

FREE TRADE AGREEMENT BETWEEN CROATIA AND
BOSNIA AND HERZEGOVINA

The following text reproduces the Free Trade Agreement between the Republic of Croatia and Bosnia and Herzegovina.*

PREAMBLE

The *Republic of Croatia* and *Bosnia and Herzegovina* (hereinafter referred to as "Contracting Parties"),

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

Reaffirming their firm commitment to contribute to the strengthening of European integration processes in Southeast Europe,

Reaffirming their commitment to market economy principles and basic democratic principles and human rights,

Resolved to eliminate progressively the obstacles in mutual trade in accordance with the provisions of the General Agreement on Tariffs and Trade (hereinafter referred to as GATT 1994) and the Agreement establishing the World Trade Organisation (hereinafter referred to as WTO), taking into account that the objective of Bosnia and Herzegovina is to become a WTO member,

Firmly convicted that this Agreement will foster the intensification of mutually beneficial economic co-operation and contribute to the process of integration in Europe,

Considering that no provision of this Agreement may be interpreted as exempting the Contracting Parties from their obligations under other international agreements,

Have agreed as follows:

* The Annexes and Protocols have been submitted to the Secretariat for consultation by interested Members (office 1174).

Article 1

Objectives

1. The Contracting Parties shall gradually establish a free trade area on substantially all their bilateral trade during a transitional period ending on 31st December 2003, in accordance with the provisions of this Agreement and in conformity with Article XXIV of the GATT 1994 and WTO.
2. The objectives of this Agreement are:
 - (a) to promote through the expansion of trade, the harmonious development of economic relations between the Contracting Parties, so to foster the development of economic activities, increase of standard of living, increase employment and creation of financial stability in the Contracting Parties;
 - (b) to provide fair conditions of competition in trade between the Contracting Parties,
 - (c) to contribute to the removal of barriers to trade, to the harmonious development and expansion of the world trade;
 - (d) to enhance trade and co-operation between the Contracting Parties on the markets of third countries.

CHAPTER I - INDUSTRIAL PRODUCTS

Article 2

Scope

1. The provisions of this Chapter shall apply to industrial products originating in the Contracting Parties.
2. For the purpose of this Agreement, the term "industrial products" shall mean the products falling within Chapters 25 to 97 of the Harmonised Commodity Description and Coding System.

Article 3

Basic Duties

1. For each product, the basic duty for which the successive reductions set out in this Agreement are to be applied shall be the Most Favoured Nation rate of duty that was applied on the date of entry into force of this Agreement.

2. If, after the date of entry into force of this Agreement, any tariff reduction is applied on an *erga omnes* basis, in particular the reductions resulting from agreements on tariffs which were concluded in accordance with GATT Uruguay round of multilateral trade negotiations, such reduced duties shall replace the basic duties referred to in paragraph 1 of this Article as from the date when such reductions are applied.
3. The reduced duties, calculated in accordance with paragraph 2, shall be applied rounded to the first decimal place.
4. The Contracting Parties shall communicate to each other their respective customs duties.

Article 4

Customs Duties On Imports

1. No new customs duties on imports or charges having equivalent effect or other customs duties of fiscal nature on imports in industrial products shall be introduced in trade between the Contracting Parties as from the date of entry into force of this Agreement.
2. All customs duties applied in the Republic of Croatia for industrial products originating in Bosnia and Herzegovina shall be abolished as from the date of entry into force of this Agreement.
3. Customs duties and charges having equivalent effect and other customs duties of fiscal nature applied in Bosnia and Herzegovina on industrial products originating in the Republic of Croatia shall be progressively reduced according to the following timetable:

on 1st January 2001	to 70% of the basic duty
on 1st January 2002	to 60% of the basic duty
on 1st January 2003	to 40% of the basic duty
on 1st January 2004	all the remaining duties shall be abolished

Article 5

Customs Duties On Exports And Charges Having Equivalent Effect

1. No new customs duties on exports or charges having equivalent effect or other customs duties of fiscal nature shall be introduced in trade between the Contracting Parties as from the date of entry into force of this Agreement.
2. All existing customs duties on exports and any charges having equivalent effect or other customs duties of fiscal nature shall be abolished as from the date of entry into force of this Agreement.

