

ANNEX

**STABILISATION AND ASSOCIATION AGREEMENT
between the European Communities and their Member
States, of the one part,
and Bosnia and Herzegovina, of the other part**

**THE KINGDOM OF BELGIUM,
THE REPUBLIC OF BULGARIA,
THE CZECH REPUBLIC,
THE KINGDOM OF DENMARK,
THE FEDERAL REPUBLIC OF GERMANY,
THE REPUBLIC OF ESTONIA,
THE HELLENIC REPUBLIC,
THE KINGDOM OF SPAIN,
THE FRENCH REPUBLIC,
IRELAND,
THE ITALIAN REPUBLIC,
THE REPUBLIC OF CYPRUS,
THE REPUBLIC OF LATVIA,
THE REPUBLIC OF LITHUANIA,
THE GRAND DUCHY OF LUXEMBOURG,
THE REPUBLIC OF HUNGARY,
THE REPUBLIC OF MALTA,
THE KINGDOM OF THE NETHERLANDS,
THE REPUBLIC OF AUSTRIA,
THE REPUBLIC OF POLAND,
THE PORTUGUESE REPUBLIC,
ROMANIA,
THE REPUBLIC OF SLOVENIA,
THE SLOVAK REPUBLIC,
THE REPUBLIC OF FINLAND,
THE KINGDOM OF SWEDEN,
THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN
IRELAND,**

Contracting Parties to the Treaty establishing the European Community and the Treaty establishing the European Atomic Energy Community, and the Treaty on European Union, hereinafter referred to as "Member States", and

THE EUROPEAN COMMUNITY and THE EUROPEAN ATOMIC ENERGY COMMUNITY,

hereinafter referred to as the "Community",

of the one part, and

BOSNIA AND HERZEGOVINA,

of the other part,

CONSIDERING the strong links between the Parties and the values that they share, their desire to strengthen those links and establish a close and lasting relationship based on reciprocity and mutual interest, which should allow Bosnia and Herzegovina to further strengthen and extend the relations with the Community;

CONSIDERING the importance of this Agreement, in the framework of the Stabilisation and Association process (SAp) with the countries of south-eastern Europe, in the establishment and consolidation of a stable European order based on cooperation, of which the European Union is a mainstay, as well as in the framework of the Stability Pact;

CONSIDERING the European Union's readiness to integrate to the fullest possible extent Bosnia and Herzegovina into the political and economic mainstream of Europe and its status as a potential candidate for EU membership on the basis of the Treaty on European Union (hereinafter referred to as the EU Treaty) and fulfilment of the criteria defined by the European Council in June 1993 as well as the SAp conditionalities, subject to the successful implementation of this Agreement, notably regarding regional cooperation;

CONSIDERING the European Partnership with Bosnia and Herzegovina, which identifies priorities for action in order to support the country's efforts to move closer to the European Union;

CONSIDERING the commitment of the Parties to contribute by all means to the political, economic and institutional stabilisation in Bosnia and Herzegovina as well as in the region, through the development of civil society and democratisation, institution building and public administration reform, regional trade integration and enhanced economic cooperation, as well as through cooperation in a wide range of areas, including in justice and home affairs, and the strengthening of national and regional security;

CONSIDERING the commitment of the Parties to increasing political and economic freedoms as the very basis of this Agreement, as well as their commitment to respect human rights and the rule of law, including the rights of persons belonging to national minorities, and democratic principles through a multi-party system with free and fair elections;

CONSIDERING the commitment of the Parties to the full implementation of all principles and provisions of the UN Charter, of the OSCE, notably those of the Final Act of the Conference on Security and Cooperation in Europe (hereinafter referred to as "the Helsinki Final Act"), the concluding documents of the Madrid and Vienna

Conferences, the Charter of Paris for a New Europe, as well as to compliance with the obligations under the Dayton/Paris Peace Agreement and of the Stability Pact for south-eastern Europe, so as to contribute to regional stability and cooperation among the countries of the region;

CONSIDERING the commitment of the Parties to the principles of free market economy and the readiness of the Community to contribute to the economic reforms in Bosnia and Herzegovina, as well as the commitment of the Parties to the principles of sustainable development;

CONSIDERING the commitment of the Parties to free trade, in compliance with the rights and obligations arising out of the WTO membership and to apply them in a transparent and non-discriminatory manner;

CONSIDERING the wish of the Parties to further develop regular political dialogue on bilateral and international issues of mutual interest, including regional aspects, taking into account the Common Foreign and Security Policy (CFSP) of the European Union;

CONSIDERING the commitment of the Parties to combat organised crime and to strengthen cooperation in the fight against terrorism on the basis of the declaration issued by the European Conference on 20 October 2001;

CONVINCED that the Stabilisation and Association Agreement (hereinafter referred to as "this Agreement") will create a new climate for economic relations between them and, above all, for the development of trade and investment, factors crucial to economic restructuring and modernisation of Bosnia and Herzegovina;

BEARING in mind the commitment of Bosnia and Herzegovina to approximate its legislation in the relevant sectors to that of the Community, and to effectively implement it;

TAKING ACCOUNT of the Community's willingness to provide decisive support for the implementation of reforms and to use all available instruments of cooperation and technical, financial and economic assistance on a comprehensive, indicative multi-annual basis to this endeavour;

CONFIRMING that the provisions of this Agreement that fall within the scope of Part III, Title IV of the Treaty establishing the European Community (hereinafter referred to as the EC Treaty) bind the United Kingdom and Ireland as separate Contracting Parties, and not as a part of the Community, until the United Kingdom or Ireland (as the case may be) notifies Bosnia and Herzegovina that it has become bound as part of the Community in accordance with the Protocol on the position of the United Kingdom and Ireland annexed to the EU Treaty and the EC Treaty. The same applies to Denmark, in accordance with the Protocol annexed to those Treaties on the position of Denmark;

RECALLING the Zagreb Summit, which called for further consolidation of relations between the countries of the Stabilisation and Association process and the European Union as well as enhanced regional cooperation;

RECALLING that the Thessaloniki Summit reinforced the Stabilisation and Association process as the policy framework for the European Union's relations with the Western Balkan countries and underlined the prospect of their integration with the

European Union on the basis of their progress in the reform process and individual merit;

RECALLING the signature of the Central European Free Trade Agreement in Bucharest on 19 December 2006 as a means to enhance the region's ability to attract investments and the prospects of its integration into the global economy,

HAVE AGREED AS FOLLOWS:

Article 1

1. An Association is hereby established between the Community and its Member States, of the one part, and Bosnia and Herzegovina of the other part.
2. The aims of this Association are:
 - a) to support the efforts of Bosnia and Herzegovina to strengthen democracy and the rule of law;
 - b) to contribute to political, economic and institutional stability in Bosnia and Herzegovina, as well as to the stabilisation of the region;
 - c) to provide an appropriate framework for political dialogue, allowing the development of close political relations between the Parties;
 - d) to support the efforts of Bosnia and Herzegovina to develop its economic and international co-operation, also through the approximation of its legislation to that of the Community;
 - e) to support the efforts of Bosnia and Herzegovina to complete the transition into a functioning market economy, to promote harmonious economic relations and develop gradually a free trade area between the Community and Bosnia and Herzegovina;
 - f) to foster regional co-operation in all the fields covered by this Agreement.

TITLE I

GENERAL PRINCIPLES

Article 2

Respect for the democratic principles and human rights as proclaimed in the Universal Declaration of Human Rights and as defined in the Convention for the Protection of Human Rights and Fundamental Freedoms, in the Helsinki Final Act and the Charter of Paris for a New Europe, respect for international law principles, including full cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY), and the rule of law as well as the principles of market economy as reflected in the Document of the CSCE Bonn Conference on Economic Co-operation, shall form the basis of the domestic and external policies of the Parties and constitute essential elements of this Agreement.

Article 3

The fight against the proliferation of weapons of mass destruction and their means of delivery constitutes an essential element of this Agreement.

Article 4

The contracting Parties reaffirm the importance they attach to the implementation of international obligations, notably the full cooperation with ICTY.

Article 5

International and regional peace and stability, the development of good neighbourly relations and human rights and the respect and protection of minorities are central to the Stabilisation and Association process. The conclusion and the implementation of this Agreement will remain subject to the conditionalities of the SAP and are based on the individual merits of Bosnia and Herzegovina.

Article 6

Bosnia and Herzegovina commits itself to continue and foster cooperation and good neighbourly relations with the other countries of the region including an appropriate level of mutual concessions concerning the movement of persons, goods, capital and services as well as the development of projects of common interest, notably those related to combating organised crime, corruption, money laundering, illegal migration and trafficking, including in particular in human beings, small arms and light weapons as well as illicit drugs. This commitment constitutes a key factor in the development of the relations and cooperation between the Community and Bosnia and Herzegovina and thus contributes to regional stability.

Article 7

The Parties reaffirm the importance that they attach to the fight against terrorism and the implementation of international obligations in this area.

Article 8

The association shall be progressively and fully realised over a transitional period of a maximum of six years.

The Stabilisation and Association Council (hereinafter referred to as SAC) established under Article 115 shall regularly review, as a rule on an annual basis, the implementation of this Agreement and the adoption and implementation by Bosnia and Herzegovina of legal, administrative, institutional and economic reforms. This review shall be carried out in the light of the preamble and in accordance with the general principles of this Agreement. It shall take duly into account priorities set in the European Partnership relevant to this Agreement and be in coherence with the mechanisms established under the Stabilisation and Association process, notably the progress report on the Stabilisation and Association process.

On the basis of this review, the SAC will issue recommendations and may take decisions. Where the review identifies particular difficulties, they may be referred to the mechanisms of dispute settlement established under this Agreement.

The full association shall be progressively realised. No later than the third year after the entry into force of this Agreement, the SAC shall make a thorough review of the application of this Agreement. On the basis of this review the SAC shall evaluate progress made by Bosnia and Herzegovina and may take decisions governing the following stages of association.

The aforementioned review will not apply to the free movement of goods (Title IV), for which a specific schedule is foreseen in the Title IV.

Article 9

This Agreement shall be fully compatible with and implemented in a manner consistent with the relevant WTO provisions, in particular Article XXIV of the General Agreement on Tariffs and Trade 1994 (GATT 1994) and Article V of the General Agreement on Trade in Services (GATS).

