

# FREE TRADE AGREEMENT BETWEEN BULGARIA AND BOSNIA AND HERZEGOVINA

## PREAMBLE

*The Republic of Bulgaria and Bosnia and Herzegovina* (hereinafter referred to as "the Contracting Parties"),

*Desirous* to develop and strengthen friendly relations, especially in the fields of trade and economic co-operation, with the aim to contribute to the development of economic co-operation between the two countries and to increase the scope of mutual trade exchange;

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

*Recalling* their intention to participate actively in the process of economic integration in Europe 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;

*Firmly* convinced that this Agreement will foster the intensification of mutually beneficial trade relations among them and contribute to the process of integration in Europe;

*Considering* the importance of the links between the Contracting Parties, their desire to strengthen those links and to further extend the relations established previously;

*Resolved* 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 (hereinafter referred to as "GATT 1994") and the Agreement establishing the World Trade Organisation (hereinafter referred to as "WTO"), Bosnia and Herzegovina having objective to become a member of the WTO;

*Considering* that no provision of this Agreement may be interpreted as exempting the Contracting Parties from their obligations under other international agreements;

*Have agreed* as follows:

### *Article 1*

#### Objectives

1. The Contracting Parties shall gradually establish a free trade area on substantially all bilateral trade in a transitional period ending on 1 January 2005, in accordance with the provisions of this Agreement and in conformity with the definition, set out in Article XXIV of the GATT 1994, and the WTO.
2. The objectives of this Agreement are:
  - (a) to promote through the expansion of mutual trade the harmonious development of economic relations between the Contracting Parties and thus to foster in the Contracting Parties the advance of economic activity, the improvement of living and employment conditions, and financial stability;
  - (b) to provide fair conditions of competition for trade between the Contracting Parties;

- (c) to contribute by the gradual removal of barriers to trade, to the harmonious development and expansion of world trade;
- (d) to enhance co-operation between the Contracting Parties;
- (e) to create conditions for further promotion of investments, particularly for the development of joint investment in both countries;
- (f) to promote trade and co-operation of the Contracting Parties on third countries' markets.

## **CHAPTER I - INDUSTRIAL PRODUCTS**

### *Article 2*

#### Scope

The provisions of this Chapter shall apply to industrial products originating in the Contracting 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 with the exception of the products listed in Annex I to this Agreement.

### *Article 3*

#### Basic Duties

1. For the commercial exchange, covered by this Agreement, the Customs Tariff of Bosnia and Herzegovina shall be applied to the classification of goods, imported in Bosnia and Herzegovina and the Customs Tariff of the Republic of Bulgaria shall be applied to the classification of goods, imported in the Republic of Bulgaria.
2. 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 the date of entry into force of this Agreement.
3. If, after entry into force of this Agreement, any tariff reduction is applied on an *erga omnes* basis, in particular reductions resulting from the tariff negotiations in the WTO, such reduced duties shall replace the basic duty referred to in paragraph 2 of this Article as from the date when such reductions are applied.
4. The reduced duties calculated in accordance with paragraph 3 of this Article shall be applied rounded to the first decimal place.
5. The Contracting Parties shall communicate to each other their respective basic duties.

### *Article 4*

#### Customs Duties On Imports, Charges Having Equivalent Effect And Import Duties Of A Fiscal Nature

1. The Contracting Parties shall not introduce new customs duties on imports, charges having an effect equivalent to customs duties on imports and import duties of a fiscal nature in trade between them as from the date of entry into force of this Agreement.

2. Customs duties on imports applicable in the Republic of Bulgaria to industrial products originating in Bosnia and Herzegovina shall be abolished on the date of entry into force of this Agreement.