Article 6

Quantitative Restrictions On Imports And Measures Having Equivalent Effect

1. No new quantitative restrictions on imports or measures having equivalent effect shall be introduced in trade between the Contracting Parties.

2. All quantitative restrictions on imports and measures having equivalent effect shall be abolished as from the date of entry into force of this Agreement.

Article 7

Quantitative Restrictions On Exports And Measures Having Equivalent Effect

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

Article 8

Abolishment Of Technical Barriers To Trade

1. Rights and obligations of the Contracting Parties regarding standards or technical regulations and corresponding measures shall be regulated in compliance with the provisions of the WTO Agreement on Technical Barriers to Trade.
2. The Contracting Parties shall co-operate and exchange information in the field of standardisation, metrology, conformity assessment and accreditation with the objective of removing technical barriers to trade.
3. Every Contracting Party shall submit information and of each individual case on standards, technical norms or similar measures if requested by the other Contracting Party.
4. With the aim of removing technical barriers and implementing efficiently this Agreement, the Contracting Parties shall conclude agreements on reciprocal recognition of testing reports, conformity certificates and other documents which are directly or indirectly related to conformity assessment of a product being exchanged between the Contracting Parties.

CHAPTER II - AGRICULTURAL PRODUCTS

Article 9

Scope

1. The provisions of Chapter II of this Agreement shall apply to agricultural products originating in the Contracting Parties.
2. For the purpose of this Agreement, the term "agricultural products" means the products falling within Chapters 1 to 24 of the Harmonised Commodity Description and Coding System.

Article 10

Basic Duties

1. For each product, the basic duty for which the successive reductions set out in this Agreement are to be applied shall be the Most Favoured Nation rate of duty that was applied on the date of entry into force of this Agreement.
2. If, after the date of entry into force of this Agreement, any tariff reduction is applied on an *erga omnes* basis, in particular the reductions resulting from agreements on tariffs which were concluded in accordance with GATT Uruguay round of multilateral trade negotiations, such reduced duties shall replace the basic duties referred to in paragraph 1 of this Article as from the date when such reductions are applied.
3. The reduced duties, calculated in accordance with paragraph 2, shall be applied rounded to the first decimal place.
4. The Contracting Parties shall communicate to each other their respective customs duties.

Article 11

Customs Duties On Imports

1. No new customs duties on imports or charges having equivalent effect or other customs duties of fiscal nature on imports shall be introduced in trade in agricultural products between the Contracting Parties as from the date of entry into force of this Agreement.
2. All customs duties applied in the Republic of Croatia for agricultural products originating in Bosnia and Herzegovina shall be abolished as from the date of entry into force of this Agreement.
3. Customs duties and charges having equivalent effect and other customs duties of fiscal nature applied in Bosnia and Herzegovina on agricultural products originating in the Republic of Croatia shall be progressively reduced according to the following timetable:

on 1st January 2001	to 70% of the basic duty
on 1st January 2002	to 60% of the basic duty
on 1st January 2003	to 40% of the basic duty
on 1st January 2004	all the remaining duties shall be abolished

Article 12

Agricultural Policy

1. Without prejudice to the concessions granted under Article 10 to this Agreement the provisions of Chapter II shall not restrict in any way the pursuance of the respective agricultural policies of the Contracting Parties or the taking of any measures under such policies, including the implementation of the results of the Agreements of the Uruguay Round.

2. The Parties shall notify to the Joint Committee about the changes in their respective agricultural policies pursued or measures applied, which may affect the conditions of trade in agricultural products between them as provided for in this Agreement. On the request of any Party, prompt consultations shall be held to examine the situation.