TITLE II POLITICAL DIALOGUE

Article 10

1. Political dialogue between the Parties shall be further developed within the context of this Agreement. It shall accompany and consolidate the rapprochement between the European Union and Bosnia and Herzegovina and contribute to the establishment of close links of solidarity and new forms of cooperation between the Parties.
2. The political dialogue is intended to promote in particular:
 - a) Bosnia and Herzegovina's full integration into the community of democratic nations and gradual rapprochement with the European Union;
 - b) an increasing convergence of positions of the Parties on international issues, including CFSP issues, also through the exchange of information as appropriate, and, in particular, on those issues likely to have substantial effects on the Parties;
 - c) regional cooperation and the development of good neighbourly relations;
 - d) common views on security and stability in Europe, including cooperation in the areas covered by the CFSP of the European Union.
3. The Parties consider that the proliferation of weapons of mass destruction (WMD) and their means of delivery, both to state and non-state actors, represents one of the most serious threats to international stability and security. The Parties therefore agree to cooperate and to contribute to countering the proliferation of weapons of mass destruction and their means of delivery through full compliance with and national implementation of their existing obligations under international disarmament and non-proliferation treaties and agreements and other relevant international obligations. The Parties agree that this provision constitutes an essential element of this Agreement and will be part of the political dialogue that will accompany and consolidate these elements.

The Parties furthermore agree to cooperate and to contribute to countering the proliferation of weapons of mass destruction and their means of delivery by:

- a) taking steps to sign, ratify, or accede to, as appropriate, and fully implement all other relevant international instruments;
- b) establishing an effective system of national export controls, controlling the export as well as the transit of WMD-related goods, including a WMD end-use control on dual use technologies and containing effective sanctions for breaches of export controls.

Political dialogue on this matter may take place on a regional basis.

Article 11

1. Political dialogue shall primarily take place within the Stabilisation and Association Council, which shall have the general responsibility for any issue which the Parties might wish to put to it.
2. At the request of the Parties, political dialogue may also take place in the following formats:
 - a) meetings, where necessary, of senior officials representing Bosnia and Herzegovina, on the one hand, and the Presidency of the Council of the European Union, the Secretary General/High Representative for the Common Foreign and Security Policy and the Commission of the European Communities (hereinafter referred to as European Commission), on the other;
 - b) taking full advantage of all diplomatic channels between the Parties, including appropriate contacts in third countries and within the United Nations, the OSCE, the Council of Europe and other international fora;
 - c) any other means which would make a useful contribution to consolidating, developing and enhancing this dialogue, including those identified in the Thessaloniki agenda, adopted in the Conclusions of the European Council in Thessaloniki on 19 and 20 June 2003.

Article 12

Political dialogue at parliamentary level shall take place within the framework of the Stabilisation and Association Parliamentary Committee established under Article 121.

Article 13

A political dialogue may take place within a multilateral framework, and as a regional dialogue including other countries of the region, including in the framework of the EU – Western Balkan forum.

TITLE III REGIONAL COOPERATION

Article 14

In conformity with its commitment to international and regional peace and stability, and to the development of good neighbourly relations, Bosnia and Herzegovina shall actively promote regional cooperation. The Community assistance programmes may support projects having a regional or cross-border dimension.

Whenever Bosnia and Herzegovina foresees to reinforce its cooperation with one of the countries mentioned in Articles 15, 16 and 17, it shall inform and consult the Community and its Member States according to the provisions laid down in Title X.

Bosnia and Herzegovina shall implement fully the existing bilateral Free Trade Agreements negotiated pursuant to the Memorandum of Understanding on Trade Facilitation and Liberalisation signed in Brussels on 27 June 2001 by Bosnia and Herzegovina and the Central European Free Trade Agreement signed in Bucharest on 19 December 2006.

Article 15

Cooperation with other countries having signed a Stabilisation and Association Agreement

After the signature of this Agreement, Bosnia and Herzegovina shall start negotiations with the countries which have already signed a Stabilisation and Association Agreement with a view to concluding bilateral conventions on regional cooperation, the aim of which shall be to enhance the scope of cooperation between the countries concerned.

The main elements of these conventions shall be:

- a) political dialogue;
- b) the establishment of a free trade area between the Parties, consistent with relevant WTO provisions;
- c) mutual concessions concerning the movement of workers, establishment, supply of services, current payments and movement of capital as well as other policies related to movement of persons at an equivalent level to that of this Agreement;
- d) provisions on cooperation in other fields whether or not covered by this Agreement, and notably the field of Justice and Home Affairs.

These conventions shall contain provisions for the creation of the necessary institutional mechanisms, as appropriate.

These conventions shall be concluded within two years after the entry into force of this Agreement. Readiness by Bosnia and Herzegovina to conclude such conventions will be a condition for the further development of the relations between the European Union and Bosnia and Herzegovina.

Bosnia and Herzegovina shall initiate similar negotiations with the remaining countries of the region once these countries will have signed a Stabilisation and Association Agreement.

Article 16

Cooperation with other countries concerned by the Stabilisation and Association process

Bosnia and Herzegovina shall pursue regional cooperation with the other countries concerned by the Stabilisation and Association process in some or all the fields of cooperation covered by this Agreement, and notably those of common interest. Such cooperation should always be compatible with the principles and objectives of this Agreement.

Article 17

Cooperation with other countries candidate to EU accession not concerned by the Stabilisation and Association process

1. Bosnia and Herzegovina should foster its cooperation and conclude a convention on regional cooperation with any other country candidate for EU accession not concerned by the Stabilisation and Association process in any of the fields of cooperation covered by this Agreement. Such convention should aim to gradually align bilateral relations between Bosnia and Herzegovina and this country to the relevant part of the relations between the Community and its Member States and this country.
2. Bosnia and Herzegovina shall have concluded before the end of the transitional period referred to in Article 18(1) with Turkey, which has established a customs union with the Community, on a mutually advantageous basis, an agreement establishing a free trade area in accordance with Article XXIV of the GATT 1994 as well as liberalising the establishment and supply of services between them at an equivalent level of this Agreement in accordance with Article V of the GATS.

TITLE IV FREE MOVEMENT OF GOODS

Article 18

1. The Community and Bosnia and Herzegovina shall gradually establish a free trade area over a period lasting a maximum of five years starting from the entry into force of this Agreement in accordance with the provisions of this Agreement and in conformity with those of the GATT 1994 and the WTO. In so doing they shall take into account the specific requirements laid down hereinafter.
2. The Combined Nomenclature shall be applied to the classification of goods in trade between the Parties.
3. For the purpose of this Agreement customs duties and charges having equivalent effect to customs duties include any duty or charge of any kind imposed in connection with the importation or exportation of a good, including any form of surtax or surcharge in connection with such importation or exportation, but do not include any:
 - a) charges equivalent to an internal tax imposed consistently with the provisions of paragraph 2 of Article III of the GATT 1994;
 - b) antidumping or countervailing measures;
 - c) fees or charges commensurate with the costs of services rendered.
4. For each product, the basic duty to which the successive tariff reductions set out in this Agreement are to be applied shall be:
 - a) the Community Common Customs Tariff, established pursuant to Council Regulation (EEC) No 2658/87,¹ actually applied *erga omnes* on the day of the signature of this Agreement;
 - b) the Bosnia and Herzegovina's applied Customs Tariff for 2005².
5. The reduced duties to be applied by Bosnia and Herzegovina calculated as set out in this Agreement shall be rounded to the nearest decimal numbers using common arithmetical principles. Therefore, all figures which have less than 5 after the first decimal point shall be rounded down to the nearest decimal number and all figures which have more than 5 (included) after the first decimal point shall be rounded up to the nearest decimal number.
6. If, after the signature of this Agreement, any tariff reduction is applied on an *erga omnes* basis, in particular reductions resulting:
 - a) from the tariff negotiations in the WTO or,
 - b) in the event of the accession to the WTO of Bosnia and Herzegovina or,

¹ Council Regulation (EEC) No 2658/87 (OJ L 256, 7.9.1987, p.1) as yearly amended

² Official Gazette of Bosnia and Herzegovina No. 58/04 of 22.12.2004

- c) from subsequent reductions after the accession to the WTO of Bosnia and Herzegovina,

such reduced duties shall replace the basic duty referred to in paragraph 4 as from the date when such reductions are applied.

- 7. The Community and Bosnia and Herzegovina shall communicate to each other their respective basic duties and any changes thereof.

CHAPTER I

INDUSTRIAL PRODUCTS

Article 19 **Definition**

1. The provisions of this Chapter shall apply to products originating in the Community or in Bosnia and Herzegovina listed in Chapters 25 to 97 of the Combined Nomenclature, with the exception of the products listed in Annex I. § I, (ii) of the WTO Agreement on Agriculture.
2. Trade between the Parties in products covered by the Treaty establishing the European Atomic Energy Community shall be conducted in accordance with the provisions of that Treaty.

Article 20 **Community concessions on industrial products**

1. Customs duties on imports into the Community and charges having equivalent effect shall be abolished upon the entry into force of this Agreement on industrial products originating in Bosnia and Herzegovina.
2. Quantitative restrictions on imports into the Community and measures having equivalent effect shall be abolished upon the entry into force of this Agreement on industrial products originating in Bosnia and Herzegovina.

