

**FREE TRADE AGREEMENT BETWEEN SLOVENIA
AND BOSNIA AND HERZEGOVINA**

Communication from Slovenia

I. BACKGROUND INFORMATION ON THE AGREEMENT

1. Date of signature, ratification and entry into force

The Free Trade Agreement between the Republic of Slovenia and Bosnia and Herzegovina was signed on 3 October 2001 in Zenica, Bosnia and Herzegovina. The Republic of Slovenia ratified the Agreement on 21 December 2001. Bosnia and Herzegovina will ratify it in the near future. A provision was included to the Agreement that allows the Parties to apply the Agreement on a provisional basis from 1 January 2002. The Agreement has not entered into force yet.

2. Type of agreement

The agreement that was concluded between the Republic of Slovenia and Bosnia and Herzegovina is a Free Trade Agreement.

The main objectives of the Agreement are to promote the harmonious development of economic relations between the Parties and thus to foster in the Parties the advance of economic activity, the improvement of living and employment conditions, and financial stability; then to provide fair conditions of competition for trade between the Parties and finally, to contribute by the removal of barriers to trade, to the harmonious development and expansion of world trade.

The primary objective of the Agreement is to establish free trade area in a transitional period ending on **31 December 2004** in accordance with the provisions of the Agreement and in conformity with those of the GATT 1994, in particular Article XXIV, and the Agreement Establishing the WTO. The full plans for the reduction of customs duties and other tariff barriers to trade to zero on all the trade between the Parties are contained in the relevant Articles of the Agreement.

A summary of the structure of the Agreement, including Protocol 1, can be found in Annex 1.

3. Scope

The Free Trade Agreement covers trade in **all industrial products** (HS Chapters 25 – 97 of the Harmonised Commodity Description and Coding System, HS) and **all agricultural products** (HS Chapters 1 - 24) without any exception.

The Agreement also contains provisions, inter alia, on state aid, state monopolies, competition, public procurement, intellectual property rights and dumping. The Parties have also expressed their readiness to discuss the extension of the scope of the Agreement to the areas not currently covered (evolutionary clause).

Products falling within HS Chapters 25 to 97 of the account for 96.9 per cent of imports of all products originating in Bosnia and Herzegovina being imported in Slovenia (see Annex 2).

Products falling within HS Chapters 1 to 24 account for 3.1 per cent of imports of all products originating in Bosnia and Herzegovina being imported in Slovenia (see Annex 2).

4. Trade data

See country specific tables in Annex 2 on development of trade between Slovenia and Bosnia and Herzegovina. In addition, compiled economic and trade indicators of the Slovenia and Bosnia and Herzegovina are provided in Annex 3 to this note.

II. TRADE PROVISIONS

1. Import restrictions

1.1 Duties and charges

Customs duties on imports shall be abolished in accordance with the provisions laid down in Article 4 of the Agreement.

Slovenia abolished the customs duties on imports of all agricultural and all industrial products originating in Bosnia and Herzegovina on 1 January 2002. Slovenia does not apply charges having equivalent effect and import duties of a fiscal nature.

Bosnia and Herzegovina will progressively reduce the customs duties on imports as well as charges having equivalent effect and import duties of a fiscal nature for all agricultural and industrial products originating in Slovenia in accordance with the following timetable:

- | | |
|---------------------|---|
| - on 1 January 2002 | to 70 per cent of their value; |
| - on 1 January 2003 | to 50 per cent of their value; |
| - on 1 January 2004 | to 30 per cent of their value; |
| - on 1 January 2005 | the remaining duties will be abolished. |

The Parties shall not introduce new customs duties on imports, charges having an effect equivalent to customs duties on imports and import duties of a fiscal nature in trade between them.

1.2. Quantitative restrictions

All quantitative restrictions (QRs) on imports and measures having equivalent effect were abolished by both Parties on 1 January 2002.

The Parties shall not introduce new QRs on imports and measures having equivalent effect.

