of the document in question or the real origin of the products, the requesting customs authorities shall, except in exceptional circumstances, refuse entitlement to the preferences.

### Article 31
### Dispute settlement

Where disputes arise in relation to the verification procedures of Article 30 which cannot be settled between the customs authorities requesting a verification and the customs authorities responsible for carrying out this verification or where they raise a question as to the interpretation of this Protocol, they shall be submitted to the Joint Committee.

In all cases the settlement of disputes between the importer and the customs authorities of the importing country shall be under the legislation of the said country.

### Article 32
### Penalties

Penalties shall be imposed on any person who draws up, or causes to be drawn up, a document which contains incorrect information for the purpose of obtaining a preferential treatment for products.

### Article 33
### Free zones

1. The contracting Parties shall take all necessary steps to ensure that products traded under cover of a proof of origin which in the course of transport use a free zone situated in their territory, are not substituted by other goods and do not undergo handling other than normal operations designed to prevent their deterioration.

2. By means of an exemption to the provisions contained in paragraph 1, when products originating in a contracting Party are imported into a free zone under cover of a proof of origin and undergo treatment or processing, the authorities concerned shall issue a new EUR.1 certificate at the

exporter's request, if the treatment or processing undergone is in conformity with the provisions of this Protocol.

## TITLE VI

## FINAL PROVISIONS

Article 34

**Sub-Committe on customs and origin matters**

A Sub-Committe on customs and origin matters shall be set up under the Joint Committee in accordance with Article 35(5) to assist it in carrying out its duties and to ensure a continuous information and consultations process between experts.

It shall be composed of experts from the contracting Parties responsible for questions related to customs and origin matters.

Article 35

**Annexes**

Annexes I, II, III, IV and V to this Protocol shall form an integral part thereof.

Article 36

**Goods in transit and storage**

Goods which conform to the provisions of Title II and which on the date of entry into force of the Agreement are either being transported or are being held in a State party in temporary storage, in bonded warehouses or in free zones , may be accepted as originating products subject to the submission, within four months from that date, to the customs authorities of the importing State of proof of origin, drawn up retrospectively, and of any documents that provide supporting evidence of the conditions of transport.

## ANNEX I

## INTRODUCTORY NOTES TO THE LIST IN ANNEX II

**Note 1:**

The list sets out for the conditions required for all products to be considered as sufficiently worked or processed within the meaning of Article 6 of this Protocol.

**Note 2 :**

2.1 The first two columns in the list describe the product obtained. The first column gives the heading number or chapter number used in the Harmonized System and the second column gives the description of goods used in that system for that heading or chapter. For each entry in the first two columns a rule is specified in columns 3 or 4. Where, in some cases, the entry in the first column is preceded by an "ex", this signifies that the rules in columns 3 or 4 apply only to the part of that heading or chapter as described in column 2.

2.2. Where several heading numbers are grouped together in column 1 or a chapter number is given and the description of products in column 2 is therefore given in general terms, the adjacent rules in columns 3 or 4 apply to all products which, under the Harmonized System, are classified in headings of the chapter or in any of the headings grouped together in column 1.

2.3. Where there are different rules in the list applying to different products within a heading, each indent contains the description of that part of the heading covered by the adjacent rules in columns 3 or 4.

2.4. Where, for an entry in the first two columns, a rule is specified in both columns 3 and 4, the exporter may opt, as an alternative, to apply either the rule set out in column 3 or that set out in column 4. If no origin rule is given in column 4, the rule set out in column 3 has to be applied.

**Note 3:**

3.1. The provisions of Article 6 of this Protocol concerning products having acquired originating status which are used in the manufacture of other products apply regardless of whether this status has been acquired inside the factory where these products are used of in another factory in a contracting Party.

Example:

An engine of heading No 8407,.for which the rule states that the value of the non-originating materials which may be incorporated may not exceed 40 per cent of the ex-works price, is made from other alloy steel roughly shaped by forging of heading No ex 7224.

If this forging has been forged in a contracting Party from a non-originating ingot, it has already acquired originating status by virtue of the rule for heading No ex 7224 in the list. The forging can then count as originating in the value calculation for the engine regardless of whether it was produced in the same factory or in another factory in the contracting Party concerned. The value of the non-originating ingot is thus not taken into account when adding up the value of the non-originating materials used.

3.2. The rule in the list represents the minimum amount of working or processing required and the carrying out of more working or processing also confers originating status; conversely, the carrying out of less working or processing cannot confer originating status. Thus if a

rule provides that non-originating material at a certain level of manufacture may be used, the use of such material at an earlier stage of manufacture is allowed and the use of such material at a later stage is not.

3.3. Without prejudice to note 3.2 where a rule states that "materials of any heading" may be used, materials of the same heading as the product may also be used, subject, however, to any specific limitations which may also be contained in the rule. However, the expression "manufacture from materials of any heading, including other materials of heading No ..." means that only materials classified in the same heading as the product of a different description than that of the product as given in column 2 of the list may be used.

3.4. When a rule in the list specifies that a product may be manufactured from more than one material, this means that any one or more materials may be used. It does not require that all be used.