Article 21 **Bosnia and Herzegovina concessions on industrial products**

1. Customs duties on imports into Bosnia and Herzegovina of industrial products originating in the Community other than those listed in Annex I shall be abolished upon the entry into force of this Agreement.
2. Charges having equivalent effect to customs duties on imports into Bosnia and Herzegovina shall be abolished upon the entry into force of this Agreement on industrial products originating in the Community.
3. Customs duties on imports into Bosnia and Herzegovina of industrial products originating in the Community which are listed in Annex I (a), (b) and (c) shall be progressively reduced and abolished in accordance with the following timetable:
 - on the date of entry into force of this Agreement, the import duty shall be reduced to 50 % of the basic duty and on 1 January of the first year following the date of entry into force of this Agreement the import duty shall be abolished for products listed in Annex I (a);
 - on the date of entry into force of this Agreement, the import duty shall be reduced to 75 % of the basic duty , on 1 January of the first year following the date of entry into force of this Agreement the import duty shall be reduced to 50 % of the basic duty, on 1 January of the second year following the date of entry into force of this Agreement the import duty shall be reduced to 25 % of the basic duty and on 1 January of the third year following the date of entry into force of this Agreement the import duty shall be abolished for products listed in Annex I (b);

- on the date of entry into force of this Agreement, the import duty shall be reduced to 90 % of the basic duty, on 1 January of the first year following the date of entry into force of this Agreement the import duty shall be reduced to 80 % of the basic duty, on 1 January of the second year following the date of entry into force of this Agreement the import duty shall be reduced to 60 % of the basic duty, on 1 January of the third year following the date of entry into force of this Agreement the import duty shall be reduced to 40 % of the basic duty, on 1 January of the fourth year following the date of entry into force of this Agreement the import duty shall be reduced to 20 % of the basic duty, and on 1 January of the fifth year following the date of entry into force of this Agreement the import duty shall be abolished for products listed in Annex I (c).

4. Quantitative restrictions on imports into Bosnia and Herzegovina of industrial products originating in the Community and measures having equivalent effect shall be abolished upon the date of entry into force of this Agreement.

Article 22

Duties and restrictions on exports

1. The Community and Bosnia and Herzegovina shall abolish any customs duties on exports and charges having equivalent effect in trade between them upon the entry into force of this Agreement.
2. The Community and Bosnia and Herzegovina shall abolish between themselves any quantitative restrictions on exports and measures having equivalent effect upon the entry into force of this Agreement.

Article 23

Faster reductions in customs duties

Bosnia and Herzegovina declares its readiness to reduce its customs duties in trade with the Community more rapidly than is provided for in Article 21 if its general economic situation and the situation of the economic sector concerned so permit.

The Stabilisation and Association Council shall analyse the situation in this respect and make the relevant recommendations.

CHAPTER II

AGRICULTURE AND FISHERIES

Article 24

Definition

1. The provisions of this Chapter shall apply to trade in agricultural and fishery products originating in the Community or in Bosnia and Herzegovina.
2. The term "agricultural and fishery products" refers to the products listed in Chapters 1 to 24 of the Combined Nomenclature and the products listed in Annex I, §I (ii) of the WTO Agreement on Agriculture.
3. This definition includes fish and fishery products covered by chapter 3, headings 1604 and 1605, and sub-headings 0511 91, 1902 20 10 and 2301 20 00.

Article 25

Processed agricultural products

Protocol 1 lays down the trade arrangements for processed agricultural products which are listed therein.

Article 26

Elimination of quantitative restrictions on agriculture and fishery products

1. From the date of entry into force of this Agreement, the Community shall abolish all quantitative restrictions and measures having equivalent effect, on imports of agricultural and fishery products originating in Bosnia and Herzegovina.
2. From the date of entry into force of this Agreement, Bosnia and Herzegovina shall abolish all quantitative restrictions and measures having equivalent effect, on imports of agricultural and fishery products originating in the Community.

Article 27

Agricultural products

1. From the date of entry into force of this Agreement, the Community shall abolish the customs duties and charges having equivalent effect, on imports of agricultural products originating in Bosnia and Herzegovina, other than those of headings 0102, 0201, 0202, 1701, 1702 and 2204 of the Combined Nomenclature.

For the products covered by Chapters 7 and 8 of the Combined Nomenclature, for which the Common Customs Tariff provides for the application of ad valorem customs duties and a specific customs duty, the elimination applies only to the ad valorem part of the duty.

2. From the date of entry into force of this Agreement, the Community shall fix the customs duties applicable to imports into the Community of "baby beef" products defined in Annex II and originating in Bosnia and Herzegovina at 20% of the ad valorem duty and 20% of the specific duty as laid down in the

Common Customs Tariff of the European Communities, within the limit of an annual tariff quota of 1,500 tonnes expressed in carcass weight.

3. From the date of entry into force of this Agreement, the Community shall apply duty-free access on imports into the Community for products originating in Bosnia and Herzegovina of headings 1701 and 1702 of the Combined Nomenclature, within the limit of an annual tariff quota of 12,000 tonnes (net weight).
4. From the date of entry into force of this Agreement, Bosnia and Herzegovina shall:
 - (a) abolish the customs duties applicable on imports of certain agricultural products originating in the Community, listed in Annex III(a);
 - (b) reduce progressively the customs duties applicable on imports of certain agricultural products originating in the Community, listed in Annex III (b), (c) and (d) in accordance with the timetable indicated for each product in that Annex;
 - (c) abolish the customs duties applicable on imports of certain agricultural products originating in the Community, listed in Annex III(e) within the limit of the tariff quota indicated for the products concerned.
5. Protocol 7 lays down the arrangements applicable to the wine and spirit drink products referred to therein.

Article 28

Fish and fishery products

1. From the entry into force of this Agreement the Community shall abolish all customs duties or charges having equivalent effect on fish and fishery products originating in Bosnia and Herzegovina, other than those listed in Annex IV. Products listed in Annex IV shall be subject to the provisions laid down therein.
2. From the entry into force of this Agreement Bosnia and Herzegovina shall abolish customs duties or charges having an equivalent effect on fish and fishery products originating in the Community in line with the provisions as specified in Annex V.

Article 29

Review clause

Taking account of the volume of trade in agricultural and fishery products between the Parties, of their particular sensitivities, of the rules of the Community common policies and of the policies for agriculture and fisheries in Bosnia and Herzegovina of the role of agriculture and fisheries in the economy of Bosnia and Herzegovina, of the consequences of the multilateral trade negotiations in the framework of the WTO as well as of the eventual accession of Bosnia and Herzegovina to the WTO, the Community and Bosnia and Herzegovina shall examine in the Stabilisation and Association Council, no later than three years after the entry into force of this Agreement, product by product and on an orderly and appropriate reciprocal basis, the opportunities for granting each other further concessions with a view to implementing greater liberalisation of the trade in agricultural and fishery products.

Article 30

Notwithstanding other provisions of this Agreement, and in particular Article 39, given the particular sensitivity of the agricultural and fisheries markets, if imports of products originating in one Party, which are the subject of concessions granted pursuant to Articles 25-28, cause serious disturbance to the markets or to their domestic regulatory mechanisms, in the other Party, both Parties shall enter into consultations immediately to find an appropriate solution. Pending such solution, the Party concerned may take the appropriate measures it deems necessary.

Article 31

Protection of geographical indications for agriculture and fishery products and foodstuffs other than wine and spirits

1. Bosnia and Herzegovina shall provide protection of geographical indications of the Community registered in the Community under Council Regulation (EC) N° 510/2006 of 20 March 2006 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs,³ in accordance with the terms of this Article. Geographical indications of Bosnia and Herzegovina for agricultural and fishery products shall be eligible for registration in the Community under the conditions set out in that Regulation.
2. Bosnia and Herzegovina shall prohibit any use in its territory of the names protected in the Community for comparable products not complying with the geographical indication's specification. This shall apply even where the true geographical origin of the good is indicated, the geographical indication in question is used in translation, the name is accompanied by terms such as 'kind', 'type', 'style', 'imitation', 'method' or other expressions of the sort.
3. Bosnia and Herzegovina shall refuse the registration of a trademark the use of which corresponds to the situations referred to in paragraph 2.
4. Trademarks which have been registered in Bosnia and Herzegovina or established by use, the use of which corresponds to the situations referred to in paragraph 2, shall no longer be used within 6 years following the entry into force of this Agreement. However, this shall not apply to trademarks registered in Bosnia and Herzegovina and trademarks established by use which are owned by nationals of third countries, provided they are not of such a nature as to deceive in any way the public as to the quality, the specification and the geographical origin of the goods.
5. Any use of the geographical indications protected in accordance with paragraph 1 as terms customary in common language as the common name for such goods in Bosnia and Herzegovina shall cease at the latest on 31 December 2013.
6. Bosnia and Herzegovina shall ensure the protection referred to in paragraph 1 to 5 on its own initiative as well as at the request of an interested party.

³ OJ L 93, 31.3.2006, p.12. Regulation as amended by Council Regulation (EC) No 1791/2006 (OJ L 363, 20.12.2006, p.1)

CHAPTER III COMMON PROVISIONS

Article 32 Scope

The provisions of this Chapter shall apply to trade in all products between the Parties except where otherwise provided herein or in Protocol 1.

Article 33 Improved concessions

The provisions of this Title shall in no way affect the application, on a unilateral basis, of more favourable measures by any Party.

Article 34 Standstill

1. From the date of entry into force of this Agreement, no new customs duties on imports or exports or charges having equivalent effect shall be introduced, nor shall those already applied be increased, in trade between the Community and Bosnia and Herzegovina.
2. From the date of entry into force of this Agreement, no new quantitative restriction on imports or exports or measure having equivalent effect shall be introduced, nor shall those existing be made more restrictive, in trade between the Community and Bosnia and Herzegovina.
3. Without prejudice to the concessions granted under Articles 25, 26, 27 and 28, the provisions of paragraphs 1 and 2 of this Article shall not restrict in any way the pursuit of the respective agricultural and fishery policies of Bosnia and Herzegovina and of the Community and the taking of any measures under those policies in so far as the import regime in Annexes III-V and Protocol 1 is not affected.

Article 35 Prohibition of fiscal discrimination

1. The Community and Bosnia and Herzegovina shall refrain from, and abolish where existing, any measure or practice of an internal fiscal nature establishing, whether directly or indirectly, discrimination between the products of one Party and like products originating in the territory of the other Party.
2. Products exported to the territory of one of the Parties may not benefit from repayment of internal indirect taxation in excess of the amount of indirect taxation imposed on them.

Article 36 Customs duties of a fiscal nature

The provisions concerning the abolition of customs duties on imports shall also apply to customs duties of a fiscal nature.

