

FREE TRADE AGREEMENT BETWEEN THE CZECH REPUBLIC AND THE REPUBLIC OF LITHUANIA  
PREAMBLE

The Czech Republic and the Republic of Lithuania (hereinafter called "the Parties"),

Having regard to the Declaration of Prime Ministers of the Central European Free Trade Agreement countries, done on 11 September 1995 in Brno,

Recalling their intention to participate actively in the process of economic integration as an important dimension of the stability on the European continent and expressing their preparedness to co-operate in seeking ways and means to strengthen this process,

Reaffirming their firm commitment to the principles of a market economy, which constitutes the basis for their relations,

Recalling their firm commitment to the Final Act of the Conference on Security and Co-operation in Europe, the Paris Charter, and, in particular, the principles contained in the final documents of the Bonn Conference on Economic Co-operation in Europe,

Resolved to this end to eliminate progressively the obstacles to substantially all their mutual trade, in accordance with the provisions of the General Agreement on Tariffs and Trade 1994,

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,

Considering that no provision of this Agreement may be interpreted as exempting the Parties from their obligations under other international agreements and in international organizations, especially the World Trade Organization,

Hereby agreed as follows:

## Article 1

### Objectives

1. The Parties shall gradually establish a free-trade area in a transitional period ending on 1 January 1998 at the latest in accordance with the provisions of this Agreement and in conformity with Article XXIV of the General Agreement on Tariffs and Trade 1994 and with the Understanding on the Interpretation of Article XXIV of the General Agreement on Tariffs and Trade 1994.

2. The objectives of this Agreement are:

(a) to promote through the expansion of mutual trade the harmonious development of the economic relations between the Parties and thus to foster the advance of economic activity in the Parties, the improvement of living and employment conditions, and increased productivity and financial stability;

- (b) to provide fair conditions of competition for trade between the Parties;
- (c) to contribute in this way, by the removal of barriers to trade, to the harmonious development and expansion of world trade.

## CHAPTER I

### Industrial Products

#### Article 2

##### Scope

The provisions of this Chapter shall apply to industrial products originating in the Parties. The term "industrial products" means for the purpose of this Agreement the products falling within Chapters 25 to 97 of the Harmonized Commodity Description and Coding System.

#### Article 3

##### Customs Duties on 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 shall be abolished in accordance with the provisions of Protocol 1 of this Agreement.
3. The Parties shall abolish between them on the date of entry into force of this Agreement all charges having equivalent effect to customs duties on imports.

#### Article 4

##### Basic Duties

1. For each product the basic duty to which the successive reductions set out in this Agreement are to be applied shall be the most-favoured-nation rate of duty in force on 1 July 1996.
2. If, after entry into force of the Agreement, any tariff reduction is applied on an erga omnes basis, such reduced duties shall replace the basic duties referred to in paragraph 1 as from that 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 Parties shall communicate to each other their respective national basic rates of duties in accordance with the provisions of paragraph 2.

#### Article 5

##### Fiscal Duties

The provisions of Article 3 shall also apply to customs duties of a fiscal nature.

#### Article 6

##### Customs Duties on Exports and Charges having Equivalent Effect

1. No new customs duty on exports or charges having equivalent effect shall be introduced in trade between the Parties.

2. Customs duties on exports shall be abolished in accordance with the provisions of Protocol 2 to this Agreement.

3. The Parties shall abolish between them on date of entry into force of this Agreement all charges having equivalent effect to custom duties on exports.

#### Article 7

##### 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 Parties.

2. All quantitative restrictions and measures having equivalent effect on imports of products originating in the Parties shall be abolished on the date of entry into force of this Agreement, except as provided for in Annex I to this Agreement.

#### Article 8

##### 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 Parties.

2. All quantitative restrictions and measures having equivalent effect on exports of products originating in the Parties shall be abolished on the date of the entry into force of this Agreement.

#### Article 9

##### Information Procedure on Draft Technical Regulations

1. The Parties shall notify each other at the earliest practicable stage and in accordance with the provisions set out in Annex II to this Agreement on the draft technical regulations and draft amendments thereto, which they intend to use.

2. The Joint Committee shall decide on the date for implementing the provisions in paragraph 1.

## CHAPTER II

### Agricultural Products

#### Article 10

##### Scope

The provisions of this Chapter shall apply to agricultural products originating in the Parties. The term "agricultural products" means for the purpose of this Agreement the products falling within Chapters 1 to 24 of the Harmonized Commodity Description and Coding System.