2. Export restrictions

2.1. Duties and charges

All customs duties on exports and charges having equivalent effect were abolished on 1 January 2002.

The Parties shall not introduce new customs duties on exports, charges having an effect equivalent to customs duties on exports and export duties of a fiscal nature in trade between them.

2.2. Quantitative restrictions

All QRs on exports and measures having equivalent effect were abolished by both Parties on 1 January 2002.

The Parties shall not introduce new QRs on exports and measures having equivalent effect.

3. Rules of origin

The preferential treatment under this Agreement shall be granted only upon the submission of a proof of origin of goods issued in the exporting country in accordance with Protocol 1 concerning the definition of the concept of "originating products" and methods of administrative cooperation. Rules of origin are harmonised with the European preferential rules of origin. However, these rules do not have provisions on diagonal cumulation of origin but only the bilateral cumulation of origin. Thus, the Parties do not apply the concept of the Pan-European cumulation.

4. Standards

4.1. Technical barriers to trade

The rights and obligations of the Parties relating to technical regulations or standards and related measures shall be governed by the WTO Agreement on Technical Barriers to Trade.

The Parties shall co-operate and exchange information in the field of conformity assessment, standardisation, metrology and accreditation with the aim of reducing and/or eliminating technical barriers to trade.

The Parties shall 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 trade between the Parties.

4.2. Sanitary and phytosanitary measures

The Parties shall apply their regulations in veterinary, phytosanitary and sanitary matters, in particular in the exchange of information on infectious animal diseases, quarantine diseases, plant pests and weed, taking into account the WTO Agreement on the Application of Sanitary and Phytosanitary Measures.

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

The measures related to the veterinary and sanitary control between the Parties shall be adjusted to the relevant legislation of the EU.

5. Safeguards

The following emergency measures and other safeguard mechanisms applicable to intra-trade are provided for in the Agreement:

- Specific safeguards

Given the particular sensitivity of the agricultural markets, if imports of products originating in a Party, which are the subject to concessions granted under the Agreement, cause serious disturbance to the market or to its domestic regulatory mechanisms in the other Party, both Parties shall enter into consultations immediately to find an appropriate solution. Pending such solution, the Party concerned may take measures it deems necessary. Such measures cannot be applied toward third countries.

- General safeguards

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 the importing Party, or 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 for the application of safeguard measures laid down in Article of the Agreement. Such measures cannot be applied toward third countries.

- Structural adjustment

The measures under the provisions applying to structural adjustment may concern infant industries or sectors undergoing restructuring or facing serious difficulties, particularly where these difficulties might lead to important social problems. The maximum coverage of trade represented by products on which structural adjustment measures may be applied is defined in the relevant Article. The measures may not be applied after 1 January 2005. Such measures cannot be applied toward third countries.

No measures can be introduced against third countries on the basis of Articles on Specific safeguards, General safeguards or Structural adjustment of the Agreement, since the Free Trade Agreement does not alter the Parties' respective rights *vis-à-vis* third countries under the GATT 1994.

- Re-export and serious shortage

Any export restrictions introduced under these provisions shall be applied in the sense of the requirements of Article XI of the GATT 1994 unless they are based on Article XX.

- Balance of payments difficulties

The Parties endeavour to avoid the imposition of restrictive measures including measures relating to imports for balance of payments (BOP) purposes.

Where one of the Parties is in serious BOP difficulties, or under imminent threat thereof, the Party concerned may, in accordance with the relevant provisions of 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 BOP situation. The measures shall be progressively relaxed as BOP 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 schedule for their removal.

Any measures for BOP purposes shall be applied in accordance with the provisions of the GATT 1994 in particularly the Understanding on Balance-of-Payments Provisions of GATT 1994.

6. Anti-dumping and countervailing measures

The Parties may only take anti-dumping measures in accordance with the Agreement on Implementation of Article VI of the GATT 1994. The Agreement contains provisions for the procedures for the application of safeguard measures which are applicable to anti-dumping measures.