Article 37

Customs unions, free trade areas, cross-border arrangements

1. This Agreement shall not preclude the maintenance or establishment of customs unions, free trade areas or arrangements for frontier trade except in so far as they alter the trade arrangements provided for in this Agreement.
2. During the transitional period specified in Article 18, this Agreement shall not affect the implementation of the specific preferential arrangements governing the movement of goods either laid down in frontier agreements previously concluded between one or more Member States of the European Union and Bosnia and Herzegovina or resulting from the bilateral agreements specified in Title III concluded by Bosnia and Herzegovina in order to promote regional trade.
3. Consultations between the Parties shall take place within the Stabilisation and Association Council concerning the Agreements described in paragraphs 1 and 2 of this Article and, where requested, on other major issues related to their respective trade policies towards third countries. In particular in the event of a third country acceding to the Union, such consultations shall take place so as to ensure that account is taken of the mutual interests of the Community and Bosnia and Herzegovina stated in this Agreement.

Article 38

Dumping and subsidy

1. None of the provisions in this Agreement shall prevent any Party from taking trade defence action in accordance with paragraph 2 of this Article and Article 39.
2. If one of the Parties finds that dumping and/or countervailable subsidisation is taking place in trade with the other Party, that Party may take appropriate measures against this practice in accordance with the WTO Agreement on Implementation of Article VI of the GATT 1994 or the WTO Agreement on Subsidies and Countervailing Measures and the respective related internal legislation.

Article 39

General safeguard clause

1. The provisions of Article XIX GATT 1994 and the WTO Agreement on Safeguards are applicable between the Parties.
2. Notwithstanding paragraph 1 of this Article, where any product of one Party is being imported into the territory of the other Party in such increased quantities and under such conditions as to cause or threaten to cause:
 - a) serious injury to the domestic industry of like or directly competitive products in the territory of the importing Party, or
 - b) serious disturbances in any sector of the economy or difficulties which could bring about serious deterioration in the economic situation of a region of the importing Party,

the importing Party may take appropriate bilateral safeguard measures under the conditions and in accordance with the procedures laid down in this Article.

3. Bilateral safeguard measures directed at imports from the other Party shall not exceed what is necessary to remedy the problems, as defined in paragraph 2, which have arisen as a result of application of this Agreement. The safeguard measure adopted should consist of a suspension in the increase or in the reduction of the margins of preferences provided for under this Agreement for the product concerned up to a maximum limit corresponding to the basic duty referred to in Article 18 paragraph 4 (a) and (b) and paragraph 6 for the same product. Such measures shall contain clear elements progressively leading to their elimination at the end of the set period, at the latest, and shall not be taken for a period exceeding two years.

In very exceptional circumstances, measures may be extended for a further period of maximum two years. No bilateral safeguard measure shall be applied to the import of a product that has previously been subject to such a measure for a period of, at least, four years since the expiry of the measure.

4. In the cases specified in this Article, before taking the measures provided for therein or, in the cases to which paragraph 5 (b) of this Article applies, as soon as possible, the Community on the one part or Bosnia and Herzegovina on the other part, as the case may be, shall supply the Stabilisation and Association Council with all relevant information required for a thorough examination of the situation, with a view to seeking a solution acceptable to the two Parties concerned.

5. For the implementation of the paragraphs 1, 2, 3 and 4, the following provisions shall apply:

- (a) The problems arising from the situation referred to in this Article shall be immediately referred for examination to the Stabilisation and Association Council, which may take any decisions needed to put an end to such problems.

If the Stabilisation and Association Council or the exporting Party has not taken a decision putting an end to the problems, or no other satisfactory solution has been reached within 30 days of the matter being referred to the Stabilisation and Association Council, the importing Party may adopt the appropriate measures to remedy the problem in accordance with this Article. In the selection of safeguard measures, priority must be given to those which least disturb the functioning of the arrangements established in this Agreement. Safeguard measures applied in accordance with Article XIX GATT 1994 and the WTO Agreement on Safeguards shall preserve the level/margin of preference granted under this Agreement.

- (b) Where exceptional and critical circumstances requiring immediate action make prior information or examination, as the case may be, impossible, the Party concerned may, in the situations specified in this Article, apply forth with provisional measures necessary to deal with the situation and shall inform the other Party immediately thereof.

The safeguard measures shall be notified immediately to the Stabilisation and Association Council and shall be the subject of periodic consultations within that body, particularly with a view to establishing a timetable for their abolition as soon as circumstances permit.

6. In the event of the Community or Bosnia and Herzegovina subjecting imports of products liable to give rise to the problems referred to in this Article 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.

Article 40
Shortage clause

1. Where compliance with the provisions of this Title leads to:
 - (a) a critical shortage, or threat thereof, of foodstuffs or other products essential to the exporting Party; or
 - (b) re-export to a third country of a product against which the exporting Party maintains quantitative export restrictions, export duties or measures or charges having equivalent effect, 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 procedures laid down in this Article.

2. In the selection of measures, priority must be given to those which least disturb the functioning of the arrangements in this Agreement. Such measures shall not be applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination where the same conditions prevail, or a disguised restriction on trade and shall be eliminated when the conditions no longer justify their maintenance.
3. Before taking the measures provided for in paragraph 1 or, as soon as possible in cases to which paragraph 4 applies the Community or Bosnia and Herzegovina, as the case may be, shall supply the Stabilisation and Association Council with all relevant information, with a view to seeking a solution acceptable to the Parties. The Parties within the Stabilisation and Association Council may agree on any means needed to put an end to the difficulties. If no agreement is reached within 30 days of the matter being referred to the Stabilisation and Association Council, the exporting Party may apply measures under this Article on the exportation of the product concerned.
4. Where exceptional and critical circumstances requiring immediate action make prior information or examination, as the case may be, impossible, the Community or Bosnia and Herzegovina, whichever is concerned, may apply forth with the precautionary measures necessary to deal with the situation and shall inform the other Party immediately thereof.
5. Any measures applied pursuant to this Article shall be immediately notified to the Stabilisation and Association Council and shall be the subject of periodic consultations within that body, particularly with a view to

establishing a timetable for their elimination as soon as circumstances permit.

Article 41
State monopolies

Bosnia and Herzegovina shall adjust any state monopolies of a commercial character so as to ensure that, following the entry into force of this Agreement, no discrimination regarding the conditions under which goods are procured and marketed exists between nationals of the Member States of the European Union and Bosnia and Herzegovina.

Article 42
Rules of origin

Except if otherwise stipulated in this Agreement, **Protocol 2** lays down the rules of origin for the application of the provisions of this Agreement.

Article 43
Restrictions authorised

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 or the protection of intellectual, industrial and commercial property, or rules relating to gold and silver. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between the Parties.

Article 44
Failure to provide Administrative co-operation

1. The Parties agree that administrative cooperation is essential for the implementation and the control of the preferential treatment granted under this Title and underline their commitment to combat irregularities and fraud in customs and related matters.
2. Where a Party has made a finding, on the basis of objective information, of a failure to provide administrative cooperation and/or of irregularities or fraud under this Title, the Party concerned may temporarily suspend the relevant preferential treatment of the product(s) concerned in accordance with this Article.
3. For the purpose of this Article a failure to provide administrative co-operation shall mean, *inter alia*:
 - (a) a repeated failure to respect the obligations to verify the originating status of the product(s) concerned;
 - (b) a repeated refusal or undue delay in carrying out and/or communicating the results of subsequent verification of the proof of origin;
 - (c) a repeated refusal or undue delay in obtaining authorisation to conduct administrative cooperation missions to verify the authenticity of documents or accuracy of information relevant to the granting of the preferential treatment in question.

For the purpose of this Article a finding of irregularities or fraud may be made, *inter alia*, where there is a rapid increase, without satisfactory explanation, in imports of goods exceeding the usual level of production and export capacity of the other Party, that is linked to objective information concerning irregularities or fraud.

4. The application of a temporary suspension shall be subject to the following conditions:
 - (a) The Party which has made a finding, on the basis of objective information, of a failure to provide administrative cooperation and/or of irregularities or fraud shall without undue delay notify the Stabilisation and Association Committee of its finding together with the objective information and enter into consultations within the Stabilisation and Association Committee, on the basis of all relevant information and objective findings, with a view to reaching a solution acceptable to both Parties.
 - (b) Where the Parties have entered into consultations within the Stabilisation and Association Committee as above and have failed to agree on an acceptable solution within three months following the notification, the Party concerned may temporarily suspend the relevant preferential treatment of the product(s) concerned. A temporary suspension shall be notified to the Stabilisation and Association Committee without undue delay.
 - (c) Temporary suspensions under this Article shall be limited to that necessary to protect the financial interests of the Party concerned. They shall not exceed a period of six months, which may be renewed. Temporary suspensions shall be notified immediately after their adoption to the Stabilisation and Association Committee. They shall be subject to periodic consultations within the Stabilisation and Association Committee in particular with a view to their termination as soon as the conditions for their application are no longer given.
5. At the same time as the notification to the Stabilisation and Association Committee under paragraph 4(a) of this Article, the Party concerned should publish a notice to importers in its Official Journal. The notice to importers should indicate for the product concerned that there is a finding, on the basis of objective information, of a failure to provide administrative cooperation and/or of irregularities or fraud.

Article 45
Financial Responsibility

In case of error by the competent authorities in the proper management of the preferential system at export, and in particular in the application of the provisions of Protocol 2, where this error leads to consequences in terms of import duties, the Party facing such consequences may request the Stabilisation and Association Council to examine the possibilities of adopting all appropriate measures with a view to resolving the situation.

Article 46

The application of this Agreement shall be without prejudice to the application of the provisions of Community law to the Canary Islands.

TITLE V
WORKERS, ESTABLISHMENT, SUPPLY OF SERVICES,
MOVEMENT OF CAPITAL

CHAPTER I
WORKERS

Article 47

1. Subject to the conditions and modalities applicable in each Member State:
 - a) treatment accorded to workers who are nationals of Bosnia and Herzegovina and who are legally employed in the territory of a Member State shall be free of any discrimination based on nationality, as regards working conditions, remuneration or dismissal, compared to nationals of that Member State;
 - b) the legally resident spouse and children of a worker legally employed in the territory of a Member State, with the exception of seasonal workers and of workers coming under bilateral agreements within the meaning of Article 48, unless otherwise provided by such agreements, shall have access to the labour market of that Member State, during the period of that worker's authorised stay of employment.
2. Bosnia and Herzegovina shall, subject to the conditions and modalities applicable in that country, accord the treatment referred to in paragraph 1 to workers who are nationals of a Member State and are legally employed in its territory as well as to their spouse and children who are legally resident in Bosnia and Herzegovina.

