

TITLE III

FREE MOVEMENT OF GOODS

Article 8

1. The Community and the Slovak Republic shall gradually establish a free trade area in a transitional period lasting a maximum of ten years starting from the entry into force of this Agreement in accordance with the provisions of this Agreement and in conformity with those of the General Agreement on Tariffs and Trade (GATT).
2. The combined nomenclature of goods shall be applied to the classification of goods in trade between the two Parties.
3. For each product the basic duty to which the successive reductions set out in this Agreement are to be applied shall be the duty actually applied by the Czech and Slovak Federal Republic *erga omnes* on 29 February 1992.
4. 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, such reduced duties shall replace the basic duties referred to in paragraph 3 as from that date when such reductions are applied.
5. The Community and the Slovak Republic shall communicate to each other their respective basic duties.

CHAPTER I

Industrial products

Article 9

1. The provisions of this Chapter shall apply to products originating in the Community and in the Slovak Republic listed in Chapters 25 to 97 of the combined nomenclature with the exception of the products listed in Annex I.
2. The provisions of Articles 10 to 14 included do not apply to products mentioned in Articles 16 and 17.

Article 10

1. Customs duties on imports applicable in the Community to products originating in the Slovak Republic other than those listed in Annexes II and III shall be abolished on the entry into force of this Agreement.

2. Customs duties on imports applicable in the Community to products originating in the Slovak Republic listed in Annex II shall be reduced, on the date of entry into force of this Agreement, by 20% of the basic duty and one year thereafter by a further 20% of the basic duty. Duties shall be totally abolished by the end of the second year after the entry into force of the Agreement.

3. The products of Slovak Republic origin listed in Annex III shall benefit from a suspension of customs duties on imports within the limits of annual Community tariff quotas or ceilings increasing progressively in accordance with the conditions defined in that Annex so as to arrive at a complete abolition of customs duties on imports of the products concerned at the end of the third year after the entry into force of the Agreement.

At the same time, customs duties on imports applicable to import quantities in excess of the quotas or ceilings provided for above shall be progressively dismantled from the entry into force of this Agreement by annual reductions of 15%. By the end of the third year, remaining duties shall be abolished.

4. Quantitative restrictions and measures having an effect equivalent to quantitative restrictions on imports to the Community shall be abolished on the date of entry into force of this Agreement with regard to the products originating in the Slovak Republic.

Article 11

1. Customs duties on imports applicable in the Slovak Republic to products originating in the Community which are listed in Annex IV shall be abolished on the date of entry into force of this Agreement.

2. Customs duties on imports applicable in the Slovak Republic to products originating in the Community which are listed in Annex V shall be progressively reduced in accordance with the following timetable:

- on the date of entry into force of this Agreement each duty shall be reduced to 40% of the basic duty,
- three years after the date of entry into force of this Agreement each duty shall be reduced to 40% of the basic duty,
- five years after the date of entry into force of this Agreement the remaining duties shall be eliminated.

3. Customs duties on imports applicable in the Slovak Republic to products originating in the Community which are listed in Annex VI shall be progressively reduced according to the following timetable:

- three years after the date of entry into force of this Agreement each duty shall be reduced to 80% of the basic duty,

- five years after the date of entry into force of this Agreement each duty shall be reduced to 60% of the basic duty,
- seven years after the date of entry into force of this Agreement each duty shall be reduced to 40% of the basic duty,
- nine years after the date of entry into force of this Agreement the remaining duties shall be eliminated.

4. Customs duties on imports applicable in the Slovak Republic to products originating in the Community which are listed in Annex VII shall be progressively reduced in accordance with the following timetable:

- on the date of entry into force of this Agreement each duty shall be reduced to 80% of the basic duty,
- three years after the date of entry into force of this Agreement each duty shall be reduced to 60% of the basic duty,
- five years after the date of entry into force of this Agreement each duty shall be reduced to 40% of the basic duty,
- seven years after the date of entry into force of this Agreement each duty shall be reduced to 20% of the basic duty,
- nine years after the date of entry into force of this Agreement the remaining duties shall be eliminated.

5. Quantitative restrictions on imports into the Slovak Republic of products originating in the Community shall be abolished upon entry into force of this Agreement, except for those listed in Annex VIII, which shall be progressively abolished by the end of the transitional period.

6. Measures having an effect equivalent to quantitative restrictions on imports into the Slovak Republic of products originating in the Community shall be abolished upon entry into force of this Agreement.

Article 12

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

Article 13

The Community and the Slovak Republic shall abolish upon entry into force of this Agreement in trade between themselves, any charges having an effect equivalent to customs duties on imports.

Article 14

1. The Community and the Slovak Republic shall progressively abolish between them at the latest by the end of the fifth year after entry into force of this Agreement any customs duties on exports and charges having equivalent effect.
2. Quantitative restrictions on exports to the Slovak Republic and any measures having equivalent effect shall be abolished by the Community on the entry into force of this Agreement.
3. Quantitative restrictions on exports to the Community and any measures having equivalent effect shall be abolished by the Slovak Republic upon entry into force of this Agreement, except for those restrictions listed in Annex IX which shall be abolished at the latest by the end of the fifth year after the entry into force of this Agreement.