3. Customs duties on imports, charges having equivalent effect and import duties of a fiscal nature applicable in Bosnia and Herzegovina on the date of entry into force of this Agreement to industrial products originating in the Republic of Bulgaria shall be progressively reduced in accordance with the following timetable, except for the products listed in Annex II of the Agreement:

- |   |  |
|---|--|
| - on the date of entry into force of this Agreement | - to 50% of their value,                   |
| - on 1 January 2004                                 | - to 40% of their value,                   |
| - on 1 January 2005                                 | - the remaining duties shall be abolished. |

4. Customs duties on imports, charges having equivalent effect and import duties of a fiscal nature applicable in Bosnia and Herzegovina on the date of entry into force of this Agreement to industrial products originating in the Republic of Bulgaria, for the products listed in Annex II of the Agreement, shall be progressively reduced in accordance with the following timetable:

- |   |  |
|---|--|
| - on the date of entry into force of this Agreement | - to 40% of their value,                   |
| - on 1 January 2004                                 | - the remaining duties shall be abolished. |

#### *Article 5*

##### Customs Duties On Exports, Charges Having Equivalent Effect And Export Duties Of A Fiscal Nature

1. The Contracting Parties shall not introduce new customs duties on exports, charges having equivalent effect and export duties of a fiscal nature in trade between them, as from the date of entry into force of this Agreement.

2. The Contracting Parties shall abolish all customs duties on exports, charges having equivalent effect and export duties of a fiscal nature on the date of entry into force of this Agreement.

#### *Article 6*

##### Quantitative Restrictions On Imports And Exports And Measures Having Equivalent Effect

1. The Contracting Parties shall not introduce new quantitative restrictions on imports and exports or measures having equivalent effect in trade between them, as from the date of entry into force of this Agreement.

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

*Article 7*Elimination Of Technical Barriers To Trade

1. The rights and obligations of the Contracting Parties relating to technical regulations or standards and related measures shall be governed by the WTO Agreement on Technical Barriers to Trade.
2. The Contracting Parties shall co-operate and exchange information in the field of conformity assessment, standardisation, metrology and accreditation with the aim of reducing and/or eliminating technical barriers to trade.
3. Each Contracting Party, upon request of the other Contracting Party, shall provide information on particular individual cases of technical norms, standards and related measures.
4. To eliminate technical barriers and effectively implement this Agreement, the Contracting Parties shall further discuss the possibility to conclude an agreement on mutual recognition of test reports, certificates of conformity and other documents directly or indirectly related to conformity assessment of the products which are the subject of trade between the Contracting Parties.

**CHAPTER II - AGRICULTURAL PRODUCTS***Article 8*Scope

The provisions of this Chapter shall apply to agricultural products originating in the Contracting 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 including products listed in Annex I to this Agreement.

*Article 9*Basic Duties

1. For the commercial exchange, covered by this Agreement, the Customs Tariff of Bosnia and Herzegovina shall be applied to the classification of goods, imported in Bosnia and Herzegovina and the Customs Tariff of the Republic of Bulgaria shall be applied to the classification of goods, imported in the Republic of Bulgaria.
2. 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 the date of entry into force of this Agreement. Customs duties referred to in this Article include ad valorem and specific part of customs duties.
3. If, after entry into force of this Agreement, any tariff reduction is applied on an *erga omnes* basis, in particular reductions resulting from the tariff negotiations in the WTO, such reduced duties shall replace the basic duty referred to in paragraph 2 of this Article as from the date when such reductions are applied.

If a reduction of duties is effected by way of a suspension of duties made for a particular period of time, such reduced duties shall replace the basic duties only for the period of such suspension.

4. The reduced duties calculated in accordance with paragraph 3 of this Article shall be applied rounded to the first decimal place.

5. The Contracting Parties shall communicate to each other their respective basic duties.

*Article 10*

Exchange Of Concessions

1. The Contracting Parties shall grant each other the concessions specified in Annex III of the Agreement, in accordance with the provisions of this Chapter and those laid down in that Annex.
2. Taking into account:
  - the role of agriculture in their economies,
  - the development of trade in agricultural products between the Contracting Parties,
  - the particular sensitivity of the agricultural products,
  - the rules of their agricultural policies,
  - the results of the multilateral trade negotiations under WTO,

the Contracting Parties shall examine the possibilities of granting each other further concessions.

*Article 11*

Customs Duties On Exports, Charges Having Equivalent Effect And Export Duties Of A Fiscal Nature

1. The Contracting Parties shall not introduce new customs duties on exports, charges having equivalent effect and export duties of fiscal nature in trade between them as from the date of entry into force of this Agreement.
2. The Contracting Parties shall abolish all customs duties on export, charges having equivalent effect and export duties of a fiscal nature on the date of entry into force of this Agreement.