Article 48

1. Taking into account the situation in the labour market in the Member States, and subject to their legislation and to compliance with the rules in force in the Member States in the area of mobility of workers:
 - a) the existing facilities of access to employment for workers of Bosnia and Herzegovina accorded by Member States under bilateral agreements should be preserved and if possible improved;
 - b) the other Member States shall examine the possibility of concluding similar agreements.
2. After three years, the Stabilisation and Association Council shall examine the granting of other improvements, including facilities for access to professional training, in accordance with the rules and procedures in force in the Member States, and taking into account the situation in the labour market in the Member States and in the Community.

Article 49

1. Rules shall be laid down for the co-ordination of social security systems for workers with nationality of Bosnia and Herzegovina, legally employed in the

territory of a Member State, and for the members of their families legally resident there. To that effect, a decision of the Stabilisation and Association Council, which should not affect any rights or obligations arising from bilateral agreements where the latter provide for more favourable treatment, shall put the following provisions in place:

- a) all periods of insurance, employment or residence completed by such workers in the various Member States shall be added together for the purpose of pensions and annuities in respect of old age, invalidity and death and for the purpose of medical care for such workers and such family members;
 - b) any pensions or annuities in respect of old age, death, industrial accident or occupational disease, or of invalidity resulting there from, with the exception of non-contributory benefits, shall be freely transferable at the rate applied by virtue of the law of the debtor Member State or States;
 - c) the workers in question shall receive family allowances for the members of their families as defined above.
2. Bosnia and Herzegovina shall accord to workers who are nationals of a Member State and legally employed in its territory, and to members of their families legally resident there, treatment similar to that specified in points b) and c) of paragraph 1.

CHAPTER II

ESTABLISHMENT

Article 50

Definitions

For the purposes of this Agreement:

- (a) "Community company" or "Company of Bosnia and Herzegovina" shall mean, respectively, a company set up in accordance with the laws of a Member State or of Bosnia and Herzegovina respectively and having its registered office or central administration or principal place of business in the territory of the Community or of Bosnia and Herzegovina respectively. However, should the company, set up in accordance with the laws of a Member State or of Bosnia and Herzegovina respectively, have only its registered office in the territory of the Community or of Bosnia and Herzegovina respectively, the company shall be considered a Community's or a Bosnia and Herzegovina's company as the case may be if its operations possess a real and continuous link with the economy of one of the Member States or of Bosnia and Herzegovina respectively;
- (b) "Subsidiary" of a company shall mean a company which is effectively controlled by another company;
- (c) "Branch" of a company shall mean a place of business not having legal personality which has the appearance of permanency, such as the extension of a parent body, has a management and is materially equipped to negotiate business with third Parties so that the latter, although knowing that there will if necessary be a legal link with the parent body, the head office of which is abroad, do not have to deal directly with such parent body but may transact business at the place of business constituting the extension;
- (d) "Establishment" shall mean:
 - (i) as regards nationals, the right to take up economic activities as self-employed persons, and to set up undertakings, in particular companies, which they effectively control. Self-employment and business undertakings by nationals shall not extend to seeking or taking employment in the labour market or confer a right of access to the labour market of another Party. The provisions of this Chapter do not apply to persons who are not exclusively self-employed;
 - (ii) as regards Community companies and companies of Bosnia and Herzegovina, the right to take up economic activities by means of the setting up of subsidiaries and branches in Bosnia and Herzegovina, or in the Community respectively;
- (e) "Operations" shall mean the pursuit of economic activities;
- (f) "Economic activities" shall in principle include activities of an industrial, commercial and professional character and activities of craftsmen;

- (g) "Community national" and "national of Bosnia and Herzegovina" shall mean respectively a natural person who is a national of a Member State or of Bosnia and Herzegovina respectively;

With regard to international maritime transport, including inter-modal operations involving a sea leg, Community nationals or nationals of Bosnia and Herzegovina established outside the Community or Bosnia and Herzegovina respectively, and shipping companies established outside the Community, or Bosnia and Herzegovina and controlled by Community nationals or nationals of Bosnia and Herzegovina respectively, shall also be beneficiaries of the provisions of this Chapter and Chapter III, if their vessels are registered in that Member State or in Bosnia and Herzegovina, respectively, in accordance with their respective legislation;

- (h) "Financial services" shall mean those activities described in Annex VI. The Stabilisation and Association Council may extend or modify the scope of that Annex.

Article 51

1. Bosnia and Herzegovina shall facilitate the setting-up of operations on its territory by Community companies and nationals. To that end, Bosnia and Herzegovina shall grant, upon entry into force of this Agreement:
 - (a) as regards the establishment of Community companies on the territory of Bosnia and Herzegovina, treatment no less favourable than that accorded to its own companies or to any third country company, whichever is the better, and;
 - (b) as regards the operation of subsidiaries and branches of Community companies in Bosnia and Herzegovina once established, treatment no less favourable than that accorded to its own companies and branches or to any subsidiary and branch of any third country company, whichever is the better.
2. The Community and its Member States shall grant, from the entry into force of this Agreement:
 - (a) as regards the establishment of companies of Bosnia and Herzegovina treatment no less favourable than that accorded by Member States to their own companies or to any company of any third country, whichever is the better;
 - (b) as regards the operation of subsidiaries and branches of companies of Bosnia and Herzegovina, established in its territory, treatment no less favourable than that accorded by Member States to their own companies and branches, or to any subsidiary and branch of any third country company, established in their territory, whichever is the better.
3. The Parties shall not adopt any new regulations or measures which introduce discrimination as regards the establishment of any other Party's companies on their territory or in respect of their operation, once established, by comparison with their own companies.
4. Four years after the entry into force of this Agreement, the Stabilisation and Association Council shall establish the modalities to extend the above

provisions to the establishment of Community nationals and national of Bosnia and Herzegovina to take up economic activities as self-employed persons.

5. Notwithstanding the provisions of this Article:
 - (a) Subsidiaries and branches of Community companies shall have, from the entry into force of this Agreement, the right to use and rent real property in Bosnia and Herzegovina;
 - (b) Subsidiaries of Community companies shall have, from the entry into force of this Agreement, the same rights to acquire and enjoy ownership rights over real property as companies of Bosnia and Herzegovina and as regards public goods/goods of common interest, the same rights as enjoyed by Bosnia and Herzegovina companies where these rights are necessary for the conduct of the economic activities for which they are established. This subparagraph shall apply without prejudice to Art. 63 of this Agreement.
 - (c) Four years after the entry into force of this Agreement, the Stabilisation and Association Council shall examine the possibilities to expand the rights referred to in paragraph (b) to the branches of Community companies.

Article 52

1. Subject to the provisions of Article 51, with the exception of financial services described in Annex VI, the Parties may regulate the establishment and operation of companies and nationals on their territory, insofar as these regulations do not discriminate against companies and nationals of the other Parties in comparison with its own companies and nationals.
2. In respect of financial services, notwithstanding any other provisions of this Agreement, a Party shall not be prevented from taking measures for prudential reasons, including for the protection of investors, depositors, policy holders or persons to whom a fiduciary duty is owed by a financial service supplier, or to ensure the integrity and stability of the financial system. Such measures shall not be used as a means of avoiding the Party's obligations under this Agreement.
3. Nothing in this Agreement shall be construed to require a Party to disclose information relating to the affairs and accounts of individual customers or any confidential or proprietary information in the possession of public entities.

Article 53

1. Without prejudice to any provision to the contrary contained in the Multilateral Agreement on the Establishment of a European Common Aviation Area⁴ (hereinafter referred to as ECAA), the provisions of this

⁴ Multilateral Agreement between the European Community and its Member States, the Republic of Albania, Bosnia and Herzegovina, the Republic of Bulgaria, the Republic of Croatia, the former Yugoslav Republic of Macedonia, the Republic of Iceland, the Republic of Montenegro, the Kingdom of Norway, Romania, the Republic of Serbia and the United

Chapter shall not apply to air transport services, inland waterways transport services and maritime cabotage services.

2. The Stabilisation and Association Council may make recommendations for improving establishment and operations in the areas covered by paragraph 1.

Article 54

1. The provisions of Articles 51 and 52 do not preclude the application by a Party of particular rules concerning the establishment and operation in its territory of branches of companies of another Party not incorporated in the territory of the first Party, which are justified by legal or technical differences between such branches as compared to branches of companies incorporated in its territory or, as regards financial services, for prudential reasons.
2. The difference in treatment shall not go beyond what is strictly necessary as a result of such legal or technical differences or, as regards financial services, for prudential reasons.

Article 55

In order to make it easier for Community nationals and nationals from Bosnia and Herzegovina to take up and pursue regulated professional activities in Bosnia and Herzegovina and in the Community respectively, the Stabilisation and Association Council shall examine which steps are necessary for the mutual recognition of qualifications. It may take all necessary measures to that end.