#### Article 11

##### Customs Duties on Imports and Charges having Equivalent Effect

1. No new customs duty on imports or charges having equivalent effect shall be introduced in trade between the Parties.

2. Customs duties on imports shall be applied in accordance with the provisions of Protocol 3 to this Agreement.

3. The Parties shall abolish between them on the date of entry into force of this Agreement all charges having equivalent effect to customs duties on imports.

#### Article 12

##### Basic Duties

1. For each product the basic duty shall be the most-favoured-nation rate of duty in force on 1 July 1996.

2. If, after entry into force of this Agreement, any tariff reduction is applied on an erga omnes basis, such reduced duties shall replace the basic duties referred to in paragraph 1 as from that 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 Parties shall communicate to each other their respective national basic rates of duties in accordance with the provisions of paragraph 2.

#### Article 13

##### Concessions and Agricultural Policies

1. Without prejudice to the concessions granted under Protocol 3 to this Agreement, the provisions of this Chapter shall not restrict in any way the pursuance of the respective agricultural policies of the Parties or the taking of any measures under such policies, including the implementation of the respective provisions of the Agreements within the framework of the World Trade Organization.

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

#### Article 14

##### Special Safeguards

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

#### Article 15

##### Veterinary, Health and Phytosanitary Measures

1. Measures concerning veterinary and phytosanitary control will be harmonized between the Parties in accordance with the European Union legislation.

2. The veterino-sanitary measures and the work of the veterinary services will be in accordance with the Office International des Epizoodies Codex and other international conventions in this field.

3. The Parties commit themselves not to introduce discriminatory or other unusual measures which would limit the flow of information and trade in agricultural products.

### CHAPTER III

#### General Provisions

## Article 16

### Rules of Origin and Cooperation in Customs Administration

1. Protocol 4 to this Agreement lays down the rules of origin and related methods of administrative cooperation.
2. The Parties shall take appropriate measures, including regular reviews by the Joint Committee and arrangements for administrative cooperation, to ensure that the provisions of Protocol 4 to this Agreement and Articles 3 to 8, 11, 12, 17 and 28 of 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.
3. The mutual assistance between administrative authorities in customs matters shall take place in accordance with the provisions of Protocol 5 to this Agreement.

## 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 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 18

### General Exceptions

This Agreement shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on the grounds of public morality, public policy or public security; the protection of human, animal or plant life or health; the protection of national treasures possessing artistic, historic or archaeological value; the protection of intellectual property or rules relating to gold or silver or the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between the Parties.

## Article 19

### Security Exceptions

Nothing in this Agreement shall prevent a Party from taking any appropriate measure 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 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.

## Article 20

### State Monopolies

1. The Parties shall adjust progressively any State monopoly of commercial character so as to ensure that by 1 July 1999 no discrimination regarding the conditions under which goods are procured and marketed exists between nationals of the Parties.
2. The provisions of this Article shall apply to any body 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 a Party to other bodies.

## Article 21

### Payments

1. Payments in freely convertible currencies relating to trade in goods between the Parties and the transfer of such payments to the territory of the Party to this Agreement, where the creditor resides, shall be free from any restrictions.
2. The 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 participates.
3. Notwithstanding the provisions of paragraph 2, any measures 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 Agreement of the International Monetary Fund.

## Article 22

### Rules of Competition Concerning Undertakings

1. The following are incompatible with the proper functioning of this Agreement insofar as they may affect trade between the 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 Parties as a whole or in a 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 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 in fact, of the particular public tasks assigned to them.

3. With regard to products referred to in Chapter II 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 organization.

4. If a Party considers that a given practice is incompatible with paragraphs 1, 2 and 3 and if such practice causes or threatens to cause serious prejudice to the interest of that Party or material injury to its domestic industry, it may take appropriate measures under the conditions and in accordance with the procedure laid down in Article 31.

## Article 23

### State Aid

1. Any aid granted by a State being a Party to this Agreement or through State resources in any form whatever which distorts or threatens to distort competition by favouring certain undertakings 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 provisions of paragraph 1 shall not apply to products referred to in Chapter II.

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

4. If a Party considers that a particular practice:

- is compatible with the terms of paragraph 1; and



- if such practice causes or threatens to cause serious prejudice to the interest of that Party or material injury to its domestic industry,

it may take appropriate measures under the conditions of and in accordance with the procedure laid down in Article 31. Such appropriate measures may only be taken in conformity with the procedures and under the conditions of the Agreements within the framework of the World Trade Organization and any other relevant instrument negotiated under its auspices which are applicable between the Parties.

