

AGREEMENT ON FREE TRADE BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GEORGIA AND THE GOVERNMENT OF THE RUSSIAN FEDERATION

Striving for development of trade and economic cooperation between the Government of Georgia and the Government of the Russian Federation on the basis of equality and mutual advantage;

Proceeding from the sovereign rights of each Side to the agreement to carry out independent foreign economic policy, to ensure implementation of relevant international obligations and realization of declared intentions;

Aiming to promote establishment of the common market of commodity, service, capital and labour;

Striving for creation of appropriate conditions for formation of the customs union between both countries;

The Government of Georgia and the Government of the Russian Federation agreed on the following:

Article 1

1. Sides to the agreement do not impose customs duties, taxes and charges having equivalent effect on export and import of commodity originated from the customs area of one of the Sides and designated for delivery to the customs area of another Side.

According to the agreed commodity nomenclature, peculiarities of application of trade regime are generally drawn up between both countries through annual protocols that are inherent parts of the present agreement.

2. For objectives and operating period of the present agreement following goods are considered to be originated from the areas of the Sides:

(a) goods, fully produced on the areas of the Sides;

(b) goods, processed on the areas of the Sides through utilization of raw materials and accessory items originated from third countries, and relatively having changed the identity according to the classification of commodity nomenclature of foreign economic activity based on the harmonized system of description and coding of goods and on combined tariff and statistic nomenclature of European Economic Community, proceeded from the first four marks;

(c) goods, produced through utilization of raw materials and accessory items noted in paragraph (b), provided that their aggregate cost does not exceed the fixed share of export part of realized goods.

Detailed rules of the origin of goods will be drawn up by the Sides through the separate document, which will be the inherent part of the present agreement.

Article 2

Sides will not impose local taxes or charges directly or indirectly on goods, covered by the present agreement, at the rate that exceeds the level of relevant taxes or charges imposed on analogous goods of the local production or those produced in third countries;

Sides will not introduce special restrictions or demands towards export and/or import of goods, covered by the present agreement, that in similar cases are not used towards analogous goods of the local production or those produced in third countries;

Sides will not use different rules towards warehousing, transportation, storage, shipment of goods originated from another country to the agreement as well as towards repayments and

remittances, with the exception of rules that in similar cases are used towards domestic goods or those produced in third countries.

Article 3

1. Sides will refrain from carrying out quantitative restrictions or equivalent measures on export and/or import of goods within the framework of the present agreement.
2. Quantitative restrictions, noted in paragraph 1 of this Article, may be ascertained unilaterally within reason and in strictly determined terms in the following cases only:
 - In case of sharp commodity deficiency at the domestic market – until stabilization of situation at the market;
 - In case of balance-of-payments deficit – until stabilization of balance-of-payments;
 - In case, where any kind of commodity is imported to the area of one of the Sides by such an increased quantity or in conditions that cause the damage or threaten to inflict damage on domestic procedures of similar or directly competitive goods;
 - In order to implement measures determined in Article 4 of the present agreement.
3. Quantitative restrictions noted in paragraph 1 of this Article may be ascertained through mutual agreement between Sides and may be included in annual protocols, noted in Article 1 of the present agreement.
4. Side, which applies quantitative restrictions in accordance with paragraph 2 of this Article, provides another Side with necessary information about reasons for establishment, forms and possible terms of application of mentioned restrictions.
5. Sides will strive for settlement, through consultations, of all questions, related to the application of quantitative restrictions arising in accordance with paragraph 2 of the present Article.

Article 4

Each Side will not permit the re-export of goods, in regard to the export of which another Side, producing these goods, applies tariff and/or non-tariff regulation measures. Sides exchange lists of goods to which tariff or non-tariff regulation measures are used. Re-export of such to third countries may be implemented only through the letter of consent and in terms, defined by the authorized body of the producer country. In case of non-compliance with this provision, the Side, whose interests are violated, has the right to introduce unilaterally measures of regulation of exportation of commodity at the territory of the Side, which has committed unauthorized re-export. In case of unauthorized re-export, incomes from such re-export are returned to the producer country. Sides will annually coordinate terms, nomenclature and volume of the products sanctioned for re-export. For objectives of this Article, under re-export is considered the export of commodity originated from the customs area of one of the Sides, by another one out of its customs area with the purpose of the commodity's exportation to the third country.

Article 5

Sides will exchange, on regular basis, an information concerning customs issues, including customs statistics. Authorized bodies to the Sides will draw up the regulation of exchange of such information through an appropriate document.

