

FREE TRADE AGREEMENT BETWEEN THE REPUBLIC OF ESTONIA,
THE REPUBLIC OF LATVIA AND THE REPUBLIC OF LITHUANIA

Preamble

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

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

Having regard to the Protocol on the Development of Free Trade Regime between the Republics of Estonia, Latvia and Lithuania signed in Tallinn on 26 March, 1992,

Taking into account the need for the better trade and economic cooperation between the three Baltic countries as well as to foster the process of the full implementation of the common Baltic market,

Recalling their firm commitment to the Final Act of the Conference on Security and Cooperation in Europe, the Charter of Paris for a New Europe, and in particular the principles contained in the final document of the CSCE Bonn Conference on Economic Cooperation in Europe,

Reaffirming their commitment to the idea of creating the State based on the rule of law, human rights and fundamental freedoms,

Desiring to create favourable conditions for the development and diversification of the trade between them and for the promotion of commercial and economic cooperation 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 develop their relations in the field of trade in accordance with the basic principles of the General Agreement on Tariffs and Trade,

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

Have decided to conclude this Agreement:

Article 1

Objectives

1. The Parties shall establish a free trade area in accordance with the provisions of this Agreement.
2. The objectives of this Agreement, which is based on trade relations between market economies, are:

- (a) to promote, through the expansion of mutual trade, the harmonious development of the economic relations between Estonia, Latvia and Lithuania and thus to foster the advancement of economic activity, the improvement of living and employment conditions, increased productivity, financial stability and sustainable growth of all three Parties;
- (b) to provide fair conditions of competition for the trade between the Parties;
- (c) to contribute in this way, by the removal of barriers to trade, to the harmonious development and expansion of trade in the Baltic Sea area;
- (d) to develop and intensify, as far as possible, cooperation in the areas which are not covered by this Agreement, especially in the promotion of investments, economic and scientific cooperation, economic aid in the environment protection.

Article 2

Scope

This Agreement shall apply to products falling within Chapters 25 to 97 of the Harmonized Commodity Description and Coding System, originating in Estonia, Latvia or Lithuania.

Article 3

Trade in agricultural products

1. The Parties declare their readiness to foster, in so far as their agricultural policies allow, harmonious development of trade in agricultural products.
2. The Parties shall conclude a separate Agreement on Trade in Agricultural Products falling within Chapters 1-24 of the Harmonized Commodity Description and Coding System.
3. The Parties shall apply their regulations in veterinary, plant health and health matters in a non-discriminatory fashion and shall not introduce any new measures that have the effect of unduly obstruction trade.

Article 4

Rules of origin and cooperation in customs administration

1. Protocol A lays down the rules of origin and methods of administrative cooperation.
2. Protocol B lays down the provisions of cumulation.

3. The Parties of this Agreement shall take appropriate measures, including regular reviews by the Joint Committee and arrangements for administrative cooperation, to ensure that the provisions of Article 5 (Prohibition and abolition of customs duties and imports and charges having equivalent effect), Article 7 (Prohibition and abolition of quantitative restrictions on imports or exports and measures having equivalent effect), Article 11 (Internal taxation) and Article 20 (Re-exports and serious shortage) of this Agreement and Protocol A 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 5

Prohibition and abolition of customs duties of imports and charges having equivalent effect

1. No new customs duty on imports or charge having equivalent effect shall be introduced in trade between the Parties.
2. Customs duties on imports and charges having equivalent effect shall be abolished upon the date of entry into force of this Agreement.
3. The provisions of this Article shall also apply to customs duties of a fiscal nature. The Parties may replace a customs duty by an internal tax.

Article 6

Prohibition and abolition of customs duties on exports and charges having equivalent effect

1. No new customs duty on exports and charges having equivalent effect shall be introduced in trade between Estonia, Latvia and Lithuania.
2. Customs duties on exports and charges having equivalent effect shall be abolished upon the entry into force of this Agreement except as provided for in Annex 1.

Article 7

Prohibition and abolition of quantitative restrictions on imports or exports and measures having equivalent effect

1. No new quantitative restriction on imports or exports and measures having equivalent effect shall be introduced in trade between Estonia, Latvia and Lithuania.
2. Quantitative restrictions on imports or exports and measures having equivalent effect shall be abolished on trade upon the date on entry into force of this Agreement except as provided for in Annex 2.

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; the protection of the environment; the protection of national treasures possessing artistic, historic or archaeological value; the protection of intellectual property; laws and regulations relating to precious stones and metals. Such prohibitions or restrictions shall not however, constitute means of arbitrary discriminations or a disguised restriction on trade between the Parties.

Article 9

State monopolies

1. The Parties shall ensure that any state monopoly of commercial character be adjusted, so that no discrimination regarding the conditions under which goods are procured and marketed will exist between nationals of Estonia, Latvia and Lithuania. These goods shall be procured and marketed in accordance with commercial considerations.