Article 15

Each Party declares its readiness to reduce its customs duties in trade with the other Party more rapidly than is provided for in Articles 10 and 11 if its general economic situation and the situation of the economic sector concerned so permit.

The Association Council may make recommendations to this effect.

Article 16

Protocol 1 lays down the arrangements applicable to the textile products referred to therein.

Article 17

Protocol 2 lays down the arrangements applicable to products covered by the Treaty establishing the European Coal and Steel Community.

Article 18

1. The provisions of this Chapter do not preclude the retention by the Community of an agricultural component in the duties applicable to products listed in Annex X in respect of products originating in the Slovak Republic.
2. The provisions of this Chapter do not preclude the introduction of an agricultural component by the Slovak Republic in the duties applicable to the products listed in Annex X in respect of products originating in the Community.

CHAPTER II

Agriculture

Article 19

1. The provisions of this Chapter shall apply to agricultural products originating in the Community and in the Slovak Republic.
2. 'Agricultural products' means the products listed in Chapters 1 to 24 of the combined nomenclature and the products listed in Annex I, but excluding fishery products as defined by Regulation (EEC) No. 3687/91.

Article 20

Protocol 3 lays down the trade arrangements for processed agricultural products which are listed in such Protocol.

Article 21

1. The Community shall abolish at the date of entry into force of this Agreement the quantitative restrictions on imports of agricultural products originating in the Slovak Republic maintained by virtue of Council Regulation (EEC) No. 288/82 in the form existing on the date of signature hereof.
2. The agricultural products originating in the Slovak Republic listed in Annex XIa or XIb shall benefit, upon the date of entry into force of this Agreement, from the reduction of levies within the limit of Community quotas or from the reduction of customs duties and upon the conditions provided in the same Annex.
3. Imports into the Slovak Republic of agricultural products originating in the Community shall be free of quantitative restrictions.
4. The Community and the Slovak Republic shall grant each other the concessions referred to in Annexes XII, XIII and XIV, on a harmonious and reciprocal basis, in accordance with the conditions laid down therein.
5. Taking account of the volume of trade in agricultural products between them, of their particular sensitivity, of the rules of the common agricultural policy of the Community, of the rules of the agricultural policy of the Slovak Republic, and of the consequences of the multilateral trade negotiations under the General Agreement on Tariffs and Trade, the Community and the Slovak Republic shall examine in the Association Council, product by product and on an orderly and reciprocal basis, the possibilities of granting each other further concessions.

Article 22

Notwithstanding other provisions of this Agreement, and in particular Article 31, if, given the particular sensitivity of the agricultural markets, imports of products originating in one Party, which are the subject of concessions granted in Article 21, cause serious disturbance to the markets in the other Party, both Parties shall enter into consultations immediately to find an appropriate solution. Pending such solution, the Party concerned may take the measures it deems necessary.

CHAPTER III

Fisheries

Article 23

The provisions of this Chapter shall apply to fishery products originating in the Community and in the Slovak Republic, which are covered by Regulation (EEC) No. 3687/91 on the common organization of the market in the sector of fishery products.

Article 24

The fishery products originating in the Slovak Republic listed in Annex XV shall benefit upon the date of entry into force of this Agreement from the reduction of customs duties provided in that Annex. The provisions of Article 21 (5) shall apply *mutatis mutandis* to fishery products.

CHAPTER IV

Common provisions

Article 25

The provisions of this Chapter shall apply to trade in all products except where otherwise provided herein or in Protocols 1, 2 and 3.

Article 26

1. No new customs duties on imports or exports or charges having equivalent effect shall be introduced, nor shall those already applied be increased, in trade between the Community and the Slovak Republic from the date of entry into force of this Agreement.
2. No new quantitative restriction on imports or exports or measure having equivalent effect shall be introduced, nor shall those existing be made more restrictive, in trade between the Community and the Slovak Republic from the date of entry into force of this Agreement.

3. Without prejudice to the concessions granted under Article 21, the provisions of paragraphs 1 and 2 of this Article shall not restrict in any way the pursuance of the respective agricultural policies of the Slovak Republic and the Community or the taking of any measures under such policies.

Article 27

1. The two Parties shall refrain from any measure or practice of an internal fiscal nature establishing, whether directly or indirectly, discrimination between the products of one Party and like products originating in the territory of the other Party.

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

Article 28

1. This Agreement shall not preclude the maintenance or establishment of customs unions, free trade areas or arrangements for frontier trade except in so far as they alter the trade arrangements provided for in this Agreement.

2. Consultations between the Parties shall take place within the Association Council concerning agreements establishing such customs unions or free trade areas and, where requested, on other major issues related to their respective trade policy with third countries. In particular in the event of a third country acceding to the Community, such consultations shall take place so as to ensure that account can be taken of the mutual interests of the Community and the Slovak Republic stated in this Agreement.

Article 29

Exceptional measures of limited duration which derogate from the provisions of Articles 11 and 26 (1) may be taken by the Czech Republic in the form of increased customs duties.

