

# Agreement on Establishment of Free Trade Area between the GUUAM Participating States

The States Parties to the present Agreement, hereinafter referred to as the Contracting Parties,

Striving to develop mutually beneficial trade and economic cooperation based on equality and mutual benefits,

Forming the conditions for free movement of goods and services,

Promoting the growth of economic potential of the States Parties on the basis of development of mutually beneficial cooperation ties and collaboration,

Desirous to permanently increase the living standards of the population of their States,

Reaffirming their commitment to the principles of the General Agreement on Tariffs and Trade (GATT/WTO),

Concluding the Agreement on Establishment of Free Trade Area, hereinafter referred to as the Agreement,

Have agreed as follows:

## Article 1

### General provisions

1. The Contracting Parties, in order to achieve the goals of the present Agreement, shall cooperate in establishing free trade area to ensure:
  - Elimination of customs duties, as well as taxes and dues having equivalent effect, and of quantitative limitations in mutual trade;
  - Removal of other obstacles to free movement of goods and services;
  - Establishment and development of effective system of mutual settlement of accounts and payments in trade and other operations;
  - Cooperation in conducting trade and economic policy to achieve the goals of this Agreement in the fields of industry, agriculture, transport, finance, investments, social sphere, as well as in development of fair competition etc.;
  - Harmonization of the legislation of the Contracting Parties to the extent necessary for proper and effective functioning of free trade.
2. This Agreement shall be applied within the customs territories of the Contracting Parties, as provided by their national legislation.
3. If the meaning of terms is not specially defined in this Agreement or in any other arrangement among the Contracting Parties, then the provisions of 1969 Vienna Convention on the Law of International Treaties and GATT/WTO agreements shall be used for their interpretation by the Contracting Parties. Disputes relating to the interpretation of this Agreement or its terms shall be resolved in accordance with the procedure set for the settlement of disputes relating to this Agreement.
4. The Contracting Parties shall refrain from actions contrary to the provisions of and impeding the achievement of the goals of this Agreement. This provision concerns, inter alia, the terms of participation of the Contracting Parties in other regional economic groupings, and other issues related to the regulation of relations within the scope of the Agreement.

## Article 2

Working Body for coordination of the actions of the Contracting Parties related to the implementation of the provisions of the Agreement

The monitoring of the implementation of this Agreement by the Contracting Parties, elaboration of proposals as to the development of their trade and economic cooperation, settlement of issues, coordination of economic policy to achieve the goals of this Agreement shall be carried out by a permanent Working Body, status and functions of which shall be separately set by the Contracting Parties.

### Article 3

Customs duties, as well as taxes and dues having equivalent effect, and quantitative limitations

1. The Contracting Parties shall not apply customs duties, as well as taxes and dues having equivalent effect, and quantitative limitations, to import and/or export of commodities originating from customs territory of one of the Contracting Parties and destined to the customs territories of other Contracting Parties.
2. From the moment of entry into force of this Agreement no quantitative and tariff limitations of import and/or export and measures having equivalent effect shall be introduced to the trade between the Contracting Parties.

The Contracting Parties, which apply exemptions from the regime established by paragraph I of this Article, shall, within 12 months from the moment of entry into force of this Agreement, on bilateral basis arrange their gradual removal and notify the Working Body and the Depositary of the present Agreement thereof.

3. For the purposes of this Agreement, quantitative limitations and other administrative measures shall include any measures, implementation of which establishes material obstacle or limitation to import of a commodity originating from the territory of one on the Contracting Parties to the territory of another Contracting Party or to export of a commodity originating from the territory of one on the Contracting Parties to the territory of another Contracting Party, including quoting, licensing, control of prices or other conditions of supply and any other special requirements for import or export, which directly or indirectly limit the rights of exporter or importer as compared to the rights of seller or customer of similar commodity residing within the territory of the country of its origin and conducting purchase or sale within this territory. The provisions of this Article shall be applied without prejudice to the rights of any Contracting Party to introduce the measures foreseen by Articles 14 and 15 of this Agreement and the measures introduced by any Contracting Party to fulfill its obligations under other international agreement.

### Article 4

Technical and other special requirements (limitations)

1. Each Contracting Party shall accord to the commodities originating from customs territory of any other Contracting Party and imported to its territory, treatment no worse than the treatment accorded to its national commodities or commodities of any third country in respect of technical and qualitative requirements.
2. The provisions of this Article shall be applied without prejudice to the measures, which can be introduced by any Contracting Party in order to implement agreements on mutual recognition of test results, quality certificates and other similar agreements, and to the measures, which can be introduced in case of threat or possible threat to life and health of humans, animals and plants.
3. The Contracting Parties shall cooperate and exchange information in the fields of standardization, metrology and certification with the purpose of removal of technical barriers and other special trade requirements (limitations).