Article 13

Specific Safeguards

Notwithstanding other provisions of this Agreement, and in particular Article 27 to this Agreement, and given the particular sensitivity of the agricultural products, if imports of products originating in a Party, which are subject to concessions granted under this Agreement, cause serious disturbances to the markets of the other Party, the Party concerned shall immediately enter into consultations to find an appropriate solution. Pending such solution, the Party concerned may take the measures it deems necessary.

Article 14

Sanitary And Phytosanitary Measures

1. In veterinary, phytosanitary and sanitary fields, the Contracting Parties shall apply their regulations, especially in the exchange of information on quarantine diseases, plant pests and weeds, in the way it is regulated in the WTO Agreement on Sanitary and Phytosanitary Measures.

2. The Contracting Parties shall apply their regulations in the veterinary, phytosanitary and sanitary field in a non-discriminatory manner and they shall not introduce any measure that has the effect of unduly obstructing trade.

3. The measures related to veterinary and phytosanitary control between the Contracting Parties shall be harmonised in accordance with the legislation of the European Union.

4. The Contracting Parties undertake the obligation to exchange regularly the information on the level of sanitary and phytosanitary protection of animals, plants and products.

Article 15

Abolishment Of Technical Barriers On Trade

1. Rights and obligations of the Contracting Parties regarding standards or technical regulations and corresponding measures shall be regulated in compliance with the provisions of the WTO Agreement on Technical Barriers to Trade.

2. The Contracting Parties shall co-operate and exchange information in the field of standardisation, metrology, conformity assessment and accreditation with the objective to remove technical barriers to trade.

3. Every Contracting Party shall submit information and of each individual case on standards, technical norms or similar measures if requested by the other Contracting Party.

4. With the aim to removing technical barriers and implementing efficiently this Agreement, the Contracting Parties shall conclude agreements on reciprocal recognition of testing reports, conformity certificates and other documents, which are directly or indirectly related to conformity assessment of products being exchanged between the Contracting Parties.

CHAPTER III - GENERAL PROVISIONS

Article 16

Rules Of Origin And Co-Operation In Customs Administration

1. The Contracting Parties agree to apply pan-European rules on origin of goods in their mutual trade, including all the existing and future amendments thereof. In case of amendments to pan-European rules of origin of goods, the Joint Committee shall adopt a decision on amendments to rules of origin.

2. Protocol I to this Agreement lays down the rules of origin and related methods of administrative co-operation.

3. The Contracting Parties shall take appropriate measures, including regular reviews by the Joint Committee and arrangements for administrative co-operation, to ensure that the pan-European rules of origin of goods and provisions of Articles 3 to 8, 10, 11 and 12, 17, 27, 28 and 29 to this Agreement are effectively and harmoniously applied, and to reduce, as far as possible, the formalities imposed on trade, and to achieve mutually satisfactory solutions to any difficulties arising from the operation of those provisions.

Article 17

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 the Contracting Parties.

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

Article 18

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; of the

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

Article 19

Security Exceptions

1. The provisions of this Agreement shall not prevent the Contracting Parties to take any measure which it considers necessary:

- (a) to prevent the disclosure of information essential for the security of the Contracting Parties;
- (b) for the protection of its essential security interests or for the implementation of international obligations or national policies;
 - (i) 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
 - (ii) relating to the non-proliferation of biological and chemical weapons, nuclear weapons or other nuclear explosive devices; or
 - (iii) taken in time of war or other serious international tension.

2. For products subject to import and export licensing regime, which is stipulated in international agreements and conventions, the competent institutions shall issue import or export licences in accordance with the existing legislation of the Contracting Parties.

3. The Contracting Parties shall apply the provisions of regulations in accordance with international agreements and conventions for mutual trade in goods, which pollute the environment originating in the Contracting Parties.