Article 56

1. A Community company established in the territory of Bosnia and Herzegovina or a company of Bosnia and Herzegovina established in the Community shall be entitled to employ, or have employed by one of its subsidiaries or branches, in accordance with the legislation in force in the host territory of establishment, in the territory of Bosnia and Herzegovina and the Community respectively, employees who are nationals of the Member States or nationals from Bosnia and Herzegovina respectively, provided that such employees are key personnel as defined in paragraph 2 and that they are employed exclusively by companies, subsidiaries or branches. The residence and work permits of such employees shall only cover the period of such employment.
2. Key personnel of the abovementioned companies herein referred to as 'organisations' are 'intra-corporate transferees' as defined in subparagraph (c) of this paragraph in the following categories, provided that the organisation is a legal person and that the persons concerned have been employed by it or have been partners in it (other than as majority shareholders), for at least the year immediately preceding such movement:
 - (a) Persons working in a senior position with an organisation, who primarily direct the management of the establishment, receiving

general supervision or direction principally from the board of directors or stockholders of the business or their equivalent including:

- i. directing the establishment of a department or sub-division of the establishment;
 - ii. supervising and controlling the work of other supervisory, professional or managerial employees;
 - iii. having the authority personally to recruit and dismiss or recommend recruiting, dismissing or other personnel actions;
- (b) Persons working within an organisation who possess uncommon knowledge essential to the establishment's service, research equipment, techniques or management. The assessment of such knowledge may reflect, apart from knowledge specific to the establishment, a high level of qualification referring to a type of work or trade requiring specific technical knowledge, including membership of an accredited profession;
- (c) An 'intra-corporate transferee' is defined as a natural person working within an organisation in the territory of a Party, and being temporarily transferred in the context of pursuit of economic activities in the territory of the other Party; the organisation concerned must have its principal place of business in the territory of a Party and the transfer be to an establishment (branch, subsidiary) of that organisation, effectively pursuing like economic activities in the territory of the other Party.
3. The entry into and the temporary presence within the territory of the Community or in Bosnia and Herzegovina of Bosnia and Herzegovina and Community nationals respectively shall be permitted, when these representatives of companies are persons working in a senior position, as defined in paragraph 2(a) above, within a company, and are responsible for the setting up of a Community subsidiary or branch of a Bosnia and Herzegovina's company or of a Bosnia and Herzegovina's subsidiary or branch of a Community company in a Member State or in Bosnia and Herzegovina respectively, when:
- a) those representatives are not engaged in making direct sales or supplying services, and do not receive remuneration from a source located within the host territory of establishment, and;
 - b) the company has its principal place of business outside the Community or Bosnia and Herzegovina, respectively, and has no other representative, office, branch or subsidiary in that Member State or in Bosnia and Herzegovina respectively.

CHAPTER III ***SUPPLY OF SERVICES***

Article 57

1. The Community and Bosnia and Herzegovina undertake, in accordance with the following provisions, to take the necessary steps to allow progressively the supply of services by Community companies or companies of Bosnia and Herzegovina or by Community nationals or nationals of Bosnia and Herzegovina which are established in the territory of a Party other than that of the person for whom the services are intended.
2. In step with the liberalisation process mentioned in paragraph 1, the Parties shall permit the temporary movement of natural persons providing the service or who are employed by the service provider as key personnel as defined in Article 56 paragraph 2, including natural persons who are representatives of a Community or a Bosnia and Herzegovina's company or national and are seeking temporary entry for the purpose of negotiating for the sale of services or entering into agreements to sell services for that service provider, where those representatives will not be engaged in making direct sales to the general public or in supplying services themselves.
3. Four years after the entry into force of this Agreement, the Stabilisation and Association Council shall take the measures necessary to implement progressively the provisions of paragraph 1. Account shall be taken of the progress achieved by the Parties in the approximation of their laws.

Article 58

1. The Parties shall not take any measures or actions which render the conditions for the supply of services by Community and Bosnia and Herzegovina nationals or companies which are established in a Party other than that of the person for whom the services are intended significantly more restrictive as compared to the situation existing on the day preceding the day of entry into force of this Agreement.
2. If one Party is of the view that measures introduced by the other Party since the entry into force of this Agreement result in a situation which is significantly more restrictive in respect of supply of services as compared with the situation existing at the date of entry into force of this Agreement, such first Party may request the other Party to enter into consultations.

Article 59

With regard to supply of transport services between the Community and Bosnia and Herzegovina, the following provisions shall apply:

1. With regard to land transport, **Protocol 3** lays down the rules applicable to the relationship between the Parties in order to ensure, particularly, unrestricted road transit traffic across Bosnia and Herzegovina and the Community as a whole, the effective application of the principle of non discrimination and progressive harmonisation of the transport legislation of Bosnia and Herzegovina with that of the Community.

2. With regard to international maritime transport, the Parties undertake to apply effectively the principle of unrestricted access to international markets and trades on a commercial basis, and to respect international and European obligations in the field of safety, security and environmental standards.

The Parties affirm their commitment to a freely competitive environment as an essential feature of international maritime transport.
3. In applying the principles of paragraph 2, the Parties shall:
 - (a) not introduce cargo-sharing clauses in future bilateral Agreements with third countries;
 - (b) abolish, upon the entry into force of this Agreement, all unilateral measures and administrative, technical and other obstacles that could have restrictive or discriminatory effects on the free supply of services in international maritime transport;
 - (c) each Party shall grant, *inter alia*, no less favourable treatment for the ships operated by nationals or companies of the other Party than that accorded to a Party's own ships with regard to access to ports open to international trade, the use of infrastructure and auxiliary maritime services of the ports, as well as related fees and charges, customs facilities and the assignment of berths and facilities for loading and unloading.
4. With a view to ensuring a co-ordinated development and progressive liberalisation of transport between the Parties adapted to their reciprocal commercial needs, the conditions of mutual market access in air transport shall be dealt with by the ECAA.
5. Prior to the conclusion of the ECAA, the Parties shall not take any measures or actions which are more restrictive or discriminatory as compared with the situation existing prior to the entry into force of this Agreement.
6. Bosnia and Herzegovina shall adapt its legislation, including administrative, technical and other rules, to that of the Community existing at any time in the field of air, maritime, inland waterways and land transport insofar as it serves liberalisation purposes and mutual access to markets of the Parties and facilitates the movement of passengers and of goods.
7. In step with the common progress in the achievement of the objectives of this Chapter, the Stabilisation and Association Council shall examine ways of creating the conditions necessary for improving freedom to provide air and land transport services.

CHAPTER IV

CURRENT PAYMENTS AND MOVEMENT OF CAPITAL

Article 60

The Parties undertake to authorise, in freely convertible currency, in accordance with the provisions of Article VIII of the Articles of the Agreement of the International Monetary Fund, any payments and transfers on the current account of balance of payments between the Community and Bosnia and Herzegovina.

Article 61

1. With regard to transactions on the capital and financial account of balance of payments, from the entry into force of this Agreement, the Parties shall ensure the free movement of capital relating to direct investments made in companies formed in accordance with the laws of the host country and investments made in accordance with the provisions of Chapter II of Title V, and the liquidation or repatriation of these investments and of any profit stemming there from.
2. With regard to transactions on the capital and financial account of balance of payments, from the entry into force of this Agreement, the Parties shall ensure the free movement of capital relating to credits related to commercial transactions or to the provision of services in which a resident of one of the Parties is participating, and to financial loans and credits, with maturity longer than a year.
3. As from the entry into force of this Agreement, Bosnia Herzegovina shall authorise, by making full and expedient use of its existing rules and procedures, the acquisition of real estate in Bosnia Herzegovina by nationals of Member States of the European Union.

Within six years from the entry into force of this Agreement, Bosnia Herzegovina shall progressively adjust its legislation concerning the acquisition of real estate in Bosnia Herzegovina by nationals of the Member States of the European Union to ensure the same treatment as compared to its nationals.

The Parties shall also ensure, from the fifth year after the entry into force of this Agreement, free movement of capital relating to portfolio investment and financial loans and credits with maturity shorter than a year.

4. Without prejudice to paragraph 1, the Parties shall not introduce any new restrictions on the movement of capital and current payments between residents of the Community and Bosnia and Herzegovina and shall not make the existing arrangements more restrictive.
5. Without prejudice to the provisions of Article 60 and of this Article, where, in exceptional circumstances, movements of capital between the Community and Bosnia and Herzegovina cause, or threaten to cause, serious difficulties for the operation of exchange rate policy or monetary policy in the Community or Bosnia and Herzegovina, the Community and Bosnia and Herzegovina, respectively, may take safeguard measures with regard to

movements of capital between the Community and Bosnia and Herzegovina for a period not exceeding six months if such measures are strictly necessary.

6. Nothing in the above provisions shall be taken to limit the rights of economic operators of the Parties from benefiting from any more favourable treatment that may be provided for in any existing bilateral or multilateral agreement involving Parties to this Agreement.
7. The Parties shall consult each other with a view to facilitating the movement of capital between the Community and Bosnia and Herzegovina in order to promote the objectives of this Agreement.

Article 62

1. During the first five years following the date of entry into force of this Agreement, the Parties shall take measures permitting the creation of the necessary conditions for the further gradual application of Community rules on the free movement of capital.
2. By the end of the fifth year following the date of entry into force of this Agreement, the Stabilisation and Association Council shall determine the modalities for full application of Community rules on the movement of capital.

CHAPTER V GENERAL PROVISIONS

Article 63

1. The provisions of this Title shall be applied subject to limitations justified on grounds of public policy, public security or public health.
2. They shall not apply to activities that in the territory of any of the Parties are connected, even occasionally, with the exercise of official authority.

Article 64

For the purpose of this Title, nothing in this Agreement shall prevent the Parties from applying their laws and regulations regarding entry and stay, employment, working conditions, establishment of natural persons and supply of services, notably insofar as the granting, renewal, or refusal of a residence permit is concerned, provided that, in so doing, they do not apply them in such a manner as to nullify or impair the benefits accruing to any Party under the terms of a specific provision of this Agreement. This provision shall be without prejudice to the application of Article 63.

Article 65

Companies which are controlled and exclusively owned jointly by companies or nationals of Bosnia and Herzegovina and Community companies or nationals shall also be covered by the provisions of this Title.

Article 66

1. The Most-Favoured-Nation treatment granted in accordance with the provisions of this Title shall not apply to the tax advantages that the Parties are providing or will provide in the future on the basis of agreements designed to avoid double taxation or other tax arrangements.
2. None of the provisions of this Title shall be construed to prevent the adoption or enforcement by the Parties of any measure aimed at preventing the avoidance or evasion of taxes pursuant to the tax provisions of agreements to avoid double taxation and other tax arrangements or domestic fiscal legislation.
3. None of the provisions of this Title shall be construed to prevent Member States or Bosnia and Herzegovina in applying the relevant provisions of their fiscal legislation, from distinguishing between taxpayers who are not in identical situations, in particular as regards their place of residence.

Article 67

1. The Parties shall endeavour wherever possible to avoid the imposition of restrictive measures, including measures relating to imports, for balance of payments purposes. A Party adopting such measures shall present as soon as possible to the other Party a timetable for their removal.
2. Where one or more Member States, or Bosnia and Herzegovina is in serious balance of payments difficulties, or under imminent threat thereof, the Community or Bosnia and Herzegovina, as the case may be, may, in accordance with the conditions established under the WTO Agreement, adopt

restrictive measures, including measures relating to imports, which shall be of limited duration and may not go beyond what is strictly necessary to remedy the balance of payments situation. The Community or Bosnia and Herzegovina, as the case may be, shall inform the other Party forthwith.