*Article 12*

Quantitative Restrictions On Imports And Exports And Measures Having Equivalent Effect

1. The Contracting Parties shall not introduce new quantitative restrictions on imports and exports or measures having equivalent effect in trade between them as from the date of entry into force of this Agreement.
2. All quantitative restrictions on imports and exports and measures having equivalent effect shall be abolished on the date of entry into force of this Agreement.

*Article 13*

Agricultural Policy

1. Without prejudice to the concessions granted under Article 10 of this Agreement, the provisions of this Chapter shall not restrict in any way the pursuance of the respective agricultural policies of the Contracting Parties or the taking of any measures under such policies, including the implementation of the provisions of the WTO Agreement on Agriculture.
2. The Contracting Parties shall notify to the Joint Committee changes in their respective agricultural policies pursued or measures applied which may affect the conditions of trade in

agricultural products between them. Upon request of a Contracting Party, prompt consultations shall be held to examine the situation.

*Article 14*

Specific Safeguards

Notwithstanding other provisions of this Agreement, and in particular Article 28 of this Agreement, given the particular sensitivity of the agricultural products, if imports of products originating in one of the Contracting Parties, which are the subject of concessions granted under this Agreement cause serious disturbance to the market of the other Contracting Party, both Contracting Parties shall enter into consultations immediately to find an appropriate solution. Pending such solution, the Contracting Party concerned may take appropriate measures it deems necessary.

*Article 15*

Sanitary And Phytosanitary Measures

1. The Contracting Parties shall apply their regulations in veterinary, phytosanitary and sanitary matters taking into account the WTO Agreement on the Application of Sanitary and Phytosanitary Measures.
2. The Contracting Parties shall apply their regulations in veterinary, phytosanitary and sanitary matters in a non-discriminatory fashion and shall not introduce any new measures that have the effect of unduly obstructing trade.
3. The measures related to the veterinary and sanitary control between the Contracting Parties shall be adjusted to the relevant EU legislation.
4. The Contracting Parties shall exchange the information on sanitary and phytosanitary protection of animals, plants and products.

*Article 16*

Elimination Of Technical Barriers To Trade

1. The rights and obligations of the Contracting Parties relating to technical regulations or standards and related measures shall be governed by the WTO Agreement on Technical Barriers to Trade.
2. The Contracting Parties shall co-operate and exchange information in the field of conformity assessment, standardisation, metrology and accreditation with the aim of reducing and/or eliminating technical barriers to trade.
3. Each Contracting Party, upon request of the other Contracting Party, shall provide information on particular individual cases of technical norms, standards and related measures.
4. To eliminate technical barriers and effectively implement this Agreement, the Contracting Parties shall further discuss the possibility to conclude an agreement on mutual recognition of test reports, certificates of conformity and other documents directly or indirectly related to conformity assessment of the products which are the subject of trade between the Contracting Parties.

## CHAPTER III - GENERAL PROVISIONS

### *Article 17*

#### Rules Of Origin And Co-Operation In Customs Administration

1. The Contracting Parties agree to apply the harmonized European preferential rules of origin in the mutual trade including all amendments thereto. In case the European rules of origin are amended, the Joint Committee shall make a decision on amending rules of origin.
2. Protocol A to this Agreement (hereinafter referred to as "Protocol A") lays down the rules of origin and related methods of administrative co-operation.
3. The Contracting Parties shall take appropriate measures, including regular reviews by the Joint Committee and arrangements for administrative co-operation, to ensure that the provisions of Protocol A and Articles 3 to 7, 9 to 13, 18, 28, 29 and 30 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.

### *Article 18*

#### Internal Taxation

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

### *Article 19*

#### 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 national treasures of artistic, historic or archaeological value; the protection of intellectual property; the rules relating to gold and silver, or the protection of environment 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 Contracting Parties.

### *Article 20*

#### Security Exceptions

Nothing in this Agreement shall prevent a Contracting 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, constituting threat of war.

*Article 21*

State Monopolies

1. The Contracting Parties shall adjust progressively any State monopoly of a commercial character so as to ensure that by the end of the transitional period laid down in Article 1 of this Agreement, no discrimination regarding the conditions under which goods are procured and marketed exists between nationals of the Contracting Parties. The Contracting Parties shall inform each other about the measures adopted to implement this objective.

