FREE TRADE AGREEMENT BETWEEN ARMENIA AND THE RUSSIAN FEDERATION

AGREEMENT BETWEEN THE GOVERNMENT OF REPUBLIC OF ARMENIA AND THE GOVERNMENT OF RUSSIAN FEDERATION ON FREE TRADE

The Government of Republic of Armenia and *the Government of Russian Federation*, hereafter referred to as the Contracting Parties,

Guided by the provisions of the Treaty on Friendship, Co-operation and Mutual Security between the Republic of Armenia and the Russian Federation signed on 26 December 1991,

Taking into consideration the multilateral Agreement on Co-operation in the Area of Foreign Trade Activities of 15 May 1992,

Keeping in mind the multilateral Agreement on Co-ordination of Work on Issues Related to Export Control of Raw Materials, Equipment, Technologies and Services Which Can Be Used to Create Weapons of Mass Destruction and Missiles for Delivery Thereof of 26 June 1992,

Striving to develop trade and economic cooperation between Republic of Armenia and the Russian Federation based upon equality and mutual benefits,

Based upon the sovereign right of each Contracting Party to conduct its independent foreign economic policy and enforce relevant international obligations,

Aiming at fostering economic activities, providing full employment, increasing productivity and rational use of resources,

Intending to promote the establishment of common market for goods, services, capital and labour,

HAVE AGREED as follows:

Article 1

1. Contracting Parties shall not apply customs duties, taxes and charges having equivalent impact on exportation and/or importation of goods originating from the customs territory of one of Contracting Parties and destined for the customs territory of the other Contracting Party.

Special cases of application of this trade regime between the two countries to commodities on the basis of the agreed nomenclature shall be formalized by annual documents, which shall be an integral part of this Agreement.

2. For the purposes of this Agreement, and for its effective term, goods originating from the territories of Contracting Parties shall be deemed to be:

(a) Completely produced in the territory of Contracting Parties;

(b) Having been processed on the territory of Contracting Parties by utilizing raw materials and components of third country origin, whose classification under the

Harmonized System of Commodity Description and Coding changed in at least one of the first four digits due to this processing;

(c) Produced with the use of raw materials and components listed in "b" above provided that their total cost does not exceed a fixed proportion of the export price of commodities sold.

Detailed rules on establishing commodity origins shall be coordinated by Contracting Parties and included in a document that shall become an integral part of this Agreement.

Article 2

Contracting Parties shall not:

- directly or indirectly impose any internal taxes or charges on commodities covered by this Agreement, in excess of corresponding taxes and charges imposed on similar commodities of domestic production or of third country origin;

- apply any special limitations or conditions to commodities covered by this Agreement, in excess of limitations or conditions applied under similar circumstances to similar commodities of domestic production or of third country origin;

- apply rules to warehousing, reloading, storage, and transportation of goods that originating from the territory of the other Contracting Party, as well as to payments and payment transfers, other than those applied in similar situations regarding goods of domestic production or of third country origin.

Article 3

1. Contracting Parties shall refrain from introducing quantitative restrictions on export and/or import of goods within the framework of this Agreement.

2. Quantitative restrictions referred to in Paragraph 1 of this Article may be introduced unilaterally with strictly defined time frames only in the event of sharp deficit in the balance of payment -until the balance of payment situation stabilizes, for the purpose of implementing measures provided for in article 4 of this Agreement.

3. Quantitative restrictions referred to in Paragraph 1 of this Article may also be introduced by mutual agreement of the parties and shall be included in the annual documents referred to in Article 1, paragraph 1 of this Agreement.

4. A Contracting Party using quantitative restrictions under Paragraph 2 of this Article shall, upon request of the other Contracting Party, provide the necessary information on the reasons, forms, and possible time frames for using the abovementioned restrictions.

5. Contracting Parties shall endeavour to solve all issues arising in relation to application of quantitative restrictions under Paragraph 2 of this Article by means of consultations.

Article 4

Neither Contracting Party shall permit re-export of goods in relation to export of which the other Contracting Party where these goods originate from applies measures of tariff-based or non-tariff-based regulation.

Re-export of such goods into third countries is permitted only upon written consent and on conditions stipulated by an authorized state agency of the country of origin of these goods. In the event of non-compliance with this provision, the Contracting Party whose interests have been violated has the right for unilateral introduction of measures to regulate export of goods into the territory of the state that permitted the non-sanctioned re-export. In addition the latter shall repay the full amount of such re-export proceeds to the country of origin of relevant goods.

The term "re-export" refers to the export of goods originating from the customs territory of one Contracting Party, as defined in Article 1, paragraph 2 of this Agreement, by the other Contracting Party to the outside of the customs territory of the latter, for the purpose of exporting it into a third country.

Article 5

Contracting Parties will on a regular basis exchange information on customs issues, including customs statistics. Relevant authorized bodies of the Contracting Parties shall coordinate the way to exchange such information.

Article 6

Contracting Parties will inform each other of all exceptions to the existing customs tariffs applied unilaterally.

Article 7

Contracting Parties shall consider incompatible with the purposes of this Agreement any unfair business practices and shall not allow and eliminate the following methods thereof:

- agreements between enterprises, decisions made by the associations of enterprises, and general methods of business practices aimed at hindering or limiting competition or disrupting the competitive environment in the territories of the Contracting Parties;

- actions by means of which one or a few enterprises use their dominant position, limiting competition within the entire territory of the Contracting Parties or a significant part thereof.