3. Any restrictive measures shall not apply to transfers related to investment and in particular to the repatriation of amounts invested or reinvested or any kind of revenues stemming there from.

Article 68

The provisions of this Title shall be progressively adjusted, notably in the light of requirements arising from Article V of the GATS.

Article 69

The provisions of this Agreement shall not prejudice the application by any Party of any measure necessary to prevent the circumvention of its measures concerning third-country access to its market through the provisions of this Agreement.

TITLE VI

APPROXIMATION OF LAWS, LAW ENFORCEMENT AND COMPETITION RULES

Article 70

1. The Parties recognise the importance of the approximation of the existing legislation of Bosnia and Herzegovina to that of the Community and of its effective implementation. Bosnia and Herzegovina shall endeavour to ensure that its existing laws and future legislation will be gradually made compatible with the Community *acquis*. Bosnia and Herzegovina shall ensure that existing and future legislation will be properly implemented and enforced.
2. This approximation shall start on the date of signing of this Agreement, and shall gradually extend to all the elements of the Community *acquis* referred to in this Agreement by the end of the transitional period defined in Article 8 of this Agreement.
3. Approximation shall, at an early stage, focus on fundamental elements of the Internal Market *acquis* as well as on other trade-related areas. At a further stage Bosnia and Herzegovina shall focus on the remaining parts of the *acquis*.

Approximation shall be carried out on the basis of a programme to be agreed between the European Commission and Bosnia and Herzegovina.
4. Bosnia and Herzegovina shall also define, in agreement with the European Commission, the modalities for the monitoring of the implementation of approximation of legislation and law enforcement actions to be taken.

Article 71

Competition and other economic provisions

1. The following are incompatible with the proper functioning of this Agreement, insofar as they may affect trade between the Community and Bosnia and Herzegovina:
 - (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 Community or of Bosnia and Herzegovina as a whole or in a substantial part thereof;
 - (c) any State aid which distorts or threatens to distort competition by favouring certain undertakings or certain products.
2. Any practices contrary to this Article shall be assessed on the basis of criteria arising from the application of the competition rules applicable in the Community, in particular from Articles 81, 82, 86 and 87 of the EC Treaty and interpretative instruments adopted by the Community institutions.

3. The Parties shall ensure that an operationally independent public authority is entrusted with the powers necessary for the full application of paragraph 1 (a) and (b), regarding private and public undertakings and undertakings to which special rights have been granted.
4. Bosnia and Herzegovina shall establish an operationally independent public authority, which is entrusted with the powers necessary for the full application of paragraph 1 (c) within two years from the date of entry into force of this Agreement. This authority shall have, *inter alia*, the powers to authorise State aid schemes and individual aid grants in conformity with paragraph 2, as well as the powers to order the recovery of State aid that has been unlawfully granted.
5. Each Party shall ensure transparency in the area of State aid, *inter alia* by providing to the other Party a regular annual report, or equivalent, following the methodology and the presentation of the Community survey on State aid. Upon request by one Party, the other Party shall provide information on particular individual cases of public aid.
6. Bosnia and Herzegovina shall establish a comprehensive inventory of aid schemes instituted before the establishment of the authority referred to in paragraph 4 and shall align such aid schemes with the criteria referred to in paragraph 2 within a period of no more than four years from the entry into force of this Agreement.
7. (a) For the purposes of applying the provisions of paragraph 1(c), the Parties recognise that during the first six years after the entry into force of this Agreement, any public aid granted by Bosnia and Herzegovina shall be assessed taking into account the fact that Bosnia and Herzegovina shall be regarded as an area identical to those areas of the Community described in Article 87(3) (a) of the EC Treaty.

(b) By the end of the fifth year from the entry into force of this Agreement, Bosnia and Herzegovina shall submit to the European Commission its GDP per capita figures harmonised at NUTS II level. The authority referred to in paragraph 4 and the European Commission shall then jointly evaluate the eligibility of the regions of Bosnia and Herzegovina as well as the maximum aid intensities in relation thereto in order to draw up the regional aid map on the basis of the relevant Community guidelines.
8. Protocol 4 establishes the special rules on State aid applicable to the restructuring of the steel industry.
9. With regard to products referred to in Chapter II of Title IV:
 - a) paragraph 1 (c) shall not apply;
 - b) any practices contrary to paragraph 1(a) shall be assessed according to the criteria established by the Community on the basis of Articles 36 and 37 of the EC Treaty and specific Community instruments adopted on this basis.
10. If one of the Parties considers that a particular practice is incompatible with the terms of paragraph 1, it may take appropriate measures after consultation

within the Stabilisation and Association Council or after 30 working days following referral for such consultation.

Nothing in this Article shall prejudice or affect in any way the taking, by either Party, of anti-dumping or countervailing measures in accordance with the relevant Articles of the GATT 1994 and the WTO Agreement on Subsidies and Countervailing Measures and the respective related internal legislation.

Article 72
Public undertakings

By the end of the third year following the entry into force of this Agreement, Bosnia and Herzegovina shall apply to public undertakings and undertakings to which special and exclusive rights have been granted the principles set out in the EC Treaty, with particular reference to Article 86.

Special rights of public undertakings during the transitional period shall not include the possibility to impose quantitative restrictions or measures having an equivalent effect on imports from the Community into Bosnia and Herzegovina.

Article 73
Intellectual, industrial and commercial property rights

1. Pursuant to the provisions of this Article and **Annex VII**, the Parties confirm the importance that they attach to ensuring adequate and effective protection and enforcement of intellectual, industrial and commercial property rights.
2. From entry into force of this Agreement, the Parties shall grant to each others' companies and nationals, in respect of the recognition and protection of intellectual, industrial and commercial property, treatment no less favourable than that granted by them to any third country under bilateral Agreements.
3. Bosnia and Herzegovina shall take all the necessary measures in order to guarantee no later than five years after entry into force of this Agreement a level of protection of intellectual, industrial and commercial property rights similar to that existing in the Community, including effective means of enforcing such rights.
4. Bosnia and Herzegovina undertakes to accede, within the period referred above, to the multilateral conventions on intellectual, industrial and commercial property rights referred to in Annex VII. The Parties affirm the importance they attach to the principles of the TRIPS Agreement. The Stabilisation and Association Council may decide to oblige Bosnia and Herzegovina to accede to specific multilateral conventions in this area.
5. If problems in the area of intellectual, industrial and commercial property affecting trading conditions occur, they shall be referred urgently to the Stabilisation and Association Council, at the request of either Party, with a view to reaching mutually satisfactory solutions.

Article 74
Public contracts

1. The Community and Bosnia and Herzegovina consider the opening-up of the award of public contracts on the basis of non-discrimination and reciprocity, following in particular the WTO rules, to be a desirable objective.
2. Companies of Bosnia and Herzegovina, whether established or not in the Community, shall be granted access to contract award procedures in the Community pursuant to Community procurement rules under treatment no less favourable than that accorded to Community companies as from the entry into force of this Agreement.

The above provisions shall also apply to contracts in the utilities sector once the government of Bosnia and Herzegovina has adopted the legislation introducing the Community rules in this area. The Community shall examine periodically whether Bosnia and Herzegovina has indeed introduced such legislation.

3. Community companies established in Bosnia and Herzegovina under the provisions of Chapter II of Title V shall, from the entry into force of this Agreement, be granted access to contract award procedures in Bosnia and Herzegovina under treatment no less favourable than that accorded to companies of Bosnia and Herzegovina.
4. Community companies not established in Bosnia and Herzegovina shall be granted access to contract award procedures in Bosnia and Herzegovina under treatment no less favourable than that accorded to companies of Bosnia and Herzegovina at the latest five years after the entry into force of this Agreement. In the five year transitional period Bosnia and Herzegovina shall ensure gradual reduction of existing preferences so that the preferential rate upon the entry into force of this Agreement shall amount to a maximum of 15 % in the first and the second year, a maximum of 10 % in the third and the fourth year, and a maximum of 5 % in the fifth year.
5. The Stabilisation and Association Council shall periodically examine the possibility for Bosnia and Herzegovina to introduce access to contract award procedures in Bosnia and Herzegovina for all Community companies. Bosnia and Herzegovina shall report annually to the Stabilisation and Association Council on the measures they have taken to enhance transparency and to provide for effective judicial review of decisions taken in the area of public procurement.
6. As regards establishment, operations, supply of services between the Community and Bosnia and Herzegovina, and also employment and movement of labour linked to the fulfilment of public contracts, the provisions of Articles 47 to 69 are applicable.

Article 75
Standardisation, Metrology, Accreditation and Conformity Assessment

1. Bosnia and Herzegovina shall take the necessary measures in order to gradually achieve conformity with Community technical regulations and

European standardisation, metrology, accreditation and conformity assessment procedures.

2. To this end, the Parties shall seek to:
- a) promote the use of Community technical regulations, European standards and conformity assessment procedures;
 - b) provide assistance to fostering the development of quality infrastructure: standardisation, metrology, accreditation and conformity assessment;
 - c) promote Bosnia and Herzegovina's participation in the work of organisations related to standards, conformity assessment, metrology and similar functions (e.g. CEN, CENELEC, ETSI, EA, WELMEC, EUROMET)⁵;
 - d) Where appropriate, conclude an Agreement on Conformity Assessment and Acceptance of Industrial Products once the legislative framework and the procedures of Bosnia and Herzegovina are sufficiently aligned on that of the Community and appropriate expertise is available.

Article 76
Consumer protection

The Parties shall co-operate in order to align the standards of consumer protection in Bosnia and Herzegovina to those of the Community. Effective consumer protection is necessary in order to ensure the proper functioning of the market economy, and this protection will depend on the development of an administrative infrastructure in order to ensure market surveillance and law enforcement in this field.

