

illegal activities and cultural matters;

Whereas the Europe Agreement is intended to establish close and lasting relations, based on reciprocity, which should allow Slovenia to take part in the process of European integration;

Whereas it is necessary to ensure the development of trade links by strengthening and widening the relations established previously, notably by the Cooperation Agreement between the European Economic Community and the Republic of Slovenia signed on 5 April 1993, which entered into force on 1 September 1993;

Whereas to this end it is necessary to implement as speedily as possible, by means of an Interim Agreement, provisions of the Europe Agreement on trade and trade related matters;

Whereas it is necessary to ensure that pending the entry into force of the Europe Agreement and the establishment of the Association Council, the Cooperation Council set up by the Cooperation Agreement can exercise the powers assigned by the Europe Agreement to the Association Council which are necessary in order to implement the Interim Agreement,

Have decided to conclude this Agreement and to this end have designated as their plenipotentiaries,

The European Community:

The European Coal and Steel Community;

The European Atomic Energy Community;

The Republic of Slovenia;

Who, having exchanged their full powers, formed in good and due form,

Have agreed as follows:

TITLE 1

General Principles

Article 1 (Europe Agreement (EA) 2)

Respect for the democratic principles and human rights as proclaimed in the Universal Declaration of Human rights and as defined in the Helsinki Final Act and the Charter of Paris for a new Europe, as well as the principles of market economy as reflected in the Document of the CSCE Bonn Conference on Economic Cooperation, shall form the basis of the domestic and external policies of the Parties and constitute essential elements of this Agreement.

TITLE II

Free Movement of Goods

Article 2 (EA 8)

1. The Community and Slovenia shall gradually establish a free-trade area in a transitional period lasting a maximum of six 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 GATT 1994 and the WTO.
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 erga omnes on 9 June 1996.
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 duty referred to in paragraph 3 as from the date when such reductions are applied.
5. The Community and Slovenia shall communicate to each other their respective basic duties.

CHAPTER I

Industrial Products

Article 3 (EA 9)

1. The provisions of this Chapter shall apply to products originating in the Community or Slovenia 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 4 and 8 shall not apply to textile products or to products covered by the Treaty establishing the European Coal and Steel Community, as specified in Articles 10 and 11.
3. Trade between the Parties in products covered by the Treaty establishing the European Atomic Energy Community shall be conducted in accordance with the provisions of that Treaty.

Article 4 (EA 10)

1. Customs duties on imports into the Community of products originating in Slovenia other than those listed in Annex II shall be abolished upon the entry into force of this Agreement.
2. Customs duties on imports into the Community of products of Slovenian origin listed in Annex II shall be suspended within the limits of annual Community tariff ceilings increasing progressively in accordance with the conditions specified in that Annex with a view to complete abolition of customs duties on imports of the products concerned on the 1 January 2000.
3. Quantitative restrictions on imports into the Community and measures having equivalent effect on imports into the Community shall be abolished on the date of entry into force of this Agreement with regard to products originating in Slovenia.

Article 5 (EA 11)

1. Customs duties on imports into Slovenia of goods originating in the Community other than those listed in Annexes III and IV shall be abolished upon the entry into force of this Agreement.

2. Customs duties on imports into Slovenia of products originating in the Community which are listed in Annex III shall be progressively reduced in accordance with the following timetable:

- on the 1 January 1997 each duty shall be reduced to 55 per cent of the basic duty
- on the 1 January 1998 each duty shall be reduced to 30 per cent of the basic duty
- on the 1 January 1999 each duty shall be reduced to 15 per cent of the basic duty
- on the 1 January 2000 the remaining duties shall be abolished.

3. Customs duties on imports into Slovenia of products originating in the Community which are listed in Annex IV shall be progressively reduced in accordance with the following timetable:

- on the 1 January 1997 each duty shall be reduced to 70 per cent of the basic duty
- on the 1 January 1998 each duty shall be reduced to 45 per cent of the basic duty
- on the 1 January 1999 each duty shall be reduced to 35 per cent of the basic duty
- on the 1 January 2000 each duty shall be reduced to 20 per cent of the basic duty
- on the 1 January 2001 the remaining duties shall be abolished.

4. All quantitative restrictions on imports into Slovenia of goods originating in the Community and measures having equivalent effect shall be abolished upon the entry into force of this Agreement.