## Article 24

### Public Procurement

1. The Parties consider the liberalization of their respective public procurement markets as an objective of this Agreement.
2. The Parties shall progressively develop their respective regulations for public procurement with a view to grant suppliers of the other Party, on 1 January 2001 at the latest, access to contract award procedures on their respective public procurement markets according to the provisions of the Agreement on Government Procurement of the World Trade Organization.
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 and full balance of rights and obligations.
4. During the examination referred to in paragraph 3, the Joint Committee may consider, especially in the light of developments in this area in international relations, the possibility of extending the coverage and/or the degree of the market opening provided for in paragraph 2.
5. The Parties shall endeavour to accede to the Agreement on Government Procurement of the World Trade Organization.

## Article 25

### Protection of Intellectual Property

1. The Parties shall grant and ensure the protection of intellectual property rights on a non-discriminatory basis, including measures for granting and enforcing such rights. The protection shall be gradually improved on a level corresponding to the substantive standards of the multilateral agreements which are specified in Annex III to this Agreement before 1 July 1999.
2. For the purpose of this Agreement "intellectual property protection" includes, in particular, protection of copyright, comprising computer programmes and databases, and neighbouring rights, trade marks, geographical indications, industrial designs, patents, topographies of integrated circuits, as well as undisclosed information on know-how.

3. The Parties shall co-operate in matters of intellectual property. They shall hold, upon request of any Party, expert consultations on these matters, in particular on activities, relating to the existing or to future international conventions on harmonization, administration and enforcement of intellectual property and on activities in international organizations, such as the World Trade Organization and the World Intellectual Property Organization, as well as relations of the Parties with any third country on matters concerning intellectual property.

## Article 26

### 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 relations governed by this Agreement, it may take appropriate measures against that practice in accordance with Article VI of the General Agreement on Tariffs and Trade 1994 and the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994, under the conditions and in accordance with the procedure laid down in Article 31.

## 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.

## Article 28

### Structural Adjustment

- 1. Exceptional measures of limited duration which derogate from the provisions of Article 3 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 the Party concerned to products originating in the other Party introduced by these measures may not exceed 25 per cent ad valorem and shall maintain an element of preference for products originating in the other Party. The total value of

imports of the product which are subject to these measures may not exceed 15 per cent 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. These measures shall be applied for a period not exceeding three years unless a longer duration is authorized by the Joint Committee. They shall cease to apply 1 January 2001 at the latest.

5. No such measures can be introduced in respect of a product if more than three years elapsed since the elimination of all customs duties and quantitative restrictions or charges or measures having an equivalent effect concerning that product.

6. The Party concerned shall inform the other Party of any exceptional measures it intends to take and, upon request of the other Party, consultations shall be held within the Joint Committee on such measures and the sectors to which they apply prior to their introduction. When taking such measures the 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. The Joint Committee may decide on a different schedule.

#### Article 29

##### Re-Export and Serious Shortage

Where compliance with the provisions of Articles 6 and 8 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 procedure laid down in Article 31.

#### Article 30

##### Fulfilment of Obligations

1. The Parties shall take any general or specific measures required to fulfil their obligations under this Agreement. They shall ensure that the objectives set out in this Agreement are attained.

2. If a Party considers that the other Party has failed to fulfil an obligation under this Agreement, the Party concerned may take appropriate measures under the conditions and in accordance with the procedure laid down in Article 31.

## 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 this Article, the Parties shall endeavour to solve any differences between them through direct consultations.
2. In the event of a Party subjecting imports of products liable to give rise to the situation referred to in Article 27 to an administrative procedure having as its purpose the rapid provision of information on the trend of trade flows, it shall inform the other Party.
3. Without prejudice to paragraph 7, a Party which considers resorting to safeguard measures shall promptly notify the other Party thereof and supply all relevant information. Consultations between the Parties shall take place without delay in the Joint Committee with a view to finding a solution.
4. (a) With regard to Articles 26, 27 and 29, 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 case of the absence of such 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.  
  
(b) With regard to Article 30, the Party concerned may take appropriate measures after the consultations have been concluded or a period of three months has elapsed from the date of the first notification to the other Party.  
  
(c) With regard to Articles 22 and 23, the Party concerned shall give the Joint Committee all the assistance required in order to examine the case and, where appropriate, eliminate the 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 within thirty working days of the matter being referred to it, the Party concerned may adopt the appropriate measures to deal with the difficulties resulting from the practice in question.
5. The safeguard measures taken shall be immediately notified 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 the injury caused by the practice or the difficulty in question. Priority shall be given to such measures which will least disturb the functioning of this Agreement.
6. The safeguard measures taken shall be the subject of periodic consultations within the Joint Committee with a view to their relaxation as soon as possible, or abolition when conditions no longer justify their maintenance.
7. 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 shall be

notified without delay and consultations between the Parties shall take place as soon as possible within the Joint Committee.