7. Subsidies and State-aid

Any actions taken in accordance with the State-aid provisions of the Free Trade Agreement will be in accordance with the relevant provisions of the WTO. The Parties ensure transparency in the area of state aid by reporting annually to each other on the total amount and the distribution of the aid given and provide the information on aid schemes and on particular individual cases of state aid. Any Party can introduce, if it considers that a particular practice is incompatible with Agreement's provisions, appropriate measures in conformity with the GATT 94 and the WTO.

8. Sector-specific provisions

In the Agreement there is no sector specific provisions.

The arrangements concluded within the framework of the Agreement contribute to the development of closer integration between the economies of the Parties of the Agreement, without raising barriers to trade with the other WTO Members.

9. Other

- Customs administration co-operation

In the Agreement there is no provisions on mutual assistance in customs matters. Mutual assistance in customs matters between Slovenia and Bosnia and Herzegovina is regulated by a separate agreement concluded between Slovenia and Bosnia and Herzegovina.

III. GENERAL PROVISIONS

1. Exceptions and reservations

- 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; the protection of health and life of humans, animals or plants; the protection of national treasures of artistic, historic or archaeological value; the protection of intellectual property; the rules relating to gold and silver, or the protection of environment or 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.

- Security exceptions

Nothing in the Agreement shall prevent a Party from taking any measure which it considers necessary to prevent the disclosure of information contrary to its essential security interests; for the protection of its essential security interests or for the implementation of international obligations or national policies 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 relating to the non-proliferation of biological and chemical weapons, nuclear weapons or other nuclear explosive devices; or taken in time of war or other serious international tension.

2. Accession

There is no provision on the accession of any other country to the Agreement.

3. Dispute settlement procedures

In the Agreement there is no special provisions on dispute settlement. According to the Agreement direct consultations between the Parties should be a mechanism for solving any disputes between the Parties (i.e. safeguard measures).

4. Relation with other trade agreements

The Agreement does not establish any specific relation with other bilateral, plurilateral or multilateral trade agreements.

On the other hand the 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.

5. Institutional framework

There were no intergovernmental or supranational institutions created to operate the Agreement.

The implementation of the Agreement is supervised and administered by the Joint Committee composed of the representatives of the Parties. The Joint Committee shall meet whenever necessary but at least once a year. The Joint Committee may take decisions in the cases provided for in this Agreement. On other matters it may make recommendations.

IV. OTHER

1. Internal taxation

The Parties shall refrain from any measures or practices of an internal fiscal nature implying directly or indirectly discrimination against the products of the Parties. As an example of direct taxation one can mention income tax or corporate tax, whereas turnover tax and value added tax are examples of indirect taxation.

2. State monopolies

The Parties shall adjust progressively any state monopoly of a commercial character so as to ensure that by the end of the transitional period no discrimination regarding the conditions under which goods are procured and marketed exists between nationals of the Parties. The provisions on state monopolies ensure that procurement or marketing of products by any state monopolies of

commercial nature, as defined in the Article of the Agreement also include monopolies delegated by the Parties to others.

3. Payments

The Agreement provides freedom of payments relating to trade and transfer of such payments to the territory of the Party where the creditor resides. They include a commitment to refrain from any exchange or administrative restrictions on grant, repayment or acceptance of credits covering commercial transactions. The Parties have reserved the right to apply exchange restrictions connected with the granting or taking up of short and medium term credits to the extent permitted according to their status under the IMF. Such restrictions shall be applied on a non-discriminatory basis.

4. Public procurement

The Parties consider the liberalization of their public procurement markets as an objective of this Agreement. The Parties shall therefore progressively adjust their respective rules, conditions and practices for public procurement with a view to grant suppliers of the other Party access to contract award procedures on their respective public procurement markets.

The Parties shall endeavour to accede to the relevant Agreements under the GATT 1994 and the WTO.