2. The provisions of this Article shall apply to any body through which the competent authorities of the Contracting Parties, in law or in fact, either directly or indirectly supervise, determine or appreciably influence imports or exports between the Contracting Parties. These provisions shall likewise apply to monopolies delegated by the State to other bodies.

*Article 22*

Payments

1. Payments in freely convertible currencies relating to trade in goods between the Contracting Parties and the transfer of such payments to the territory of the Contracting Party where the creditor resides shall be free from any restrictions.

2. The Contracting Parties shall refrain from any exchange or administrative restrictions on the grant, repayment or acceptance of short and medium term credits to trade in goods in which a resident of a Contracting Party participates.

3. Notwithstanding the provisions of paragraph 2 of this Article, 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 Agreement of the International Monetary Fund and shall be applied on a non-discriminatory basis.



*Article 23*

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 Contracting 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 Contracting Parties as a whole or in a substantial part thereof.

2. The provisions of paragraph 1 of this Article shall apply to the activities of all undertakings including public undertakings and undertakings to which the Contracting 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 of this Article 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 agricultural products the provisions of paragraph 1 (a) of this Article shall not apply to such agreements, decisions and practices which form an integral part of a national market organisation.

4. If a Contracting Party considers that a given practice is incompatible with paragraphs 1, 2 and 3 of this Article and if such practice causes or threatens to cause serious prejudice to the interest of that Contracting 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 32 of this Agreement.

*Article 24*

State Aid

1. Any aid granted by a Contracting Party to this Agreement or through state resources in any form whatsoever 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 Contracting Parties, be incompatible with the proper functioning of this Agreement, except for agricultural products for which state aid may be granted in compliance with the relevant provisions of the WTO Agreements.

2. The Joint Committee shall, within three years from the entry into force of this Agreement, adopt the criteria on the basis of which the practices contrary to paragraph 1 of this Article shall be assessed, as well as the rules for their implementation. The criteria shall comply with the rules of Articles 87 and 88 of the Treaty establishing the European Economic Community taking into account the respective criteria applied between each of the Contracting Parties in their relations with the European Union.

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

4. If a Contracting Party considers that a particular practice:

- is incompatible with the terms of paragraph 1 of this Article, and is not adequately dealt with under the implementing rules referred to in paragraph 2 of this Article, or
- in the absence of rules, referred to in paragraph 2 of this Article, causes or threatens to cause serious prejudice to the interest of that Contracting Party or material injury to its domestic industry,

it may take appropriate measures under the conditions of and in accordance with the provisions laid down in Article 32 of this Agreement.

5. Such appropriate measures may only be taken in conformity with the procedures and under the conditions laid down by the GATT 1994 and the WTO, and any other relevant instruments negotiated under their auspices, which are applicable between the Contracting Parties concerned.

#### *Article 25*

##### Public Procurement

1. The Contracting Parties consider the liberalization of their respective public procurement markets as an objective of this Agreement.
2. The Contracting Parties shall progressively develop their respective rules, conditions and practices with a view to grant suppliers of the other Contracting Party access to contract award procedures on their respective public procurement markets.
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 of this Article so as to ensure free access, transparency and mutual opening of the respective public procurement markets of the Contracting Parties.
4. The Contracting Parties shall endeavour to accede to the WTO Agreement on Government Procurement.

#### *Article 26*

##### Intellectual Property Rights

1. The Contracting Parties shall grant and ensure adequate and effective protection of intellectual property rights on a non-discriminatory basis, including effective measures for enforcing such rights against infringements and particularly against counterfeiting and piracy. The Contracting Parties agree to comply with the substantive standards of the multilateral agreements listed in Annex IV.
2. For the purpose of this Agreement the term "intellectual property" includes in particular copyright including the copyright on computer programs and neighbouring rights, patents, trademarks, industrial designs, geographical indications, topographies of integrated circuits, undisclosed information as well as know-how.
3. In fulfilment of their commitments under international agreements and legislation in the field of intellectual property rights, the Contracting Parties to this Agreement shall not grant to nationals of the state of the other Party treatment less favourable than that accorded to nationals of any third state.
4. The Contracting Parties shall co-operate in matters of intellectual property. Upon request of a Contracting Party, they shall hold expert consultations on these matters, in particular on activities

relating to the existing or to future international conventions concerning the harmonization, administration and enforcement of intellectual property and on activities in international organizations, such as the WTO, World Intellectual Property Organization, as well as on the relations of the Contracting Parties with any third country on intellectual property matters.