### Article 5

Dues and formalities related to import and export of commodities

1. All dues and fees (with the exception of customs duties, taxes and dues having equal status), imposed by the Contracting Parties in connection with import or export of commodities in mutual trade, shall not exceed, within reasonable limits, direct actual expenses.
2. The Contracting Parties shall inform the Working Body about the types of dues and fees and shall strive towards accorded decrease of their number and size.
3. The Contracting Parties shall strive towards simplifying and

unification of administrative formalities.

4. The provisions of this Article shall relate, inter alia, to the dues and formalities connected with:  
quantitative limitations;  
licensing;  
currency controls;  
statistical records;  
documents, documentation and authentication of documents;  
analysis and examinations;  
quarantine, health service, fumigation and other import and export related procedures.

## Article 6

### Unification and/or harmonization of customs procedures

1. The Contracting Parties shall take measures for maximum simplification and unification of customs formalities, in particular, through establishment of common forms of customs and shipping documentation, guided by the existing international agreements and arrangements.
2. The Contracting Parties shall charge their competent authorities with the task to elaborate proposals as to harmonization of customs procedures and mutual recognition of customs documents and guarantees.
3. The Contracting Parties shall conduct registration, customs control and clearance of commodities and means of transportation, which cross the borders of the free trade area, in accordance with the national legislation and norms of international law.

## Article 7

### Commodity classification

The Contracting Parties shall use commodity classification for foreign economic activity based on the 1996 Harmonized System for Specification and Coding of Commodities during the conducting of measures of tariff and non-tariff adjustments, statistical records and statistical information exchange as well as for customs control and procedures. At the same time, for their own needs, the Contracting Parties shall conduct further development of their national commodity classifications.

## Article 8

### Internal taxes and other dues of fiscal character

1. The Contracting Parties shall not, directly or indirectly, levy taxes and other dues of fiscal character on the commodities originating from customs territories of other Contracting Parties at the rates higher than their level for the national commodities.  
These commodities shall be accorded with treatment no less favorable than the treatment accorded to similar national commodities in respect of all laws, rules and requirements concerning their sale at the internal market, sale offers, purchase, shipment, distribution or use.
2. The Contracting Parties shall present full information about all taxes and other dues of fiscal character currently in force.

## Article 9

### Procedure of application of indirect taxes

1. The Contracting Parties in their mutual trade shall not levy indirect taxes (VAT, excise duties) on the commodities (works, services) exported from customs territory of one Contracting Party to customs territory of another Contracting Party.
2. The provisions of the paragraph 1 of the present Article shall mean zero-level VAT and excise duty levying on exported commodities from within exporting country. In cases when the national legislation of the Member States of this Agreement does not envisage zero-level VAT and excise duty levying, an exemption from VAT and excise duty of commodities (works, services) shall be applied.

## Article 10 Subsidies

1. The Contracting Parties have agreed not to grant export and other subsidies to enterprises within their territories if the conditions of fair competition are violated as a result of such subsidies.
2. The Contracting Parties shall ensure, through information exchange at the request of any Contracting Party, the transparency of the measures related to the granting of subsidies.
3. The Working Body shall conduct monitoring of situation relating to the subsidies other than state export assistance and shall develop the rules of their implementation, guided by the international practice.
4. If any Contracting Party considers that the practice of granting of subsidies is not compatible with the paragraph 1 of this Article, it may take necessary measures in accordance with conditions and procedure set by Article 15 of this Agreement.

## Article 11 Transit

1. The Contracting Parties have agreed that adherence to the principle of freedom of transit presents a paramount condition of achievement of goals of this Agreement and a substantial element of the process of their connection to the system of international division of labor and cooperation.
2. Transit shipments shall not be subjected to groundless delays or limitations.
3. Transit through territory of every Contracting Party shall be conducted on the basis of the principle of freedom of transit through the ways designated for international transit shipments and transit shipments within the territory or from the territory of other Contracting Parties without any distinction or discrimination based on the flag of the ship, origin, location of consignment, call, departure, destination or any conditions relating to the property of the commodities, vessels or other vehicles.
4. The conditions of transit, including transportation fares for any type of transport and service tariffs, shall be determined by the Basic Multilateral Agreement on International Transport for Development of Europe-Caucasus-Asia Corridor of 8 September 1998.