5. Protection of intellectual property

The Parties shall in accordance with their national legislation grant and ensure protection of intellectual property rights to the nationals companies and institutions of the other Party as well as to their legal successors under the same conditions applicable for the domestic nationals, companies and institutions. Standards of protection shall not be lower than that arising from the Bern Convention, Rome Convention and Paris Convention.

6. Evolutionary clause

A future deepening and extension of the coverage of the Agreement, as provided for by this provisions, may be defined by the Parties.

7. Validity and denouncement

The Agreement was concluded for an indefinite period of time. Each Party may denounce this Agreement by a written notification to the other Party. The Agreement shall be terminated on the first day of the seventh month after the date on which the other Party received the notification.

In case of the termination of the Agreement by one of the Parties on the grounds of the accession to the EU, the termination shall take effect one day before the date of the accession of the respective Party to the EU. In this case the Agreement shall be denounced at least six months before the date of the accession of the respective Party to the EU. The other Party shall renounce any compensation *vis-à-vis* the enlarged EU or *vis-à-vis* the Party withdrawing from the Agreement.

ANNEX 1

Summary of the Structure of the Agreement

Preamble	
Objectives	Article 1
CHAPTER I – Product coverage	
Scope	Article 2
Basic duties	Article 3
Customs duties on imports, charges having equivalent effect and import duties of a fiscal nature	Article 4
Customs duties on exports, charges having equivalent effect and export duties of a fiscal nature	Article 5
QRs and measures having equivalent effect	Article 6
Elimination of technical barriers to trade	Article 7
Agricultural policy	Article 8
Specific safeguards	Article 9
Sanitary and phytosanitary measures	Article 10
CHAPTER II - General provisions	
Rules of origin and co-operation in customs administration	Article 11 and Protocol 1
Internal taxation	Article 12
General exceptions	Article 13
Security exceptions	Article 14
State monopolies	Article 15
Payments	Article 16
Rules of competition concerning undertakings	Article 17
State aid	Article 18
Public procurement	Article 19
Protection of intellectual property	Article 20
Dumping	Article 21
General safeguards	Article 22
Structural adjustment	Article 23
Re-export and serious shortage	Article 24
Fulfilment of obligations	Article 25
Procedure for the application of safeguard measures	Article 26
Balance of payments difficulties	Article 27
Evolutionary cause	Article 28
Joint Committee	Article 29
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Services and investments	Article 31
Customs unions, free trade areas and frontier trade	Article 32
Annexes, protocols and amendments	Article 33
Entry into force	Article 34
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Validity and denouncement	Article 36

ANNEX 2

Slovenian Trade with Bosnia and Herzegovina
(in thousand of US dollars)

	2000	2001	Index	Share	
			2001/2000	2000	2001
IMPORTS	57,980	62,413	107,6	100	100
Industrial products (HS 25 – 97)	55,876	60,453	108,2	96,4	96,9
Agricultural products (HS 1 – 24)	2,103	1,960	93,2	3,6	3,1
EXPORTS	374,150	397,399	106,2	100	100
Industrial products (HS 25 – 97)	289,214	298,088	103,1	77,3	75,0
Agricultural products (HS 1 – 24)	84,935	99,310	116,9	22,7	25,0

Source: Statistical Office of the Republic of Slovenia

Bosnian Trade with Slovenia
(in thousand of US dollars)

	2000*	2001**	Index
			2001/2000
IMPORTS	427	411	96
EXPORTS	52	78	150

Source: * IMF – Trade Statistics 2001

** Agency for Statistics of the Federation of Bosnia and Herzegovina and Customs Administration of the Republic of Srpska

Slovenian Trade with Bosnia and Herzegovina
(in thousand of US dollars)

H.S. Chapter	Total imports		Total exports	
	2000	2001	2000	2001
01	0	0	19	98
02	0	0	1,808	3,071
03	2	0	342	266
04	154	224	16,105	20,033
05	0	0	38	30
06	0	5	109	14
07	280	576	389	415
08	641	484	1,322	1,544