Example:

The rule for fabrics of heading Nos 5208 to 5212 provides that natural fibre may be used and that chemical materials, among other materials, may also be used. This does not mean that both have to be used; it is possible to use one or the other or both.

3.5. Where a rule in the list specifies that a product must be manufactured from a particular material, the condition obviously does not prevent the use of other materials which, because of their inherent nature, cannot satisfy the rule. (See also Note 6.2 below in relation to textiles).

Example:

The rule for prepared foods of heading No 1904 which specifically excludes the use of cereals and their derivatives does not prevent the use of mineral salts, chemicals and other additives which are not produced from cereals.

However, this does not apply to products which, although they cannot be manufactured from the particular material specified in the list, can be produced from a material of the same nature at an earlier stage of manufacture.

Example:

In the case of an article of apparel of ex Chapter 62 made from non-woven materials, if the use of only non-originating yarn is allowed for this class of article, it is not possible to start from non-woven cloth - even if non-woven cloths cannot normally be made from yarn. In such cases, the starting material would normally be at the stage before yarn - that is the fibre stage.

3.6. Where, in a rule in the list, two percentages are given for the maximum value of non-originating materials that can be used, then these percentages may not be added together. In other words, the maximum value of all the non- originating materials used may never exceed the highest of the percentages given. Furthermore, the individual percentages must not be exceeded in relation to the particular materials they apply to.

**Note 4 :**

4.1. The term "natural fibres" is used in the list to refer to fibres other than artificial or synthetic fibres. It is restricted to the stages before spinning takes place, including waste, and, unless otherwise specified, includes fibres that have been carded, combed or otherwise processed but not spun.

4.2. The term "natural fibres" includes horsehair of heading No 0503, silk of heading Nos 5002 and 5003 as well as the wool fibres, fine or coarse animal hair of heading Nos 5101 to 5105, the cotton fibres of heading Nos 5201 to 5203 and the other vegetable fibres of heading Nos 5301 to 5305.

4.3. The terms "textile pulp", "chemical materials" and "paper-making materials" are used in the list to describe the materials not classified in Chapters 50 to 63, which can be used to manufacture artificial, synthetic or paper fibres or yarns.

4.4. The term "man-made staple fibres" is used in the list to refer to synthetic or artificial filament tow, staple fibres or waste, of heading Nos 5501 to 5507.

**Note 5:**

5.1. Where for a given product in the list a reference is made to this Note, the conditions set out in column 3 shall not be applied to any basic textile materials, used in the manufacture of this product, which, taken together, represent 10 per cent or less of the total weight of all the basic textile materials used. (See also Notes 5.3 and 5.4 below).

5.2. However, the tolerance mentioned in Note 5.1 may only be applied to mixed products which have been made from two or more basic textile materials.

The following are the basic textile materials:

- silk,
- wool,
- coarse animal hair,
- fine animal hair,
- horsehair,
- cotton,
- paper-making materials and paper,
- flax,

- true hemp,
- jute and other textile bast fibres,
- sisal and other textile fibres of the genus Agave,
- coconut, abaca, ramie and other vegetable textile fibres,
- synthetic man-made filaments
- artificial man-made filaments
- synthetic man-made staple fibres of polypropylene,
- synthetic man-made staple fibres of polyester,
- synthetic man-made staple fibres of polyamide,
- synthetic man-made staple fibres of polyacrylonitrile,
- synthetic man-made staple fibres of polyimide,
- synthetic man-made staple fibres of polytetrafluoroethylene,
- synthetic man-made staple fibres of polyphenylene sulphide,
- synthetic man-made staple fibres of polyvinyl chloride,
- other synthetic man-made staple fibres,
- artificial man-made staple fibres of viscose,
- other artificial man-made staple fibres
- yarn made of polyurethane segmented with flexible segments of polyether whether or not gimped,
- yarn made of polyurethane segmented with flexible segments of polyester whether or not gimped,
- products of heading No 5605 (metallized yarn) incorporating strip consisting of a core of aluminium foil or a core of plastic film whether or not coated with aluminium powder, of a width not exceeding 5 mm, sandwiched by means of transparent or colored adhesive between two layers of plastic film,
- other products of heading No 5605.

Example:

A yarn of heading No 5205 made from cotton fibres of heading No 5203 and synthetic staple fibres of heading No 5506 is a mixed yarn. Therefore, non-originating synthetic staple fibres that do not satisfy the origin rules (which require manufacture from chemical materials or textile pulp) may be used up to a weight of 10 per cent of the yarn.

Example:

A woollen fabric of heading No 5112 made from woollen yarn of heading No 5107 and synthetic yarn of staple fibres of heading No 5509 is a mixed fabric. Therefore synthetic yarn which does not satisfy the origin rules (which require manufacture from chemical materials or textile pulp) or woollen yarn that does not satisfy the origin rules (which require manufacture from natural fibres, not carded or combed or otherwise prepared for spinning) or a combination of the two may be used provided their total weight does not exceed 10 per cent of the weight of the fabric.