5. The implementation of this article shall be regularly assessed by the Contracting Parties. Upon difficulties in trade in relation with the rights of intellectual property, any of the Contracting Parties may request urgent consultations for finding mutually satisfactory solution.

*Article 27*

Anti-Dumping And Countervailing Measures

Nothing in this Agreement shall prejudice or affect in any way the taking, by either Contracting Party of anti-dumping and countervailing measures in accordance with Article VI of the GATT 1994, the Agreement on Implementation of Article VI of the GATT 1944 and the WTO Agreement on Subsidies and Countervailing Measures under the conditions and in accordance with the procedure laid down in Article 32 of this Agreement.

*Article 28*

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 Contracting 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 Contracting Party concerned may take appropriate measures under the conditions and in accordance with the procedure laid down in Article 32 of this Agreement.

*Article 29*

Structural Adjustment

1. Exceptional measures of limited duration which derogate from the provisions of Article 4 of this Agreement, may be taken for industrial products by any of the Contracting 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 Contracting Party concerned to products originating in the other Contracting Party introduced in accordance with paragraphs 1 and 2 of this Article may not exceed 25 % *ad valorem* and shall maintain an element of preference in customs duties for products originating in the other Contracting Party. The total value of imports of the products which are subject to these measures may not exceed 15 % of total imports of industrial products from the other Contracting Party as defined in Chapter I of this Agreement, during the last year for which statistics are available.

4. These measures shall be applied for a period not exceeding the transitional period determined in paragraph 1 of Article 1 of this Agreement.

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

#### *Article 30*

##### Re-Export And Serious Shortage

1. Where compliance with the provisions of Articles 5 and 6 of this Agreement leads to:
  - (a) re-export towards a third country against which the exporting Contracting 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 Contracting Party;

and where the situations referred to above give rise or are likely to give rise to major difficulties for the exporting Contracting Party, that Contracting Party may take appropriate measures under the conditions and in accordance with the procedures laid down in Article 32 of this Agreement.

2. Measures, taken as a result of the situation referred to in paragraph 1 of this Article, shall be applied in a non-discriminatory manner and be eliminated when conditions no longer justify their maintenance.

#### *Article 31*

##### Fulfilment Of Obligations

1. The Contracting Parties shall take any 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 Contracting Party considers that the other Contracting Party has failed to fulfil an obligation under this Agreement, the Contracting Party concerned may take appropriate measures under the conditions and in accordance with the procedure laid down in Article 32 of this Agreement.

#### *Article 32*

##### Procedure For The Application Of Safeguard Measures

1. Before initiating the procedure for the application of safeguard measures set out in the following paragraphs, the Contracting Parties shall endeavour to solve any differences between them through direct consultations.

2. In the event of a Contracting Party subjecting imports of products liable to give rise to the situation referred to in Article 28 of this Agreement to an administrative procedure having as its

purpose the rapid provision of information on the trade flows, it shall inform the other Contracting Party.

3. Without prejudice to paragraph 7 of this Article, a Contracting Party which considers resorting to safeguard measures shall promptly notify the other Contracting Party thereof and supply all relevant information. Consultations between the Contracting Parties shall take place without delay within the Joint Committee with a view to finding a solution acceptable to the Contracting Parties.

4. (a) With regard to Articles 27, 28 and 30 of this Agreement, 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 Contracting Party concerned. In the case of the absence of such decision within thirty days of the matter being referred to the Joint Committee, the Contracting Party concerned may adopt the measures necessary in order to remedy the situation.

(b) As regards Article 31 of this Agreement, the Contracting 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 notification to the other Contracting Party.

(c) With regard to Articles 23 and 24 of this Agreement, the Contracting 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 Contracting 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 Contracting 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 Contracting Party. They shall be limited 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 Contracting Party concerned may, in the cases of Articles 27, 28 and 30 of this Agreement, apply forthwith the provisional measures strictly necessary to remedy the situation. The measures taken shall be notified without delay and consultations between the Contracting Parties shall take place as soon as possible within the Joint Committee.