Article 20

State Monopolies

1. The Parties shall adjust progressively any state monopoly of a commercial character so as to ensure that by the end of the transitional period defined in Article 1 of this Agreement, no discrimination regarding the conditions under which goods are procured and marketed exists between legal and physical persons of the Contracting Parties. The Contracting Parties shall inform each other on measures undertaken in order to attain this objective.

2. The provisions of this Article shall apply to any body through which the competent authorities of the Contracting Parties, in law or in fact, directly or indirectly supervise, determine or appreciably influence imports or exports between the Contracting Parties. These provisions shall likewise apply to monopolies delegated by the State to other bodies.

Article 21

Payments

1. Payments in freely convertible currencies relating to trade in goods between the Contracting Parties and the transfer of such payments to the territory of the Contracting Party, where the creditor resides, shall be free from any restrictions.

2. The Contracting Parties shall refrain from any exchange or administrative restrictions on the grant, repayment or acceptance of short and medium term credits related to trade in goods in which a resident of a Contracting Party participates.

3. Notwithstanding the provisions of paragraph 2 of this Article, any measure concerning current payments connected with the movement of goods shall be in conformity with the conditions laid down under Article VIII of the Articles of the Agreement of the International Monetary Fund and shall be applied in a non-discriminatory basis.

Article 22

Rules Of Competition Concerning Undertakings

1. The following are incompatible with the proper functioning of this Agreement in so far as they may affect trade between the Contracting Parties:

- (a) all agreements between undertakings, decisions by associations of undertakings and concerted practices between undertakings which have as their object or effect the prevention, restriction or distortion of competition;
- (b) abuse by one or more undertakings of a dominant position in the territories of the Contracting Parties as a whole or in substantial part thereof.

2. The provisions of paragraph 1 shall apply to the activities of all undertakings including public undertakings and undertakings to which the Contracting Parties grant special or exclusive rights. Undertakings entrusted with the operation of services of general economic interest or having the character of a revenue-producing monopoly, shall be subject to provisions of paragraph 1 insofar as the application of these provisions does not obstruct the performance, in law or fact, of the particular public tasks assigned to them.

3. With regard to products referred to in Chapter II to this Agreement the provisions stipulated in paragraph 1 (a) shall not apply to such agreements, decisions and practices which form an integral part of a national market organisation.

4. If a Contracting Party considers that a given practice is incompatible with paragraphs 1, 2 and 3 of this Article or if such practice causes or threatens to cause serious prejudice to the interest of that Contracting Party or material injury to its domestic industry, the

Contracting Party concerned may take appropriate measures under the conditions and in accordance with the procedure laid down in Article 31 to this Agreement.

Article 23

State Aid

1. Any aid granted by state, a Contracting Party to this Agreement or in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods, shall, in so far as it may affect trade between the Contracting Parties, be incompatible with the proper functioning of this Agreement.

2. The Joint Committee shall adopt criteria, within the period of 2 years from the entry into force of this Agreement, on the basis of which the activities contrary to paragraph 1 of this Article shall be assessed, as well as the rules for their implementation.

3. The Contracting Parties shall ensure transparency in the area of state aid, *inter alia*, by reporting annually to the Joint Committee on the total amount and the distribution of the aid given and by providing to the other Contracting Party, upon request, information on aid schemes and on particular individual cases of state aid.

4. If a Contracting Party considers that a particular practice:

- is incompatible with the terms of paragraph 1 of this Article and that is not appropriately in line with the rules for their implementation under paragraph 2 of this Article, or
- lacking such rules under paragraph 2 of this Article, causes or threatens to cause serious prejudice to the interests of that Contracting Party or material injury to its domestic industry,

it may take appropriate measures under the conditions of and in accordance with the provisions laid down in Article 31 of this Agreement.

5. Such appropriate measures may only be taken in conformity with the procedures and under the conditions laid down by the GATT 1994 and the WTO, and any other relevant instrument negotiated under their auspices which are applicable between the Contracting Parties.

Article 24

Public Procurement

1. The Contracting Parties consider the liberalisation of their respective public procurement markets as an objective of this Agreement.