Example:

Tufted textile fabric of heading No 5802 made from cotton yarn of heading No 5205 and cotton fabric of heading No 5210 is only a mixed product if the cotton fabric is itself a mixed fabric being made from yarns classified in two separate headings or if the cotton yarns used are themselves mixtures.

Example:

If the tufted textile fabric concerned had been made from cotton yarn of heading No 5205 and synthetic fabric of heading No 5407, then, obviously, the yarns used are two separate basic textile materials and the tufted textile fabric is accordingly a mixed product.

Example:

A carpet with tufts made from both artificial yarns and cotton yarns and with a jute backing is a mixed product because three basic textile materials are used.Thus, any non-originating materials that are at a later stage of manufacture than the rule allows may be used, provided their total weight does not exceed 10 per cent of the weight of the textiles materials of the carpet. Thus, both the jute backing and/or the artificial yarns could be imported at that stage of manufacture, provided the weight conditions are met.

5.3. In the case of products incorporating "yarn made of polyurethane segmented with flexible segments of polyether whether or not gimped" this tolerance is 20 per cent in respect of this yarn.

5.4. In the case of products incorporating " strip consisting of a core of aluminum foil or of a core of plastic film whether or not coated with aluminum powder, of a width not exceeding 5 mm, sandwiches by means of an adhesive between two layers of plastic film", this tolerance is 30 per cent in respect of this strip.

**Note 6:**

6.1. In the case of those textile products which are marked in the list by a footnote referring to this note, textile materials, with the exception of linings and interlinings, which do not satisfy the rule set out in the list in column 3 for the made up product concerned may be used provided that they are classified in a heading other than that of the product and that their value does not exceed 8 per cent of the ex- works price of the product.

6.2. Without prejudice to Note 6.3, materials which are not classified within Chapters 50 to 63 may be used freely in the manufacture of textile products, whether or not they contain textiles.

Example:

If a rule in the list provides that for a particular textile item, such as trousers, yarn must be used, this does not prevent the use of metal items, such as buttons, because buttons are not classified within Chapters 50 to 63. For the same reason, it does not prevent the use of slide-fasteners even though slide-fasteners normally contain textiles.

6.3. Where a percentage rule applies, the value of materials which are not classified within Chapter 50 to 63 must be taken into account when calculating the value of the non-originating materials incorporated.

**Note 7:**

7.1. For the purposes of heading Nos ex 2707, 2713 to 2715, ex 2901, ex 2902 and ex 3403, the "specific processes" are the following:

(a) vacuum distillation;

(b) redistillation by a very thorough fractionation process [1];

(c) cracking;

(d) reforming;

(e) extraction by means of selective solvents;

(f) the process comprising all the following operations: processing with concentrated sulphuric acid, oleum or sulphuric anhydride; neutralization with alkaline agents; decolorization and purification with naturally active earth, activated earth, activated charcoal or bauxite;

(g) polymerization;

(h) alkylation;

(i) isomerization;

7.2. For the purposes of heading Nos 2710, 2711 and 2712, the "specific processes" are the following:

(a) vacuum distillation;

(b) redistillation by a very thorough fractionation process;[1]

(c) cracking;

(d) reforming;

(e) extraction by means of selective solvents;

(f) the process comprising all the following operations: processing with concentrated sulphuric acid, oleum or sulphuric anhydride; neutralization with alkaline agents; decolorization and purification with naturally active earth, activated earth, activated charcoal or bauxite;

(g) polymerization;

(h) alkylation;

(i) isomerization;

(k) in respect of heavy oils falling within heading No ex 2710 only, desulphurization with hydrogen resulting in a reduction of at least 85 per cent of the sulphur content of the products processed (ASTM D 1266-59 T method);

(l) in respect of products falling within heading No 2710 only, deparaffining by a process other than filtering;

(m) in respect of heavy oils falling within heading No ex 2710 only, treatment with hydrogen at a pressure of more than 20 bar and a temperature of more than 250$^{o}$ C with the use of a catalyst, other than to effect desulphurization, when the hydrogen constitutes an active element in a chemical reaction. The further treatment with hydrogen of lubricating oils of heading No ex 2710 (e.g. hydrofinishing or decolorization) in order, more especially, to improve color or stability shall not, however, be deemed to be a specific process;

(n) in respect of fuel oils falling within heading No ex 2710 only, atmospheric distillation, on condition that less than 30 per cent of these products distills, by volume, including losses, at 300$^{0}$C by the ASTM D 86 method;

(o) in respect of heavy oils other than gas oils and fuel oils falling within heading No ex 2710 only, treatment by means of a high-frequency electrical brush-discharge.

7.3. For the purposes of heading Nos ex 2707, 2713 to 2715, ex 2901, ex 2902 and ex 3403, simple operations such as cleaning, decanting, desalting, water separation, filtering, coloring, marking, obtaining a sulphur content as a result of mixing products with different sulphur contents, any combination of these operations or like operations do not confer origin.

1. See Additional Explanatory Note 4(b) to Chapter 27 of the combined nomenclature.