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

Customs duties on imports applicable in the Czech Republic to products originating in the Community introduced by these measures may not exceed 25% *ad valorem* and shall maintain an element of preference for products originating in the Community. The total value of imports of the products which are subject to these measures may not exceed 15% of total imports from the Community of industrial products as defined in Chapter I, during the last year for which statistics are available.

These measures shall be applied for a period not exceeding five years, unless a longer duration is authorized by the Association Council. They shall cease to apply at the latest at the expiration of the transitional period.

No such measures can be introduced in respect of a product if more than three years have elapsed since the elimination of all duties and quantitative restrictions or charges or measures having an equivalent effect concerning that product.

The Slovak Republic shall inform the Association Council of any exceptional measures it intends to take and, at the request of the Community, consultations shall be held in the Association Council on such measures and the sectors to which they apply before they are applied. When taking such measures the Slovak Republic shall prove the Association Council 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 Association Council may decide on a different schedule.

Article 30

If one of the Parties finds that dumping is taking place in trade with the other Party within the meaning of Article VI of the General Agreement on Tariffs and Trade, it may take appropriate measures against this practice in accordance with the Agreement relating to the application of Article VI of the General Agreement on Tariffs and Trade, with related internal legislation and with the conditions and procedures laid down in Article 34.

Article 31

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

- serious injury to domestic producers of like or directly competitive products in the territory of one of the Contracting Parties, or
- serious disturbances in any sector of the economy or difficulties which could bring about serious deterioration in the economic situation of a region.

The Community or the Slovak Republic, whichever is concerned, may take appropriate measures under the conditions and in accordance with the procedures laid down in Article 34.

Article 32

Where compliance with the provisions of Articles 14 and 26 leads to -

- (i) re-export towards a third country against which the exporting Party maintains, for the product concerned, quantitative export restrictions, export duties or measures having equivalent effect;

or

- (ii) a serious shortage, or threat thereof, of a product essential to the exporting Party,

and where the situations abovementioned 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 34. The Measures shall be non_discriminatory and be eliminated when conditions no longer justify their maintenance.

Article 33

The Member States and the Slovak Republic shall progressively adjust any State monopolies of a commercial character so as to ensure that, by the end of the fifth year following the entry into force of this Agreement, no discrimination regarding the conditions under which goods are procured and marketed exists between nationals of the Member States and of the Slovak Republic. The Association Council will be informed about the measures adopted to implement this objective.

Article 34

1. In the event of the Community or the Slovak Republic subjecting imports of products liable to give rise to the difficulties referred to in Article 31 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.

2. In the case specified in Articles 30, 31 and 32, before taking the measures provided for therein or, in cases to which paragraph 3 (d) applies, as soon as possible, the Community or the Slovak Republic, as the case may be, shall supply the Association Council with all relevant information, with a view to seeking a solution acceptable to the two Parties.

In the selection of measures, priority must be given to those which least disturb the functioning of this Agreement.

The safeguard measures shall be notified immediately to the Association Council and shall be the subject of periodic consultations within that body, particularly with a view to establishing a timetable for their abolition as soon as circumstances permit.

3. For the implementation of paragraph 2, the following provisions shall apply:

- (a) as regards Article 31, the difficulties arising from the situation referred to in that Article shall be referred for examination to the Association Council, which may take any decision needed to put an end to such difficulties.

If the Association Council or the exporting Party has not taken a decision putting an end to the difficulties or no other satisfactory solution has been reached within

30 days of the matter being referred, the importing Party may adopt the appropriate measures to remedy the problem. These measures must not exceed the scope of what is necessary to remedy the difficulties which have arisen;

- (b) as regards Article 30, the Association Council shall be informed of the dumping case as soon as the authorities of the importing Party have initiated an investigation. When no end has been put to the dumping within the meaning of Article VI of the GATT or no other satisfactory solution has been reached within 30 days of the matter being referred to the Association Council, the importing Party may adopt the appropriate measures;
- (c) as regards Article 32, the difficulties arising from the situations referred to in that Article shall be referred for examination to the Association Council.

The Association Council may take any decision needed to put an end to the difficulties. If it has not taken such a decision within 30 days of the matter being referred to it, the exporting Party may apply appropriate measures on the exportation of the product concerned;

- (d) where exceptional circumstances requiring immediate action make prior information or examination, as the case may be, impossible, the Community or the Slovak Republic whichever is concerned may, in the situations specified in Articles 30, 31 and 32, apply forthwith the precautionary and provisional measures strictly necessary to deal with the situation, and the Association Council will be informed immediately.

Article 35

Protocol 4 lays down rules of origin for the application of tariff preferences provided for in this Agreement.

Article 36

The 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; the protection of health and life of humans, animals or plants; the protection of exhaustible natural resources; the protection of national treasures of artistic, historic or archaeological value or the protection of intellectual, industrial and commercial property or rules relating to gold and silver. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between the Parties.

Article 37

Protocol 5 lays down the specific provisions to apply to trade between the Slovak Republic, of the one part, and Spain and Portugal, of the other part.