2. The Contracting Parties shall progressively develop their respective regulations for public procurement with a view to grant suppliers of the other Contracting Party access to contract award procedures on their respective public procurement markets.

3. The Joint Committee shall examine developments related to the achievement of the objectives of this Article and may recommend practical modalities of implementing the provisions of paragraph 2 so as to ensure free access, transparency, full balance of rights and obligations and mutual opening of their respective public procurement markets.

4. The Contracting Parties shall aim at accessing to appropriate agreements on state procurements under the auspices of the WTO.

Article 25

Protection Of Intellectual Property

1. The Contracting Parties shall ensure the protection of intellectual property rights (industrial property and copyright and related rights) to citizens, companies and institutions of the other Contracting Party, as well as to their legal successors in accordance with national law, under the same conditions that are determined for their own citizens, companies and institutions.

2. The Contracting Parties agree, *inter alia*, to respect reciprocally the intellectual property rights (industrial property and copyright and related rights) of their own citizens, companies and institutions, in accordance with protection standards, which may not be less than these stipulated in Bern, Rome and Paris conventions.

Article 26

Dumping

If a Party finds that dumping within the meaning of Article VI of the GATT 1994 is taking place in trade relations governed by this Agreement, it may take appropriate measures against that practice in accordance with Article VI of the GATT 1994 and with the WTO Agreement on Implementation of Article VI of the GATT 1994 under the conditions and in accordance with the procedure laid down in Article 28 to this Agreement.

Article 27

General Safeguards

Where any product 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 importing 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 region,

the Party concerned may take appropriate measures under the conditions and in accordance with the procedure laid down in Article 31 to this Agreement.

Article 28

Structural Adjustments

1. Exceptional measures of limited duration, which derogate from the provisions of Article 4 may be taken by any of the Parties in the form of increased customs duties.
2. These measures may only concern infant industries or certain sectors undergoing restructuring or facing serious difficulties, particularly where these difficulties produce important social problems.
3. Customs duties on imports applicable in one of the Contracting Parties to products originating in other Contracting Party, on the basis of measures referred to in paragraphs 1 and 2 of this Article may not exceed 25% *ad valorem* and shall maintain an element of preference for products originating in the other Contracting Party. The total value of imports of the products which are subject to these measures may not exceed 15 % of total imports of industrial products from the other Party as defined in Chapter I, during the last year for which statistics are available.
4. The provisional measures shall be applied for a period not exceeding the transitional period specified in paragraph 1 of Article 1 of this Agreement.
5. The Contracting Party concerned shall inform the Joint Committee of any exceptional measures it intends to take and at the request of the other Contracting Party consultations shall be held in the Joint Committee on such measures and the sectors to which they apply before they are applied. When taking such measures the Contracting Party concerned shall provide the Joint Committee 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 Joint Committee may decide on a different schedule.

Article 29

Re-Export And Serious Shortage

Where compliance with the provisions of Articles 5 and 7 leads to:

- (a) re-export towards a third country against which the exporting Contracting 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 Contracting Party,

and where the situations referred to above give rise or are likely to give rise to major difficulties for the exporting Contracting Party, that Contracting Party may take appropriate

measures under the conditions and in accordance with the procedures laid down in Article 31 to this Agreement.

Article 30

Fulfilment Of Obligations

1. The Contracting Parties shall take any general or specific measures required to fulfill their obligations under this Agreement. They shall ensure to it that the objectives set out in this Agreement are achieved.
2. If a Contracting Party considers that the other Party has failed to fulfill an obligation under this Agreement, the Contracting Party concerned may take appropriate measures under the conditions and in accordance with the procedure laid down in Article 31 to this Agreement.