## Article 12 Re-export

1. Each Contracting Party shall not allow unsanctioned re-export of the commodities, lists of which shall be exchanged among the Parties in future, with respect to export of which other Contracting Parties, from the territories of which those commodities originate, apply the measures of tariff and/or non-tariff regulation. At that, the Contracting Parties shall exchange the names of bodies authorized in accordance with their legislation to sanction re-export of commodities.
2. The Contracting Parties shall not prevent business entities from including of provisions concerning re-export of commodities into their contracts.

## Article 13 Manufacturing cooperation and scientific and technical cooperation

The Contracting Parties shall promote the development of manufacturing cooperation and scientific/technical cooperation at interstate (inter-branch, regional) level and at the level of business entities, including granting various forms of state support.

## Article 14 Exceptions

1. General exceptions.  
This Agreement shall not prejudice the right of any Contracting Party to take generally accepted in

international practice measures of state regulation of foreign economic connections that are deemed necessary by such Party to protect its vital interests or that are unconditionally necessary for implementation of international treaties, to which it is a Party or to which it intends to become a Party, if such measures are not taken ad arbitrum or in a discriminating manner and if such measures concern:

- protection of public morality and public order;
  - protection of human life and health;
  - protection of animals and plants;
  - protection of environment;
  - protection of artistic, archeological and historical values that are national heritage;
  - protection of industrial and intellectual property;
  - marketing of gold, silver or other precious metals and gems;
  - preservation of nonrenewable natural resources;
  - limitations of export of production if internal price of such production is lower than the world price as a result of implementation of state support programs;
  - imbalance of payments.
2. Exceptions on the security grounds.
- Nothing in this Agreement shall prejudice any Contracting Party from introduction of any measures of state regulation that it deems necessary, if such measures concern:
- ensuring national security, including prevention of leakage of confidential information relating to state secrets;
  - trade in arms, military equipment, ammunition, rendering of services of military character, transfer of technologies and rendering of services for manufacturing of arms and military equipment and other military purposes;
  - shipments of fissile materials and sources of radioactive substances, utilization of radioactive waste;
  - measures taken during wartime or other force-majeure in international relations;
  - actions taken in pursuance of obligations under UN Charter for maintenance of international peace and security.

## Article 15

### Antidumping compensational and special measures

The Contracting Parties shall be guided by the principles and provisions of the General Agreement on Tariffs and Trade (GATT/WTO) in application of antidumping compensational and special measures regarding imports.

## Article 16

### Sphere of application of the Agreement regarding commodities

1. Free trade area regime shall be applied to the commodities originating from customs territory of the Contracting Parties and destined for customs territory of the Contracting Parties.
2. For the purposes of this Agreement, the Contracting Parties, in six months since the date of signature of this Agreement, shall work out a Protocol on Rules of Definition of Country of Origin of Commodities, which shall constitute an inalienable part of this Agreement.

## Article 17

### Services

1. The Contracting Parties shall create conditions for liberalization of the national markets of services and, on the basis of reciprocity, shall strive for gradual removal of limitations with a view of creation of conditions for free rendering of services within the territory of the free trade area.
2. The Contracting Parties shall define the types of services for which this Article shall be applied, and define priority types of services in the field of direct servicing of commodity circulation, regarding which the issues of liberalization of imports and exports shall be subject to priority settlement.

3. The Contracting Parties shall reserve the right to coordinate the issues related to rendering services at both multilateral and bilateral basis.

## Article 18

### Competition in business activities

The following shall be incompatible with due fulfillment of this Agreement as far as it could influence trade within the free trade area:

any arrangement between enterprises, associations of enterprises, conciliatory practice of which aims at or is a result of removal, prevention, limitation or distortion of competition;  
unlawful use by one or several enterprises of dominating position within the territory of free trade area as a whole or within its considerable part.

## Article 19

### Public procurement

The Contracting Parties shall create conditions for liberalization of national public procurement markets on the basis of non-discrimination and reciprocity.

## Article 20

### Intellectual property protection

1. The Contracting Parties shall provide and ensure adequate, impartial and non-discriminatory protection of intellectual property rights, including measures to provide protection and restitution of those rights from their violation, forgery and piracy.
2. The Contracting Parties shall cooperate within intellectual property field, and on demand of any Contracting Party shall conduct consultations on those problems at expert level, especially concerning the functioning of existing and future international conventions on harmonization, management and strengthening of protection of intellectual property and functioning of international organizations, such as the World Trade Organization and the World Organization of Intellectual Property, as well as cooperation of the Contracting Parties with any third country concerning intellectual property.

