

FREE TRADE AGREEMENT BETWEEN THE REPUBLIC OF ESTONIA
AND THE REPUBLIC OF LATVIA AND THE REPUBLIC OF LITHUANIA
ON TRADE IN AGRICULTURAL PRODUCTS

Preamble

The Republic of Estonia (hereinafter referred to as "Estonia"), *the Republic of Latvia* (hereinafter referred to as "Latvia") and *the Republic of Lithuania* (hereinafter referred to as "Lithuania"), jointly referred to as "the Parties",

Having regard to the Preamble and Article 3 of the Free Trade Agreement between the Republic of Estonia and the Republic of Latvia and the Republic of Lithuania signed on 13 September 1993,

Recalling their intention to participate actively in the process of integration in Europe and expressing their preparedness to co-operate in seeking ways and means to strengthen this process,

Firmly convinced that this Agreement will foster the intensification of mutually beneficial trade relations between them and contribute to the process of integration in Europe,

Desiring to create favourable conditions for the development and diversification of trade between them and for the promotion of commercial and economic co-operation in areas of common interest on the basis of equality, mutual benefit and international law,

Resolved to contribute to the strengthening of the multilateral trading system and to develop their relations in the field of trade in accordance with the principles of the Agreement Establishing the World Trade Organisation (WTO), Estonia, Latvia and Lithuania having the objective to become a Member of WTO,

Determined to implement this Free Trade Agreement with the objective to preserve and protect the environment and to ensure an optimal use of natural resources in accordance with the principle of sustainable growth,

Declaring their readiness to examine, in the light of any relevant factor, the possibility of developing and deepening their economic relations in order to extend them to fields not covered by this Agreement,

Have decided, in pursuit of the above, to conclude the following Agreement (hereinafter referred to as "this Agreement"):

Article 1

Objectives

The objectives of this Agreement are:

- (a) to create a free trade area for agricultural, food and fish products between Estonia, Latvia and Lithuania;
- (b) to promote, through liberalisation of trade in agricultural products, the harmonious development of the economic relations between Estonia, Latvia and Lithuania;
- (c) to provide fair conditions of competition for trade between the Parties.

Article 2

Scope

This Agreement shall apply to products falling within Chapters 01 to 24 of the Harmonised Commodity Description and Coding System originating in Estonia, Latvia or Lithuania.

Article 3

Customs duties on imports and charges having equivalent effect

1. The Parties shall abolish in trade between them on the date of entry into force of this Agreement all customs duties on imports and all charges having equivalent effect on products originating in the Parties in accordance with the provisions of Article 7 (Rules of origin).
2. No new customs duty on imports or charge having equivalent effect shall be introduced in trade between the Parties.

Article 4

Fiscal duties

The provisions of Article 3 (Customs duties on imports and charges having equivalent effect) shall also apply to customs duties of a fiscal nature.

Article 5

Customs duties on exports and charges having equivalent effect

1. The Parties shall abolish in trade between them on the date of entry into force of this Agreement all customs duties on exports and charges having equivalent effect to customs duties on exports.
2. No new customs duty on exports or charge having equivalent effect shall be introduced in trade between the Parties.

Article 6

Quantitative restrictions on imports or exports and measures having equivalent effect

1. Quantitative restrictions on imports or exports and measures having equivalent effect in trade between the Parties shall be abolished upon the entry into force of this Agreement.
2. No new quantitative restrictions on imports or exports and measures having equivalent effect shall be introduced in trade between the Parties.

Article 7

Rules of origin

The rules of origin for the purposes of implementation of this Agreement are set out in Protocol A to the Free Trade Agreement between the Republic of Estonia and the Republic of Latvia and the Republic of Lithuania signed on 13 September 1993.

Article 8

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 and the environment; the protection of national treasures possessing artistic, historic or archaeological value, protection of intellectual property. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between the Parties.