Article 31

Procedure For The Application Of Safeguard Measures

1. Before initiating the procedure for the application of safeguard measures set out in the following paragraphs of the present Article, the Contracting Parties shall endeavour to solve any differences between them through direct consultations.
2. If a Contracting Party subjects imports of products liable to give rise to the situation referred to in Article 27 to an administrative procedure, the purpose of which is the rapid provision of information on the trend of trade flows, it shall inform the other Contracting Party.
3.
 - (a) As regards Articles 26, 27 and 29, in case that a joint solution cannot be found or that the Contracting Parties cannot or do not meet within 30 days in order to consult each other, the Contracting Party concerned may adopt the measures necessary in order to remedy the situation, and notify the other Contracting Party.
 - (b) As regards Article 30, the Party concerned may take appropriate measures after the consultations have been concluded or after a period of three months has elapsed from the date of the first notification to the other Contracting Party.
 - (c) As regards Article 22 and 23, the Contracting Party concerned shall provide all the necessary assistance to the Joint Committee in order to examine the case. If the Contracting Party does not eliminate the practice objected to within the period determined by the Joint Committee or if an agreement cannot be reached within thirty working days, the Contracting Party concerned may adopt appropriate countermeasures to deal with the difficulties resulting from the practice in question.

4. The safeguard measures taken shall be notified immediately to the other Contracting Party. They shall be limited 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 the 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. The measures taken by a party against an action or an omission of another Contracting Party may only concern the trade with that Contracting Party.

5. The safeguard measures taken shall be the object of periodic consultations with a view to their relaxation as soon as possible, or abolition when conditions no longer justify their maintenance.

6. Where exceptional circumstances requiring immediate action make prior examination impossible, the Party concerned may, in the cases of Articles 26, 27 and 29, apply forthwith the provisional measures strictly necessary to remedy the situation. The measures taken shall be notified without delay and consultations between the Contracting Parties shall take place as soon as possible.

7. Without prejudice to paragraph 6 of this Article, a Contracting Party which considers resorting to safeguard measures shall promptly notify the other Contracting Party thereof and supply all relevant information. Consultations between the Contracting Parties shall take place without delay with a view to finding a solution.

Article 32

Balance Of Payment Difficulties

1. The Contracting Parties shall endeavour to avoid the imposition of restrictive measures including measures relating to imports for balance of payments purposes.

2. Where one of the Contracting Parties is in serious balance of payments difficulties, or under imminent threat thereof, the Contracting Party concerned may, in accordance with the conditions established under the GATT 1994 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 balance of payments situation. The measures shall be progressively relaxed as balance of payments conditions improve and they shall be eliminated when conditions no longer justify their maintenance. The Party shall inform the other Party forthwith of their introduction and, whenever practicable, of a time schedule for their removal.

Article 33

Evolutionary Clause

1. Where a Contracting Party considers that it would be useful in the interests of the economies of the Contracting Parties to develop and deepen the relations established by this Agreement by extending them to fields not covered thereby, it shall submit a reasoned request to the other Contracting Party. The Joint Committee shall examine such a request and, where appropriate, make recommendations, particularly with a view to opening negotiations.

2. Agreements resulting from the procedure referred to in paragraph 1 will be subject to ratification by the Contracting Parties in accordance with their internal legislation.

Article 34

Joint Committee

1. The Contracting Parties agree to set up the Joint Committee composed of representatives of the Contracting Parties.

2. The implementation of this Agreement shall be supervised and administered by the Joint Committee.

3. For the purpose of the proper implementation of this Agreement, the Contracting Parties shall exchange information and, at the request of any Contracting Party, shall hold consultations within the Joint Committee. The Committee shall keep under review the possibility of further removal of the obstacles to trade between the Contracting Parties.

4. The Joint Committee may take decisions in cases provided for in this Agreement. On other matters, the Committee may make recommendations.

Article 35

Procedures Of The Joint Committee

1. For the proper implementation of this Agreement, the Joint Committee shall meet whenever necessary but at least once a year. Each Contracting Party may request that a meeting be held.