Article 8

For the purposes of applying measures of tariff and non-tariff regulation in the bilateral economic relationships, statistical information exchange, and for carrying out customs procedures, the Contracting Parties will use the unified, nine-digit Commodity Nomenclature of Foreign Economic Activities (CN FEA), based upon the Harmonized Commodity Description and Coding System and Combined Tariffs and Statistics Nomenclature of the EEC. For their own needs Contracting Parties may expend this Commodity Nomenclature beyond the nine digits if necessary.

Introduction of the reference original of the Commodity Nomenclature is carried out by the Russian Federation through the existing representations in the relevant international organizations, until the Republic of Armenia declares its independent introduction of such an original.

Article 9

Contracting Parties shall not use state aid in the form of subsidies to enterprises or in any other form if the result of such state aid would be the distortion of normal economic conditions in the territory of the other Contracting Party.

Article 10

Contracting Parties agree that the adherence to the principle of freedom of transit is the major condition for achieving goals of this Agreement and a substantial element in the process of their integration into the system of international division of labour and cooperation.

Thereupon each Contracting Party shall provide unimpeded transit through its territory for goods originating from the customs territory of the other Contracting Party or third countries and destined for the customs territory of the other Contracting Party or any third country, and shall supply exporters, importers, and carriers with all facilities and services available and necessary for ensuring transit on terms not worse than those granted to national exporters, importers, or carriers, or exporters, importers or carriers of any other third state.

Transit tariffs for all types of transportation, including tariffs for loading and unloading operations, shall be economically justified and shall not exceed normal operational expenses, including reasonable profit rates. Contracting Parties shall not request payment for warehousing, reloading, storage, and transportation of goods in the currency of any third state.

Contracting Parties shall conclude a special agreement on transit.

Article 11

Contracting Parties have the right to take measures which they consider necessary for protecting their vital interests or which are undoubtedly necessary for compliance with international agreements to which they are or intend to become parties, if these measures relate to:

- information affecting the interests of national defence;
- trade in arms, munitions and military equipment;
- research or production related to the defence needs;
- supply of materials and equipment used in nuclear industry;
- protection of public morality and public order;
- protection of industrial and intellectual property;
- gold, silver, and other precious metals and stones;
- protection of human, animal and plant life.

Article 12

With the goal of pursuing coordinated policy of export control in relation to the third countries on goods and services included in common check lists, Contracting Parties shall establish an Inter-State Coordination Council on Export Control consisting of the heads of national bodies of export control and support staff. Functions of Inter-State Coordination Council shall include the approval of common check lists of goods and services, examination of cases of export control requirements violation, as well as elaboration of proposals to introduce or to call off sanctions.

Article 13

Provisions of this Agreement shall replace the provisions of agreements concluded earlier by the Contracting Parties insofar as the latter are incompatible or identical with the former. Contracting Parties will instruct their competent authorities to prepare an appropriate protocol on this matter.

Article 14

This Agreement shall not affect other Agreements concluded earlier by the Contracting Parties with third countries.

Article 15

Nothing in this Agreement shall prevent Contracting Parties from establishing relationships which do not contradict the goals and terms of this Agreement with the states which are not parties to this Agreement and with their associations and international organizations.

Article 16

Disputes between Contracting Parties related to interpretation or application of provisions of this Agreement shall be resolved by means of negotiations.

Contracting Parties shall endeavour to avoid conflicting situations in mutual trade.

Contracting Parties establish that claims and disputes between economic entities of both countries resulting from interpretation or implementation of commercial contracts or transactions, in case they cannot be settled amicably on the basis of consultations and negotiations and unless agreed otherwise, will be the exclusive competence of arbitration tribunals (permanent or ad hoc) established in the territory of Contracting Parties or the territory of the third states specified by the Parties having signed the contract.

The latter can also define the applicable substantive law, norms and procedures as well as the premises for the hearing of the case.

Each Contracting Party shall assure in its territory effective means to recognise and enforce arbitration awards.

Article 17

To achieve the goals of this Agreement and to elaborate recommendations for developing trade and economic cooperation between the two countries, Contracting Parties have agreed to establish a joint Armenian-Russian commission.

Article 18

Contracting Parties have agreed that the Republic of Armenia may establish its trade representation in the Russian Federation, and the Russian Federation may establish its trade representation in the Republic of Armenia. The legal status of these trade representations, their functions and residence will be agreed by the Contracting Parties in a separate agreement.

Article 19

Any state may accede to this Agreement on terms and conditions which would be agreed between the acceding state and the Contracting Parties.

Article 20

An integral part of this Agreement shall be a Protocol on exceptions to free trade regime which the Parties shall sign in one month after the signature of the Agreement.

Article 21

This Agreement becomes effective upon exchange of notices of completion by the Contracting Parties of intra-state procedures necessary for its entry into force.

This Agreement will become invalid after twelve months from the date, when one of the Contracting Parties notifies the other Contracting Party in writing of its desire to terminate this Agreement.

This Agreement after its termination shall apply to the contracts among the enterprises and organizations of both countries, concluded, but not implemented during the period when the Agreement is in force.

Done in the City of Erevan, on September 30, 1992 in two originals, each in Armenian and Russian, both texts being equally authentic.

The Agreement has come into force on March 25, 1993.