## Article 32

### Balance of Payments Difficulties

1. The 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 Parties is in serious balance of payments difficulties, or under imminent threat thereof, the Party concerned may, in accordance with the relevant provisions of the General Agreement on Tariffs and Trade 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 concerned shall inform the other Party forthwith of their introduction and, whenever practicable, of a schedule for their removal.

## Article 33

### Evolutionary Clause

1. 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 Party. The Parties may instruct the Joint Committee to examine such a request and, where appropriate, to make recommendations, particularly with a view to opening negotiations.
2. Agreements resulting from the procedure referred to in paragraph 1 will be subject to the ratification or to the approval by the Parties in accordance with their national legislation.

## CHAPTER IV

### Institutional and Final Provisions

## Article 34

### The Joint Committee

1. The Joint Committee is hereby established and shall consist of a representative appointed by the Government of the Czech Republic, on the one hand, and of a representative appointed by the Government of the Republic of Lithuania, on the other hand.
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 Parties shall exchange information and, upon request of any 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 Parties.

4. The Joint Committee may take decisions in the cases provided for in this Agreement. On other matters the Joint 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 Party may request that a meeting be held.

2. The Joint Committee shall act by common agreement.

3. If a representative in the Joint Committee of a Party has, under the reservation, 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 the lifting of the reservation is notified.

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 sub-committees and working groups as it considers necessary to assist it in accomplishing its tasks.

## Article 36

### Trade Relations Governed by this and other Agreements

1. This Agreement shall apply to trade relations between the Czech Republic and the Republic of Lithuania.

2. 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 37

### Annexes and Protocols

1. The Annexes I to III to this Agreement and the Protocols 1 to 5 to this Agreement shall form an integral part of this Agreement.

2. The Joint Committee may decide to amend the Annexes and the Protocols. In this case the amendments shall enter into force on the first day of the second month following the date of exchange of diplomatic notes confirming their approval by the Government of a respective Party.

## Article 38

### Amendments

Amendments to this Agreement other than those referred to in paragraph 2 of Article 37 shall enter into force on the first day of the second month following the date of exchange of diplomatic notes confirming that all internal legal procedures of the respective Party for entry into force of the amendments have been completed.

## Article 39

### Entry into Force

1. This Agreement is subject to the ratification and shall enter into force on the first day of the second month following the date of exchange of the instruments of ratification.
2. The exchange of the instruments of ratification shall take place in Vilnius.

## Article 40

### Provisional Application

Pending the entry into force of this Agreement according to Article 39, the Czech Republic shall apply this Agreement provisionally from 1 January 1997, provided that the Republic of Lithuania shall notify prior to 15 December 1996, that its internal legal requirements for entry into force of this Agreement are fulfilled and that the Republic of Lithuania shall apply this Agreement from 1 January 1997.

## Article 41

### Validity and Termination

1. This Agreement is concluded for an unlimited period.
2. Each Party may terminate this Agreement by a written notification to the other Party. The termination shall take effect on the first day of the seventh month following the date on which the notification was received by the other Party.

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

Done at Prague this 14th day of October One Thousand Nine Hundred and Ninety-six, in two originals, each in the Czech, Lithuanian and English languages, all texts being equally authentic. In case of differences in interpretation, the English text shall prevail.

For the Czech Republic

For the Republic of Lithuania

#### RECORD OF UNDERSTANDINGS

1. With regard to paragraph 2 of Article 37, the Government shall act in accordance with the internal legal procedures required by the national legislation.

2. The diagonal cumulation laid down in Article 4 of Protocol 4 to this Agreement may only be applied, when the countries mentioned in this Article have the Free Trade Agreement or the Agreement Establishing the Customs Union, containing identical rules of origin, with both Parties. For the countries not complying with this condition on the date of entry into force of this Agreement, this Article 4 shall apply from the date of entry into force either of the Free Trade Agreement or the Agreement Establishing the Customs Union or of the amendment of such Agreement containing identical rules of origin, between that country and the latter of the Parties.

Each reference to Article 4 of Protocol 4 to this Agreement shall apply in accordance with this Record of Understandings.

3. The prohibition of drawback of, or the exemption from, customs duties laid down in Article 15 of Protocol 4 to this Agreement shall be temporarily derogated until it will be applied with the European Union and with the EFTA States.

4. The Parties agreed to assess, at the latest two years after the date of entry into force of this Agreement within the Joint Committee the effects of the concessions granted for products in Protocol 3 to this Agreement and may decide on possible amendments of the mutual concessions and products covered by Annexes to Protocol 3 to this Agreement.

1The Annexes and Protocols thereto have been submitted to the Secretariat for consultation by interested Members (Office 3006).

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