Article 6 (EA 12)

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

Article 7 (EA 13)

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

Article 8 (EA 14)

1. The Community shall abolish any customs duties on exports and charges having equivalent effect upon the entry into force of this Agreement.

Slovenia shall abolish customs duties on exports and charges having equivalent effect upon entry into force of this Agreement except for the products listed in Annex XII where the abolition will take place in accordance with the timetable set out in that Annex.

2. The Community and Slovenia shall abolish between themselves any quantitative restrictions on exports and measures having equivalent effect upon the entry into force of this Agreement.

Article 9 (EA 15)

Slovenia declares its readiness to reduce its customs duties in trade with the Community more rapidly than is provided for in Article 5 if its general economic situation and the situation of the economic sector concerned so permit.

The Community declares its readiness in similar circumstances to increase further or to abolish more speedily the tariff ceilings referred to in Article 4(2).

The Cooperation Council shall make recommendations to this effect.

Article 10 (EA 16)

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

Article 11 (EA 17)

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

Article 12 (EA 18)

1. The provisions of this Chapter shall not preclude the retention by the Community of an agricultural component in the duties applicable to products listed in Annex V in respect of products originating in Slovenia.

2. The provisions of this Chapter shall not preclude the introduction of an agricultural component by Slovenia in the duties applicable to the products listed in Annex V in respect of products originating in the Community.

CHAPTER II

Agriculture

Article 13 (EA 19)

1. The provisions of this Chapter shall apply to agricultural products originating in the Community and Slovenia.

2. The term "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. 3759/92.

Article 14 (EA 20)

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

2. A separate Agreement will be negotiated for wine and spirits.

Article 15 (EA 21)

1. The Community shall abolish on the date of entry into force of this Agreement the quantitative restrictions, and measures having equivalent effect, on imports of agricultural products originating in Slovenia.

2. From the date of entry into force of this Agreement the Community shall apply to imports into its market of agricultural products originating in Slovenia the concessions listed in Annex VI.

3. Slovenia shall abolish quantitative restrictions, and measures having equivalent effect, on imports of agricultural products originating in the Community on the date of entry into force of this Agreement.

4. From the date of entry into force of this Agreement, Slovenia shall apply to imports into Slovenia of products originating in the Community the concessions listed in Annex VII.

5. Taking account of the volume of trade in agricultural products between them, of its particular sensitivity, of the rules of the common agricultural policy of the Community, of the rules of the agricultural policy of Slovenia, and of the consequences of the multilateral trade negotiations under the GATT 1994 and WTO, the Community and Slovenia shall examine in the Cooperation Council, product-by-product and on an orderly and reciprocal basis, the opportunities for granting each other further concessions.

Article 16 (EA 22)

Notwithstanding other provisions of this Agreement, and in particular Article 25, if, given the particular sensitivity of the agricultural markets, imports of products originating in one of the two Parties, which are the subject of concessions granted pursuant to Article 15, 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 17 (EA 23)

The provisions of this Chapter shall apply to fishery products originating in the Community and Slovenia which are covered by Regulation (EEC) No. 3759/92 on the common Organization of the market in fishery and aquaculture products.

Article 18 (EA 24)

1. The fishery products originating in Slovenia listed in Annex VIIIa shall be subject from the date of entry into force of this Agreement to the reduced customs duties provided for in that Annex. The provisions of Articles 15 and 16 shall apply *mutatis mutandis* to fishery products.

2. The fishery products originating in the Community listed in Annex VIIIb shall be subject from the date of entry into force of this Agreement to the reduced customs duties provided for in that Annex. The provisions of Articles 15 and 16 shall apply *mutatis mutandis* to fishery products.

CHAPTER IV

Common Provisions

Article 19 (EA 25)

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

Article 20 (EA 26)

Standstill

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 Slovenia 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 Slovenia from the date of entry into force of this Agreement.
3. Without prejudice to the concessions granted under Article 15, the provisions of paragraphs 1 and 2 of this Article shall not restrict in any way the pursuit of the respective agricultural policies of Slovenia and the Community or the taking of any measures under those policies as far as the import regime in the Annexes VI and VII is not affected.

Article 21 (EA 27)

Prohibition of Fiscal Discrimination

1. The 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 indirect taxation in excess of the amount of indirect taxation imposed on them.