### *Article 33*

#### Balance Of Payments Difficulties

1. The Contracting Parties shall endeavour to avoid the imposition of restrictive measures including measures relating to imports for balance of payments difficulties.

2. Where one of the Contracting Parties is in serious balance of payments difficulties, or under imminent threat thereof, the Contracting Party concerned may, in accordance with the conditions established under the GATT 1994 and the WTO and Article VIII of the Articles of the Agreement of International Monetary Fund, 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 Contracting Party concerned shall inform the other Contracting Party forthwith of their introduction and, whenever practicable, of a time schedule for their removal.

*Article 34*

Evolutionary Clause

1. Where a Contracting Party considers that it would be useful in the interests of the economies of the Contracting 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 Contracting Party. The Joint Committee may examine such request and, where appropriate, may make recommendations, particularly with a view to opening negotiations.
2. Agreements resulting from the procedure referred to in paragraph 1 of this Article will be subject to ratification by the Contracting Parties in accordance with their internal legislation.

*Article 35*

Joint Committee

1. A Joint Committee is hereby established and shall be composed of the representatives of the Contracting Parties.
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 Contracting Parties shall exchange information and, at the request of a Contracting Party, shall hold consultations within the Joint Committee. The Joint Committee shall keep under review the possibility of further removal of the obstacles to trade between the Contracting 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 36*

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 Contracting Party may request that a meeting be held.
2. The Joint Committee shall act by consensus.
3. If the representative of a Contracting Party in the Joint Committee has 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 date of the receipt of a written notification as to the fulfilment of such requirements.
4. For the purpose of this Agreement the Joint Committee shall adopt its rules of procedure which shall *inter alia* contain provisions for conveying meeting and for the designation of the Chairperson and his/her 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 37*

Services And Investments

1. The Contracting Parties recognise the growing importance of certain areas, such as services and investments. In their efforts to gradually develop and broaden their co-operation, in particular in the context of the European integration, they will co-operate with the aim of achieving a progressive liberalisation and mutual opening of markets for investments and trade in services, taking into account relevant provisions of the General Agreement on Trade in Services (GATS).

2. The Contracting Parties shall examine within the Joint Committee the possibilities to extend their relations to the fields of foreign direct investment and trade in services.

*Article 38*

Customs Unions, Free Trade Areas And Frontier Trade

1. 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 of the Contracting Parties and in particular the provisions concerning rules of origin provided for by this Agreement.

2. Upon request, the Contracting Parties shall inform each other of any agreement, establishing customs union or free trade areas concluded.

*Article 39*

Protocols And Annexes

Protocols and annexes to this Agreement are an integral part of it. The Joint Committee may decide to amend them in accordance with the internal legal procedures of the Contracting Parties.

*Article 40*

Amendments

Amendments to this Agreement other than those decided upon in accordance with paragraph 4 of Article 35 of this Agreement, and which are approved by the Joint Committee, shall enter into force in accordance with Article 41 of this Agreement.

*Article 41*

Entry Into Force

This Agreement is subject to ratification. It shall enter into force on the first day of the second month following the date of the receipt of the last written notification by which the Contracting Parties inform each other through diplomatic channels that the internal legal procedures for the entry into force of this Agreement have been fulfilled.

*Article 42*

Validity And Denouncement

1. This Agreement is concluded for an indefinite period of time.
2. Each Contracting Party may denounce it through diplomatic channels by a written notification to the other Contracting Party. In such case the Agreement shall be terminated on the first day of the seventh month after the date on which the other Contracting Party received the notification.
3. The Contracting Parties agree, that in case of accession of one of the Contracting Parties to the European Union, the Agreement will be terminated without any compensations for the other Contracting Party, on the day before the date of the accession to the EU. In that case, the Contracting Party acceding to the EU shall inform the other Contracting Party of such accession within a reasonable period of time.

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

DONE at Sofia this 16 day of October 2003 in two originals in English language.

FOR THE REPUBLIC OF BULGARIA

FOR BOSNIA AND HERZEGOVINA

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