Article 6

Sides will take measures for approaching the rate of customs duties applied during trade with third countries and to this end they will hold regular consultations.

Sides will inform each other about all exclusions from customs tariffs effecting in their countries.

Article 7

In accordance with the legislation operating on their territories, Sides will promote the extension and deepening of equal and mutually advantageous economic, scientific and technical cooperation of economic entities of all levels and forms of property, establishment of joint ventures, international companies, with participation of third countries with the aim to use their potential for formation of effective economic space.

Article 8

Sides consider that unfair business practice is incompatible with the agreement's objectives. It is expressed in the following:

- in concluding agreements between enterprises, their associations that aim to prevent or restrict competition or violate its conditions at the territories of the Sides;
- in making actions, through which one or several enterprises, using their dominant condition, restrict competition on the whole territories or on the substantial part of the Side's territory.

Article 9

Sides will not use governmental assistance through subsidization or through any other form to the enterprises if such governmental assistance causes violation of normal economic conditions on the territory of another Side.

Article 10

During the implementation of tariff and non-tariff regulation of bilateral economic relations, for exchange of statistics and for implementation of customs procedures Sides agreed to apply common nine-digit commodity nomenclature of foreign economic activity based on the harmonized system of description and coding of goods. Herewith, for their governmental needs, in case of necessity, Sides implement the development of commodity nomenclature beyond the bounds of nine-digits.

Russian Federation implements the conduction of standard pattern of the commodity nomenclature through representatives in relevant international organizations, until the Republic of Georgia will declare independent conduction of the standard copy.

Article 11

Sides are agreed that the maintenance of the principle of the freedom of transit is the most significant term for achieving the objectives of the present agreement, and an essential element of the process of their linking up in the system of cooperation and international division of labour.

In this regard, each Side will insure free transit, through its territory, of goods originated from the territory of another Side and/or of third countries and designated for the customs area of another Side or of any other third country. Each Side will provide exporters and importers with facilities and services for transit security in terms not worse than the ones with facilities and services that are given to own exporters and importers or those of any other third country.

Side will not request the remuneration for warehousing, unloading, storage and shipment services in the currency of any other third State.

Article 12

Nothing in the present agreement must prevent any Side from implementing measures that are considered to be necessary for protection of the Side's fundamental interests and that are unconditionally essential for fulfilment of international agreements, participant of which the Side is, if these measures concern the following:

- Information concerning interests of national security;
- Trade in weapon, ammunitions, military equipment;
- Investigations and production concerning defensive needs;
- Supply with materials and equipment applied in nuclear industry;
- Protection of the public moral and public order;
- Protection of industrial or intellectual property;
- Gold, silver or other precious stones and metals;
- Protection of human health, animals and plants.

Article 13

In order to develop trade between two countries, Sides will provide each other with assistance in participating in trade fairs and exhibitions, held in one of the two countries.

Article 14

Present agreement does not affect the operation of other agreements, concluded earlier between the Sides and third countries.

Article 15

Nothing in the present agreement prevents the Sides from establishing relations, without violating objectives and terms of the agreement, with third countries as well as with their associations and international organizations. However, Sides will hold consultations in such cases, where the mentioned relations may affect the interests of one of the Sides.

Article 16

Disputes, concerning interpretation and application of the agreement's provisions, will be settled through negotiations.

Article 17

In order to implement the present agreement and to elaborate recommendations for improvement of trade and economic cooperation between two countries, the Sides agreed to establish the joint Russian-Georgian Commission.

Article 18

Sides agreed that the Republic of Georgia may establish its trade representation in the Russian Federation, and the Russian Federation may establish its trade representation in the Republic of Georgia. The legal status, functions and location of trade representations are determined through separate agreements.

Article 19

In the case of the Sides' approval, any country may join the present agreement in terms that will be coordinated between this country and the Sides.

Article 20

Protocol on exclusions from the free trade regime is the inherent part of the present agreement. Sides undertake to sign this protocol until 15 March 1994.

Article 21

The present agreement may be completed or changed according to preliminary negotiations between the Sides. Indicated changes and complements must be fulfilled through the written form.

Article 22

The present agreement comes into effect from the date of exchange of notifications on implementation of intergovernmental procedures that are necessary for the agreement's coming into force, and will be in force within twelve months after the date, when one of the Sides sends the written notification to another one with the purpose of its operation.

DONE on Tbilisi, on 3 February 1994, in two copies, each in Georgian and Russian languages. Both texts are equally authentic.