2. The Joint Committee shall act by consensus.

3. If a representative of a Contracting Party in the Joint Committee has accepted a decision subject to the fulfilment of internal legal requirements, the decision shall enter into force, if no later date is contained therein, on the day of the receipt of a written notification as to the fulfilment of such requirements.

4. For the purpose of this Agreement, the Joint Committee shall adopt its rules of procedure, which shall, *inter alia*, contain provisions for convening meetings, and for the designation of the Chairman and his term of office.

5. The Joint Committee may decide to set up such subcommittees and working parties, as it considers necessary to assist it in accomplishing its tasks.

Article 36

Services And Investment

1. The Contracting Parties recognise the growing importance of certain areas, such as services and investments. In their efforts to gradually develop and broaden their co-operation in particular in the context of the European integration, they will co-operate with the aim of achieving a progressive liberalisation and mutual opening of their markets for

investments and trade in services, taking into account relevant provisions of the General Agreement on Trade in Services.

2. The issue of opening the market for investments and trade in services shall be defined in separate bilateral agreements.

Article 37

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 in so far as they do not have adverse effects on trade regime between the Contracting Parties, in particular on the provisions on rules of origin laid out in this Agreement.

Article 38

Annexes, Protocols And Amendments

1. Record of Understandings and Protocol on the definition of term "originating product" and methods of administrative co-operation are an integral part of this Agreement. The Joint Committee may decide on their amendments in accordance with the provisions of paragraph 3 of Article 35 of this Agreement.

2. Any Contracting Party may propose amendments to this Agreement and they enter into force in the manner laid out in Article 39 of this Agreement.

Article 39

Entry Into Force

This Agreement shall enter into force on the first day of the month following the date of the last written notification by which the Contracting Parties have notified each other through diplomatic channels that respective internal requirements for the entry into force of this Agreement have been completed.

Article 40

Provisional Application

This Agreement shall be provisionally applied as from 1st January 2001.

Article 41

Validity And Denunciation

1. This Agreement is concluded for an indefinite period of time. Each Contracting Party may denounce it by written notification through diplomatic channels to the other Contracting Party. This Agreement shall cease to be valid on the first day of the seventh

month following the month when the other Contracting Party received the written notification.

IN WITNESS WHEREOF the undersigned plenipotentiaries, being duly authorised thereto, have signed the present Agreement.

DONE in Zagreb, on 19th December 2000, in two originals in Croatian and official languages of Bosnia and Herzegovina: Bosnian, Croatian and Serbian language, all texts being equally authentic.

RECORD OF UNDERSTANDING

1. The Contracting Parties agreed that in the process of issuing licences for goods subject to import and export licences, the Republic of Croatia shall extend to Bosnia and Herzegovina the same treatment as to any other member of the World Trade Organisation (WTO).

2. The Contracting Parties agreed that Bosnia and Herzegovina shall not conclude free trade agreements with third countries in which it shall provide more favourable treatment than the treatment provided for in the Agreement applied on the Republic of Croatia.

3. The Contracting Parties agreed that basic customs duties for agricultural products, which are applied from the date of implementation of this Agreement and on which gradual concessions provided for in this Agreement shall be applied on imports of agricultural products into Bosnia and Herzegovina, will be the duties in force on the date of signing of this Agreement.

Notwithstanding the provisions of paragraph 1, if customs duties and other charges having equivalent effect are increased before the date of signature of this Agreement, basic duties under paragraph 1 may not exceed the level of MFN duties from the new customs tariff of Bosnia and Herzegovina, which was submitted to the Croatian side in July 2000.

The Contracting Parties agree that the inclusion of charges having equivalent effect as well as duties into duties shall not be considered as increased duties if such charges are abolished and included into new duties in the same amount and if the level of duties determined in this way shall not be higher than total duties and other charges having equivalent effect as duties applied in Bosnia and Herzegovina on the date of signing the Agreement.

4. The Contracting Parties agree to examine the possibilities of extending trade relations in the field of foreign direct investments and trade in services within the Joint Committee.