H.S. Chapter	Total imports		Total exports	
	2000	2001	2000	2001
09	41	2	325	234
10	24	8	377	417
11	0	0	790	602
12	166	158	964	1,020
13	0	0	55	34
14	0	0	3	1
15	0	0	1,792	2,637
16	0	0	13,503	13,343
17	7	4	1,042	1,030
18	99	1	545	680
19	45	11	1,171	1,139
20	121	141	2,428	2,272
21	14	34	4,306	5,647
22	90	86	35,838	42,200
23	0	0	1,114	1,449
24	418	225	553	1,134
25	320	450	565	338
26	26	21	9	7
27	2,577	851	9,104	6,245
28	639	586	3,039	3,388
29	197	152	505	476
30	145	109	13,167	15,160
31	4	29	87	129
32	30	20	13,079	13,656
33	65	6	10,331	9,793
34	13	88	3,539	4,165
35	3	0	1,399	1,610
36	1	0	953	812
37	0	1	1,179	998
38	56	148	2,895	3,004
39	419	331	16,398	18,106
40	121	189	8,641	9,011
41	9,741	9,189	1,852	4,231
42	1,201	2,650	337	3,338

H.S. Chapter	Total imports		Total exports	
	2000	2001	2000	2001
43	28	63	7	109
44	11,796	13,149	9,685	9,405
45	0	0	10	7
46	58	67	3	17
47	125	239	864	682
48	1,386	1,049	17,707	25,546
49	56	19	774	633
50	0	0	50	31
51	18	0	587	941
52	30	4	1,482	1,559
53	0	0	48	29
54	46	25	1,595	2,310
55	44	6	2,783	1,516
56	2	1	644	689
57	23	2	357	260
58	16	11	809	751
59	9	1	6,200	10,961
60	13	0	377	550
61	895	1,219	2,037	2,208
62	5,802	6,902	3,656	3,572
63	292	188	593	559
64	5,334	7,420	6,920	7,779
65	2	4	63	74
66	1	10	92	70
67	0	0	1	1
68	280	738	5,158	4,519
69	81	74	2,787	2,920
70	46	32	1,901	2,318
71	10	5	503	495
72	3,625	1,310	5,025	5,367
73	2,350	1,821	11,168	9,119
74	866	852	684	801
75	0	0	34	35
76	568	1,200	6,934	6,346

H.S. Chapter	Total imports		Total exports	
	2000	2001	2000	2001
78	16	21	32	40
79	35	83	141	153
80	5	0	15	15
81	0	0	9	1
82	267	272	2,443	2,436
83	11	4	4,452	5,090
84	2,211	3,268	44,723	40,508
85	604	927	31,140	28,537
86	0	6	88	110
87	817	1,336	6,626	6,286
88	0	0	0	0
89	0	0	39	125
90	12	32	4,937	4,288
91	0	3	731	936
92	4	0	14	41
93	0	23	17	20
94	2,497	3,210	13,879	11,440
95	10	17	462	326
96	10	2	820	1,046
97	18	22	27	42
TOTAL	57,980	62,413	374,150	397,399

ANNEX 3

Basic Data for 2001

	Slovenia	Bosnia and Herzegovina
Population	1,992,035	3,700,000*
GDP (in millions of US dollars)	18,122**	4,400
GDP per capita (in US dollars)	9,105*	1,025
Land area (sq. km)	20,273	51,209
Imports (in millions of US dollars)	10,144.5***	2,800
Exports (in millions of US dollars)	9,251.7***	1,000
Trade balance (in millions of US dollars)	- 892.8***	- 1,800

* Estimate USAID 1999.

** Data available only for year 2000.

*** Provisional data.

Source for Slovenia: Monthly Bulletin of Bank of Slovenia, December 2001 Statistical Office of the Republic of Slovenia

Source for BiH: USAID (U.S. Agency for International Development)
