

## **FREE TRADE AGREEMENT BETWEEN THE EFTA STATES AND CROATIA**

### **Summary**

The Free Trade Agreement between the EFTA States and Croatia was signed in Vaduz, Liechtenstein on 21 June 2001. The Agreement covers trade in industrial products as well as fish and marine products. In addition, bilateral agricultural agreements between the individual EFTA countries and Croatia have been concluded which form part of the instruments creating the free trade area.

Among the objectives of the Agreement (Article 1) are the progressive liberalisation of trade in goods in conformity with Article XXIV of the GATT. After nine years from entry into force of the Agreement virtually all customs duties on trade in industrial goods and fish and other marine products will be eliminated. The Agreement includes provisions relating to the elimination of customs duties and other trade barriers as well as other trade-related disciplines such as rules of competition, protection of intellectual property, public procurement, state monopolies, state aid, and payments and transfers. Under the Agreement a Joint Committee is established which supervises the Agreement.

### **CONTENT OF THE AGREEMENT**

The Agreement consists of a total of 40 Articles, nine Annexes (I to IX), and a Record of Understanding covering the following subjects:

- **Trade in Goods**
- **Public Procurement**
- **Intellectual Property**
- **Competition**
- **Subsidies**
- **Joint Committee and Dispute Settlement**

### **TRADE IN GOODS**

Croatia is an promising trading partner for the EFTA States in Eastern Europe and an important market for its exports, with significant growth potential.

Bilateral trade in goods in 2001 amounted to 176,674 million USD (EFTA exports amounting to 144,662 million USD, whereas Croatia's exports to the EFTA States represented 31,985 US\$ million USD).

### ***Rules of Origin***

The rules of origin for industrial goods (Annex III) concerning the definition of the concept of originating products and the methods for administrative co-operation, are based on the current pan-European model, maintaining the general structure and the substance of the European standard rules. The specific list rules (Appendix II to Annex III) are also based on the current pan-European model.

### ***Industrial Goods***

The Agreement provides for effective market access for industrial goods in terms of tariffs and rules of origin, creating EFTA and EU parity for EFTA exports to Croatia. By 1 January 2007 all industrial goods originating in the EFTA States will enjoy duty free access into Croatia (Article 4 and Annex V).

### ***Fish and marine products***

The Agreement covers trade in all fish and other marine products (Article 2 and Annex II). The EFTA States grant duty free access on imports of all Croatian fish products. By 1 January 2009 the remaining Croatian tariffs on certain fish products will be brought down to zero.

### ***Agricultural products***

Trade in agricultural products is covered in three bilateral agricultural agreements negotiated between the respective EFTA State (Iceland, Norway and Switzerland/Liechtenstein) and Croatia.

These agreements form part of the instruments establishing the free trade area and are subject to the relevant disciplines for trade in goods in the main agreement.

They provide for substantial concessions on both sides, while taking into account the respective sensitivities. Each agreement contains specific rules of origin, generally based on the "wholly-obtained" criteria.

## **PUBLIC PROCUREMENT**

The Article on public procurement (Article 15) contains a review clause with a view to further liberalization of the public procurement markets in the Partner countries.

## **INTELLECTUAL PROPERTY**

The provisions on protection of intellectual property rights (Article 14 and Annex VII) covers, inter alia, patents, trademarks and copyright and geographical indications.

The level of protection in certain areas goes beyond what is stipulated under the WTO Agreement on Trade Related aspects of Intellectual Property, taking into account the principles of most favoured nation treatment and of national treatment.

## **COMPETITION**

Regarding competition (Article 19), the agreement includes provisions on co-operation and exchange of information with the aim of ensuring that the benefits of the Agreement are not frustrated by private anti-competitive behaviour.

## **SUBSIDIES**

The Agreement contains comprehensive and specific rules governing the granting of subsidies by public authorities of the partner countries (Article 20). The objective of these provisions is to ensure that aid granted by the authorities to private entities do not distort, or threaten to distort, competition among undertakings in the applicable territories of the agreement. The rights and obligations of the Parties relating to state aid and countervailing measures shall, as a general rule, be governed by Article XVI of the GATT 1994 and the WTO Agreement on Subsidies and Countervailing Measures. The Parties shall ensure transparency of state aid measures by exchanging their annual notifications to the WTO.

## **JOINT COMMITTEE AND DISPUTE SETTLEMENT**

A Joint Committee comprising the EFTA States and Croatia supervises the implementation of the free trade agreement (Articles 25 and 26).

Consultations are the fundamental mechanism of dispute settlement between the FTA partners. The agreement implies that the Parties are to endeavour to solve any differences between them on the interpretation and application of the agreement by direct consultations, and, if need be, through consultations in the Joint Committee. For cases where the consultations do not led to a satisfactory solution, the Parties may revert to arbitration (Article 29). Annex VIII (Annex VIII) governs the constitution and functioning of the tribunal.

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