## Article 21

### Settlement of disputes

1. The Parties shall take all necessary measures to fulfill their obligations under this Agreement.
2. Without prejudice to the provisions of Article 15 of this Agreement, in case when one of the Contracting Parties considers that another Contracting Party does not fulfill its obligations under this Agreement and if such non-fulfillment of obligations causes or may cause damage to economic interests of the former Contracting Party it may request the latter Contracting Party to conduct consultations, which shall be held within two months since the date of written request with a view to search for a settlement acceptable for both Contracting Parties. A copy of such request shall be sent to all other Contracting Parties to this Agreement and any Party may take part in the consultations if it deems that the circumstances mentioned in the first sentence of this paragraph concern its interests.  
The written request shall be supplemented by all information concerning the merits of case.
3. In case when the Contracting Parties do not reach a mutually acceptable settlement of the problem during the consultations mentioned in the paragraph 2 of this Article, the Contracting Party that made request for consultations has a right to settle the disputes concerning rights and obligations of the Contracting Parties within the framework of a special conciliation recommended by the Working Body during 30 days after the date of receipt of request (through establishment of working groups for studying the materials of the dispute and elaboration of recommendations).
4. In case when the Contracting Parties do not reach a mutually acceptable settlement of the problem during the consultations mentioned in the paragraph 2 of this Article and as a result of the special procedure

mentioned in the paragraph 3 of this Article, the Contracting Party that made request for consultations has the right to recede from the fulfillment of its obligations under this Agreement regarding approximately equivalent amount of trade or to take other measures that it deems necessary as not to allow damage to the national economy. In selection of such measures, preference shall be given to the measures that violate the effects of this Agreement to the smallest degree. Application of such measures shall be immediately terminated as soon as the decisions of the other Contracting Party that led to introduction of these measures are repealed.

5. The provisions of this Article shall be without prejudice to settlement by the Contracting Parties of the emergent disputes among them through the procedures set by international law.

## Article 22

### Correlation of this Agreement with other obligations and rights of the Contracting Parties

1. Nothing in this Agreement shall be construed to prejudice fulfillment of obligations undertaken by any Contracting Party under any other international agreement to which such Contracting Party is or will become a party.

This provision shall by no means prejudice the rights of the Contracting Party to independently determine the regime of foreign economic relations with states that are not parties to this Agreement.

2. The provisions of this Agreement shall not affect the rights and privileges of the Contracting Parties granted by the Contracting Parties within the framework of economic associations, border trade, preferences for developing countries, free economic or trade areas regulated by internal legislation or international agreements.

## Article 23

### Correlation of this Agreement with bilateral free trade agreements of the Contracting Parties

Bilateral free trade agreements currently in force between GUUAM Member States shall be applied only to the extent to which their provisions are compatible with the provisions of this Agreement.

## Article 24

### Amendments and supplements

This Agreement may be amended and supplemented by mutual consent of the Contracting Parties. The amendments and supplements shall be drawn up in the form of protocols that shall constitute inalienable parts of this Agreement, and enter into force in accordance with Article 25 of this Agreement.

## Article 25

### Entry into force

1. This Agreement shall enter into force on the date of deposit of the second notification about fulfillment of all necessary internal national procedures by the Contracting Parties.
2. The Depositary of this Agreement shall be the Executive Power of Georgia.

## Article 26

### Accession

1. Upon consent of GUUAM Participating States, this Agreement shall be open for accession by any state, which recognizes the goals and principles of GUUAM and the provisions of this Agreement that are in force at the time of accession and which expresses its readiness to fulfill them in corpore.

2. The accession shall be conducted on conditions and in order set by a separate Agreement (Protocol) concluded with the accessing state that is subject to preliminary agreement and approval by all Contracting Parties in accordance with their internal state procedures.

## Article 27 Denunciation

1. Any Contracting Party may denounce this Agreement by an official written notification of its intention to denounce the Agreement, communicated to the Depositary six months before withdrawal.
2. In case of violation of the provisions of this Agreement by any Contracting Party, that causes serious damage to achievement of its goals, other Contracting Parties may take extreme measures through suspension of effect of this Agreement or its separate provisions in respect of such Contracting Party.
3. For the purposes of settlement of possible disputes and claims, including those of material character, the provisions of this Agreement shall be applied in respect of the denouncing Contracting Party until complete settlement of all claims.
4. *Done at Yalta on "20" July 2002 in a single original in the English and Russian languages, both texts being equally authentic.*

The original text shall be deposited in the archives of the Depositary, which shall send its certified copies to the Contracting Parties.

*(Entered into force 10 December 2003)*