Article 9

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 one Party and like products originating in the other Parties.
2. Exporters may not benefit from repayment of internal taxation in excess of the amount of direct or indirect taxation imposed on products exported to the territory of one of the Parties.

Article 10

Payments

1. Payments relating to trade between Estonia, Latvia and Lithuania and the transfer of such payments to the territories of the Parties where the creditor resides, shall be free from any restrictions. Payments between the Parties shall be effected in freely convertible currencies, unless otherwise agreed by individual companies in individual cases.

2. The Parties shall refrain from any currency exchange or administrative restrictions on the grant, repayment or acceptance of short and medium-term credits covering commercial transactions in which a resident participates.

Article 11

Export subsidies

1. Export subsidies granted by a Party which distort or threaten to distort competition by favouring certain undertakings or the production of certain goods shall, insofar as it may affect trade between Estonia, Latvia and Lithuania, be incompatible with the proper functioning of this Agreement.

2. If a Party considers that a given practice is incompatible with the provisions of paragraph 1 of this Article, it may take appropriate measures under the conditions and in accordance with the procedures laid down in Article 16 (Procedure for the application of safeguard measures).

Article 12

Dumping

If a Party finds that dumping within the meaning of Article VI of the General Agreement on Tariffs and Trade 1994 is taking place in trade with other Party, the Party concerned may take appropriate measures against this practice in accordance with the procedure laid down in Article 16 (Procedure for the application of safeguard measures).

Article 13

Emergency action on imports of particular products

Where any product originating in Estonia, Latvia or Lithuania 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 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 Party,

the Party concerned may take appropriate measures under the conditions and in accordance with the procedure laid down in Article 16 (Procedure of application of safeguard measures).

Article 14

Balance of payments difficulties

1. Notwithstanding the provisions of Article 3 (Customs duties on imports and charges having equivalent effect), Article 4 (Fiscal duties) and Article 6 (Quantitative restrictions on imports or exports and measures having equivalent effect), a Party may, consistently with its other international obligations, introduce restrictive measures on trade if it is in serious balance of payments difficulties or under imminent threat thereof. Such measures shall be of limited duration and non-discriminatory, and may not go beyond what is necessary to remedy the balance of payments situation. Preference shall be given to price-based measures which shall be progressively relaxed as balance of payments conditions improve and eliminated when conditions no longer justify their maintenance.
2. Measures taken in accordance with paragraph 1 of this Article shall be notified to the Joint Committee, if possible prior to their introduction. The Joint Committee shall, upon the request of the other Party, examine the need for maintaining the measures taken.
3. The Parties shall, nevertheless, endeavour to avoid the imposition of restrictive measures for balance of payments purposes.

Article 15

Re-export and serious shortage

Where compliance with the provisions of Article 5 (Customs duties on exports and charges having equivalent effect) and Article 6 (Quantitative restrictions on imports or exports and measures having equivalent effect) 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 16 (Procedure for the application of safeguard measures). The measures referred to in subparagraph (b) shall be non-discriminatory. The measures shall be eliminated when conditions no longer justify their maintenance.

Article 16

Procedure for application of safeguard measures

1. The Party which considers resorting to safeguard measures shall promptly notify the other Parties thereof and supply all relevant information. Consultations shall take place without delay in the Joint Committee with a view of finding a mutually acceptable solution.
2.
 - (a) As regards Article 11 (Export subsidies), the Parties shall give to the Joint Committee assistance required in order to examine the case and, where appropriate, eliminate this 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 after consultations, or after thirty days following referral to such consultations, the Party concerned may adopt the appropriate measures to deal with the difficulties resulting from the practice in question.
 - (b) As regards Article 12 (Dumping), Article 13 (Emergency action on imports of particular products) and Article 15 (Re-export and serious shortage), the Joint Committee shall examine the case or the situation and may take any decision needed to put an end to the difficulties notified by the Party concerned. In the absence of such a 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.
 - (c) As regards Article 21 (Fulfilment of obligations), the Party concerned shall supply the Joint Committee with all relevant information required for a thorough examination of the situation with a view to seeking a commonly acceptable solution. If the Joint Committee fails to reach such a solution or if a period of three months has elapsed from the date of notification, the Party concerned may take appropriate measure.
3. The safeguard measures taken shall be notified immediately to the other Party. They shall be restricted 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 their injury caused by the practice or the difficulty in question. Priority shall be given to such measures as will least disturb the functioning of this Agreement.
4. The safeguard measures taken shall be the subject of regular consultations with a view to their relaxation as soon as possible.
5. Where exceptional circumstances requiring immediate action make prior examination impossible, the Party concerned may, in the cases provided for in Article 12 (Dumping), Article 13 (Emergency action on imports of particular products) and Article