2. This Article shall apply to the institutions through which the competent authorities of the Parties, in law or in fact, either directly or indirectly supervise, determine or appreciably influence imports or exports between the Parties. These provisions shall likewise apply to monopolies delegated by the state to others.

Article 10

National treatment

The goods originating from the territory of one Party imported into the territory of any other Party shall be accorded treatment no less favorable than that accorded to like goods of national origin in respect of all laws, regulations and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution or use.

Article 11

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 one of the other Parties.

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

Article 12

Payments

1. Payments relating to trade and the transfer to such payments to the territory of the Party where the creditor resides shall be free from any restrictions.
2. The Parties shall refrain from administrative restrictions on the grant, repayment or acceptance of short-term and medium-term credits covering commercial transactions.
3. Payments are effected on the basis of the Agreements between the Bank of Estonia, the Bank of Latvia and the Bank of Lithuania.

Article 13

Public procurement

The Parties consider the effective liberalization of their respective public procurement markets as an integral objective of this Agreement.

Article 14

The legal protection of intellectual property

1. To achieve the objectives of this Agreement, the Parties shall guarantee adequate, effective and non-discriminatory legal protection of intellectual property rights. With the establishment of this legal protection, especially against counterfeiting and piracy, they will adopt and apply adequate, effective and non-discriminatory measures.
2. The Parties shall take all necessary measures after the entry into force of this Agreement to comply with the substantive provisions of international conventions in the field of protection of intellectual property rights.
3. In the field of intellectual property, the Parties shall not grant treatment less favorable to each other's nationals than that accorded to nationals of a third state.
4. The Parties may apply, using their national laws and regulations, legal protection which exceeds the provisions of this Article provided that this legal protection is not in contradiction with the provisions of this Agreement.
5. If one of the Parties considers that one of the other Parties has failed to fulfil the obligations under this Article, Article 26 (Fulfilment of obligations), paragraph 2 shall apply.
6. The Parties shall agree upon appropriate modalities for technical assistance and cooperation of their respective authorities.

Article 15

Rules of competition concerning undertakings

1. The following are incompatible with the proper functioning of this Agreement insofar as they may affect trade between Estonia, Latvia and Lithuania:

- (a) all agreements between undertakings, decisions taken 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 one or more undertakings of a dominant position in the territories of the Parties as a whole or in a substantial part thereof.

2. If a Party to this Agreement considers that a given practice is incompatible with the provisions of paragraph 1 of this Article, it may take appropriate measures after consultations within the Joint Committee or after thirty days following referral to such consultations.

Article 16

State aid

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

2. The Parties shall ensure transparency of state aid by exchanging information on the request of any Party.

3. The Joint Committee shall keep the situation regarding the application of state aid measures under review, and shall with regard to other state aid than export aid, elaborate further rules of implementation.

4. If a Party considers that a given practice is incompatible with paragraph 1 of this Article, it may take appropriate measures under the conditions and in accordance with the procedure laid down in Article 22.

Article 17

Dumping

If a Party finds that dumping within the meaning of Article 6 of the General Agreement on Tariffs and Trade is taking place in trade relations governed by this Agreement, it may take appropriate measures against that practice in accordance with that Article and agreement related to, under conditions and in accordance with the procedure laid down in Article 22 of this Agreement.

Article 18

Emergency action on imports of a particular product

If an increase in imports of a given product originating in Estonia, or in Latvia or in Lithuania occurs in quantities or under conditions which cause, or are likely 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 economy or the economic situation of a region, the party concerned may take appropriate measures under the conditions and in accordance with procedure laid down in Article 22 of this Agreement.

Article 19

Structural adjustment

1. Exceptional measures may only concern industries or certain sectors undergoing restructuring or facing serious difficulties, particularly where these difficulties produce important social problems.

2. Customs duties on imports applicable in one Party to products originating in any other Party introduced by these measures may not exceed 25 per cent ad valorem. Such customs duties shall maintain an element of preference for products originating in any of the Parties and they may not exceed 15 per cent of total imports of industrial products from Estonia, Latvia and Lithuania as defined in Article 2 during the last year for which statistics are available.

3. These measures shall be applied for a period not exceeding five years unless a longer duration is authorized by the Joint Committee, and cannot be introduced later than five years after the entry into force of this Agreement.

4. The Parties shall inform the Joint Committee of any exceptional measures it intends to take and, at the request of one Party consultations shall be held in the Joint Committee on such measures and the sectors to which they apply before they are introduced. When taking such measures the Parties 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 20

Re-exports and serious shortage

Where compliance with the provisions of Article 6 and 7 leads to:

- (a) re-export towards a third country against which the exporting Party maintains for the products 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 a 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 22 of this Agreement.