Article 22 (EA 28)

Customs Unions, Free-Trade Areas, Cross-Border Arrangements

1. This Agreement shall not preclude the maintenance or establishment of customs unions, free-trade areas or arrangements for frontier trade except insofar as they alter the trade arrangements provided for in this Agreement. This Agreement shall in particular not affect the implementation of the specific arrangements governing the movement of goods laid down in frontier agreements previously concluded between one or more Member States and the Socialist Federal Republic of Yugoslavia and succeeded to by the Republic of Slovenia.
2. Consultations between the Parties shall take place within the Cooperation Council concerning agreements establishing such customs unions or free-trade areas and, where requested, on other major issues related to their respective trade policies towards 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 is taken of the mutual interests of the Community and Slovenia stated in this Agreement.

Article 23 (EA 29)

Exceptional Tariff Measures

Exceptional measures or limited duration which derogate from the provisions of Article 5 and Article 20(1) may be taken by Slovenia 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 major social problems.

Customs duties introduced by these measures on imports into Slovenia of products originating in the Community may not exceed 25 per cent *ad valorem* and must 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 per cent of total imports from the Community of industrial products as defined in Chapter I, during the last year for which statistics are available.

The measures shall be applied for a period not exceeding five years unless a longer duration is authorized by the Cooperation Council. They shall cease to apply at the latest on the expiry of the transitional period.

No such measures may 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 equivalent effect concerning that product.

Slovenia shall inform the Cooperation Council of any exceptional measures it intends to adopt and, at the request of the Community, consultations shall be held in the Cooperation Council on such measures and the sectors to which they apply before they are put into effect. When adopting such measures, Slovenia shall provide the Cooperation 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 at equal annual rates starting at the latest two years after their introduction. The Cooperation Council may decide on a different schedule.

Article 24 (EA 30)

Dumping

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 GATT 1994, it may take appropriate measures against this practice in accordance with the Agreement on Implementation of Article VI of the GATT 1994, its own related internal legislation and the conditions and procedures laid down in Article 28.

Article 25 (EA 31)

General Safeguard Clause

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 competing 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 Slovenia, whichever is concerned, may take appropriate measures under the conditions and in accordance with the procedures laid down in Article 28.

Article 26 (EA 32)

Shortage Clause

Where compliance with Articles 8 and 20 leads to:

! re-export to a third country of a product in respect of which the exporting Party maintains quantitative export restrictions, export duties or measures or charges having equivalent effect, or

! a serious shortage, or threat thereof, of a product essential to the exporting Party,

and where the situation described 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 28. The measures shall be non-discriminatory and shall be abolished when conditions no longer justify their maintenance.

Article 27 (EA 33)

State Monopolies

The Member States and Slovenia shall progressively adjust any State monopolies of a commercial character so as to ensure that, by the end of the fourth 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 Slovenia. The Cooperation Council will be informed about the measures adopted to attain this objective.

Article 28 (EA 34)

Procedures

1. In the event of the Community or Slovenia subjecting imports of products liable to give rise to the difficulties referred to in Article 25 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 cases specified in Articles 24, 25 and 26, before taking the measures provided for therein or, in cases to which paragraph 3(d) applies, as soon as possible, the Community or Slovenia, as the case may be, shall supply the Cooperation 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 Cooperation Council and shall be the subject of periodic consultations within that body, notably 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 25, the difficulties arising from the situation referred to in that Article shall be referred for examination to the Cooperation Council, which may

take any decision needed to put an end to such difficulties.

If the Cooperation 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 thirty 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 24, the Cooperation Council shall be informed of the instance of dumping as soon as the authorities of the importing Party have initiated an investigation. Where no end has been put to the dumping within the meaning of Article VI of the GATT 1994 or no other satisfactory solution has been reached within thirty days of the matter being referred to the Cooperation Council, the importing Party may adopt the appropriate measures.

(c) As regards Article 26, the difficulties arising from the situations referred to in that Article shall be referred for examination to the Cooperation Council.

The Cooperation Council may take any decision needed to put an end to the difficulties. If it has not taken such a decision within thirty days of the matter being referred to it, the exporting Party may apply appropriate measures to the export 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 Slovenia whichever is concerned may, in the situations specified in Articles 24, 25 and 26, apply forthwith the safeguard measures strictly necessary to deal with the situation and inform the Cooperation Council immediately.

Article 29 (EA 35)

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

Article 30 (EA 36)

Restrictions Authorized

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; 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 31 (EA 37)

The application of this Agreement shall be without prejudice to Council Regulation (EEC) No. 1911/91 of 26 June 1991 on the application of the provisions of Community law to the Canary Islands.