15 (Re-export and serious shortage), and also in cases of export subsidies having a direct and immediate incidence on trade between the Parties, apply forthwith the precautionary and provisional measures strictly necessary to deal with the situation. The measures shall be notified to the Joint Committee without delay and consultations between the Parties shall take place as soon as possible.

Article 17

The Joint Committee

The Joint Committee established by Article 24 (The Joint Committee) of the Free Trade Agreement between the Republic of Estonia and the Republic of Latvia and the Republic of Lithuania signed on 13 September 1993 shall be responsible for the administration of this Agreement.

Article 18

Scientific and technical co-operation

The Parties will promote scientific and technical co-operation in agriculture and related fields on the basis of mutual interests. This co-operation may include the establishment of joint ventures, exchange of information and documentation, exchange of experts as well organisation of seminars and workshops.

Article 19

Sanitary and phytosanitary measures

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

Article 20

Evolutionary clause

The Parties undertake to examine, in light of any relevant factor, the possibility of further developing and deepening the co-operation under this Agreement and to extend it to areas not covered therein. The Parties may instruct the Joint Committee to examine this possibility and, where appropriate, to make recommendations to them, particularly with a view to opening up negotiations.

Article 21

Fulfilment of obligations

1. The Parties shall take all necessary measures to ensure the achievement of the objectives of this Agreement and the fulfilment of their obligations under this Agreement.
2. If any Party considers that other Party has failed to fulfil an obligation under this Agreement, the Party concerned may take the appropriate measures under the conditions and in accordance with the procedures laid down in Article 16 (Procedure for the application of safeguard measures).

Article 22

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 and, in particular, the provisions concerning rules of origin provided for by this Agreement.

Article 23

Depository

The Government of Lithuania shall act as the Depository for this Agreement. The Depository shall notify all Parties of the deposit of any instrument of ratification, the entry into force of this Agreement, any other act or notification relating to this Agreement of its validity.

Article 24

Entry into force

The Parties will notify the Depository by means of a written notification when constitutional requirements necessary to give effect to this Agreement in their respective states have been complied with. This Agreement shall, when notifications have been received from the last Party, enter into force on the first day of the second month following the date of that deposit and shall remain in force for the period specified in corresponding provisions of the Free Trade Agreement between the Republic of Estonia and the Republic of Latvia and the Republic of Lithuania signed on 13 September 1993.

Article 25

Denunciation

Either Party may denounce this Agreement by means of a written notification to the Depository. For this Party the Agreement shall cease to be in force six months after the date on which the Depository has received such notification. The Agreement remains in force for the other Parties and shall cease to be in force six months after the date when either of these Parties has denounced it by means of a written notification.

IN WITNESS WHEREOF, the undersigned plenipotentiaries, being duly authorised thereto by their respective Governments, have signed this Agreement.

Done in Vilnius this 16th day of June 1996 in a single copy in the Estonian, Latvian, Lithuanian and English languages which shall be deposited with the Government of Lithuania. In case of dispute the English text shall prevail.

For the Republic of Estonia For the Republic of Latvia For the Republic of Lithuania