Article 21

Balance of payments difficulties

1. If one Party is in serious balance of payments difficulties, or under imminent threat thereof, Estonia, Latvia or Lithuania, as the case may be, may, in accordance with the terms and conditions established under the General Agreement on Tariffs and Trade and associated legal instruments, adopt trade restrictive measures, which shall be of limited duration and may not go beyond what is necessary to remedy the balance of payments situation. The Parties shall give preference to price-based measures. The measures shall be eliminated when conditions no longer justify their maintenance. The Party concerned shall inform the Joint Committee forthwith of their introduction and of a time schedule for their removal.
2. The Parties shall, nevertheless, endeavour to avoid the imposition to restrictive measures for balance of payments purposes.

Article 22

Procedure for the application of safeguard measures

1. Without prejudice to paragraph 5 of this Article, the Party which considers resorting a 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 26 (State aid) the Parties concerned shall give to the Joint Committee all the assistance required in order to examine the case and, where appropriate, eliminate this practice. 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 17 (Dumping), 18 (Emergency action on import of a particular product) and 20 (Re-exports 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 26 (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 mutually 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 measures.

3. The safeguard measures taken shall be notified immediately to other Parties. 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 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.

4. The safeguard measures taken shall be the object of regular consultations with a view to their relaxation, substitution or abolition as soon as possible.

5. Where exceptional circumstances requiring immediate action make prior examination impossible, the Party concerned may, in the cases of Articles 16 (State aid), 17 (Dumping), 18 (Emergency action on imports of a particular product) and 20 (Re-exports and serious shortage) 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 23

Security exceptions

Nothing in this Agreement shall prevent a Party to this Agreement from taking any measures which it considers necessary:

- (a) to prevent the disclosure of information contrary to its essential security interests;
- (b) for the protection of its essential security interest 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 conditioned 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 and other nuclear explosive devices; or

(iii) taken in time of war other serious international tension.

Article 24

The Joint Committee

1. A Joint Committee is hereby established, which shall be responsible for the administration of this Agreement and shall review its implementation. For this purpose it shall follow closely the development of the trade and economic cooperation between the Parties and take any corresponding measure to improve and further develop those relations. The decisions of the Joint Committee shall be put into effect by the Parties in accordance with their own laws.
2. For the purpose of the power implementation of this Agreement the Parties shall exchange information, and at the request of any Party, shall hold consultations within the Joint Committee.
3. The Joint Committee shall consist of representatives of Estonia, Latvia and Lithuania.
4. The Joint Committee shall act by mutual consensus.
5. Each Party shall preside alternately over the Joint Committee.
6. The meetings of the Joint Committee shall be held at least once a year in order to review the general functioning of this Agreement. The Joint Committee shall, in addition, meet whenever special circumstances so require at the request of any Party.
7. The Joint Committee may decide to set up any working groups that can assist it in carrying out its duties.
8. The Joint Committee may take independent decisions concerning the application of this Agreement. The Joint Committee shall make recommendations and decisions on the amendments in accordance with the formal procedure of each Party.

Article 25

Evolutionary clause

The Parties shall recognize the growing importance of such areas as services, investments and the implementation of joint projects. Where a Party considers that it would be useful in the interests of the economies of the 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 Parties. The Parties may instruct the Joint Committee to examine this request and, where appropriate, to make recommendations to them, particularly with a view of opening up negotiations.

Article 26

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 one of the Parties considers that any other Party has failed to fulfil an obligation under this Agreement, the party concerned may take appropriate measures after consultations in the Joint Committee under the conditions and in accordance with the procedure laid down in Article 22 (Procedure for the application of safeguard measures).

Article 27

Annexes and Protocols

The Annexes and the Protocols A and B to this Agreement are an integral part of it.

Article 28

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 29

Amendments

Amendments to this Agreement shall be submitted to the Parties for acceptance in accordance with Article 24, paragraph 8 of this Agreement and shall enter into force from the moment of receipt of the respective notifications from the Depositary.

Article 30

Depositary

The Government of the Republic of Estonia shall act as the Depositary for this Agreement.

Article 31

Entry into force

The Parties will notify the Depositary in writing when the 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 indefinitely.

Article 32

Denunciation

Any party may denounce this Agreement by means of a written notification to the Depositary. This Agreement shall cease to be in force six months after the date on which the depositary has informed all Parties about the receipt of such notification.

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

DONE at Tallinn, this 13. day of September 1993, in a single copy in the Estonian, Latvian, Lithuanian and English languages which shall be deposited with the Government of the Republic of Estonia.

In case of a dispute the English text shall prevail.

For the Republic
of Estonia

For the Republic
of Latvia

For the Republic
of Lithuania