To that end, and in view of their common interests, the Parties shall encourage and ensure:

- a) a policy of active consumer protection, in accordance with Community law, including the increase of information and development of independent organisations;
- b) the harmonisation of legislation of consumer protection in Bosnia and Herzegovina with that in force in the Community;
- c) effective legal protection for consumers in order to improve the quality of consumer goods and maintain appropriate safety standards;
- d) monitoring of rules by competent authorities and providing access to justice in case of disputes.

⁵ European Committee for Standardisation, European Committee for Electrotechnical Standardisation, European Telecommunications Standards Institute, European cooperation for Accreditation, European Cooperation in Legal Metrology, European Organisation of Metrology.

Article 77

Working conditions and equal opportunities

Bosnia and Herzegovina shall progressively harmonise its legislation to that of the Community in the fields of working conditions, notably on health and safety at work, and equal opportunities.

TITLE VII JUSTICE FREEDOM AND SECURITY

Article 78

Reinforcement of institutions and rule of law

In their co-operation on justice and home affairs the Parties shall attach particular importance to the consolidation of the rule of law, and the reinforcement of institutions at all levels in the areas of administration in general and law enforcement and the administration of justice in particular. Co-operation shall notably aim at strengthening the independence of the judiciary and improving its efficiency and institutional capacity, enhancing access to justice, developing adequate structures for the police, customs and other law enforcement bodies, providing adequate training and fighting corruption and organised crime.

Article 79

Protection of personal data

Bosnia and Herzegovina shall harmonise its legislation concerning personal data protection with Community law and other European and international legislation on privacy upon the entry into force of this Agreement. Bosnia and Herzegovina shall establish independent supervisory bodies with sufficient financial and human resources in order to efficiently monitor and guarantee the enforcement of national personal data protection legislation. The Parties shall cooperate to achieve this goal.

Article 80

Visa, border management, asylum and migration

The Parties shall cooperate in the areas of visa, border control, asylum and migration and shall set-up a framework for the cooperation, including at a regional level, in these fields, taking into account and making full use of other existing initiatives in this area as appropriate.

Cooperation in the matters above shall be based on mutual consultations and close coordination between the Parties and should include technical and administrative assistance for:

- a) the exchange of information on legislation and practices;
- b) the drafting of legislation;
- c) enhancing the efficiency of the institutions;
- d) the training of staff;
- e) the security of the travel documents and detection of false documents;
- f) border management;

Cooperation shall focus in particular:

- a) in the area of asylum on the implementation of national legislation to meet the standards of the Convention relating to the Status of Refugees done at Geneva on 28 July 1951, and the Protocol relating to the Status of Refugees done at New York on 31 January 1967 thereby to ensure

that the principle of ‘non-refoulement’ is respected as well as other rights of asylum seekers and refugees.

- b) in the field of legal migration, on admission rules and rights and status of the person admitted. In relation to migration, the Parties agree to the fair treatment of nationals of other countries who reside legally on their territories and to promote an integration policy aiming at making their rights and obligations comparable to those of their citizens.

Article 81

Prevention and control of illegal immigration; readmission

1. The Parties shall cooperate in order to prevent and control illegal immigration. To this end Bosnia and Herzegovina and the Member States shall readmit any of their nationals illegally present on their territories and the Parties also agree to conclude and fully implement an Agreement for readmission, including an obligation for the readmission of nationals of other countries and stateless persons.

The Member States of the European Union and Bosnia and Herzegovina shall provide their nationals with appropriate identity documents and shall extend to them the administrative facilities necessary for such purposes.

Specific procedures for the purpose of readmission of nationals, third country nationals and stateless persons shall be laid down in the Agreement between the Community and Bosnia and Herzegovina on the readmission of persons residing without authorisation.

2. Bosnia and Herzegovina agrees to conclude readmission Agreements with the other countries of the Stabilisation and Association process and undertakes to take any necessary measures to ensure the flexible and rapid implementation of all readmission Agreements referred to in this Article.
3. The Stabilisation and Association Council shall establish other joint efforts that can be made to prevent and control illegal immigration, including trafficking in human beings and illegal migration networks.

Article 82

Money laundering and terrorism financing

1. The Parties shall cooperate in order to prevent the use of their financial systems for laundering of proceeds from criminal activities in general and drug offences in particular, as well as for the purpose of terrorist financing.
2. Cooperation in this area may include administrative and technical assistance with the purpose to develop the implementation of regulations and efficient functioning of the suitable standards and mechanisms to combat money laundering and terrorism financing equivalent to those adopted by the Community and international fora in this field, in particular the Financial Action Task Force (FATF).

Article 83

Cooperation on illicit drugs

1. Within their respective powers and competencies, the Parties shall cooperate to ensure a balanced and integrated approach towards drug issues. Drug

policies and actions shall be aimed at reinforcing structures for combating illicit drugs, reducing the supply of, trafficking in and the demand for illicit drugs coping with the health and social consequences of drug abuse as well as at a more effective control of precursors.

2. The Parties shall agree on the necessary methods of cooperation to attain these objectives. Actions shall be based on commonly agreed principles along the lines of the EU Drug Control Strategy.

Article 84

Preventing and combating organised crime and other illegal activities

The Parties shall cooperate on combating and preventing criminal and illegal activities, organised or otherwise, such as:

- a) smuggling and trafficking in human beings;
- b) illegal economic activities, and in particular counterfeiting of currencies, illegal transactions on products such as industrial waste, radioactive material and transactions involving illegal, counterfeit or pirated products;
- c) corruption, both in the private and public sector, in particular linked to non-transparent administrative practices;
- d) fiscal fraud;
- e) production of and trafficking in illicit drugs and psychotropic substances;
- f) smuggling;
- g) illicit arms trafficking;
- h) forging documents;
- i) illicit car trafficking;
- j) cyber crime.

Regional cooperation and compliance with recognised international standards in combating organised crime shall be promoted.

Article 85

Combating terrorism

In compliance with the international conventions to which they are Party and their respective laws and regulations, the Parties agree to cooperate in order to prevent and suppress acts of terrorism and their financing:

- a) in the framework of full implementation of Security Council Resolution 1373 (2001) and other relevant United Nations resolutions, international conventions and instruments;
- b) by exchanging information on terrorist groups and their support networks in accordance with international and national law;

- c) by exchanging experiences with regard to means and methods of combating terrorism and in technical areas and training, and by exchanging experience in respect of the prevention of terrorism.

TITLE VIII COOPERATION POLICIES

Article 86

1. The Community and Bosnia and Herzegovina shall establish a close cooperation aimed at contributing to the development and growth potential of Bosnia and Herzegovina. Such cooperation shall strengthen existing economic links on the widest possible foundation, to the benefit of both Parties.
2. Policies and other measures shall be designed to bring about sustainable economic and social development of Bosnia and Herzegovina. These policies should ensure that environmental considerations are also fully incorporated from the outset and that they are linked to the requirements of harmonious social development.
3. Cooperation policies shall be integrated into a regional framework of cooperation. Special attention will have to be devoted to measures that can foster cooperation between Bosnia and Herzegovina and its neighbouring countries including Member States of the European Union, thus contributing to regional stability. The Stabilisation and Association Council may define priorities between and within the cooperation policies described hereinafter, in line with the European Partnership.

Article 87

Economic and trade policy

The Community and Bosnia and Herzegovina shall facilitate the process of economic reform by cooperating to improve understanding of the fundamentals of their respective economies and the formulation and implementation of economic policy in market economies.

At the request of the authorities of Bosnia and Herzegovina, the Community may provide assistance designed to support Bosnia and Herzegovina's efforts to establish a functioning market economy and to gradually approximate its policies to the stability-oriented policies of the European Economic and Monetary Union.

Cooperation shall also aim at strengthening the rule of law in the business area through a stable and non-discriminatory trade-related legal framework.

Cooperation in this area shall include informal exchange of information concerning the principles and functioning of the European Economic and Monetary Union.

Article 88

Statistical cooperation

Cooperation between the Parties shall primarily focus on priority areas related to the Community *acquis* in the field of statistics. It shall notably be aimed at developing efficient and sustainable statistical systems capable of providing comparable, reliable, objective and accurate data needed to plan and monitor the process of transition and reform in Bosnia and Herzegovina. It should also enable the state Agency for Statistics of Bosnia and Herzegovina as well as the entity Statistical Offices to better meet the needs of their national and international customers (both public

administration and private sector). The statistical system should respect the fundamental principles of statistics issued by the UN, the European Statistical Code of Practice and the stipulations of the European Statistical law and develop towards the Community *acquis*.

Article 89

Banking, insurance and other financial services

Cooperation between Bosnia and Herzegovina and the Community shall focus on priority areas related to the Community *acquis* in the fields of banking, insurance and other financial services. The Parties shall cooperate with the aim of establishing and developing a suitable framework for the encouragement of the banking, insurance and other financial services sectors in Bosnia and Herzegovina.

Article 90

Audit and financial control cooperation

Cooperation between the Parties shall focus on priority areas related to the Community *acquis* in the field of public internal financial control (PIFC) and external audit. The Parties shall, in particular, cooperate – through elaborating and adopting relevant regulation - with the aim of developing PIFC, including financial management and control and functionally independent internal audit, and independent external audit systems in Bosnia Herzegovina, in accordance with internationally accepted control and audit standards and methodologies and EU best practices. Cooperation shall also focus on capacity building and training for the institutions with the purpose of developing PIFC as well as external audit (SAI) in Bosnia and Herzegovina, which also includes the establishment and strengthening of central harmonization units for Financial Management and Control and for Internal Audit systems.

Article 91

Investment Promotion and Protection

Cooperation between the Parties, within the scope of their respective competencies, in the field of investment promotion and protection shall aim to bring about a favourable climate for private investment, both domestic and foreign, which is essential to economic and industrial revitalisation in Bosnia and Herzegovina.

Article 92

Industrial Cooperation

Cooperation shall aim to promote the modernisation and restructuring of the industry and individual sectors in Bosnia and Herzegovina. It shall also cover industrial cooperation between economic operators, with the objective of strengthening the private sector under conditions, which ensure that the environment is protected.

Industrial cooperation initiatives shall reflect the priorities determined by both Parties. They shall take into account the regional aspects of industrial development, promoting trans-national partnerships when relevant. The initiatives should seek in particular to establish a suitable framework for undertakings, to improve management, know-how and to promote markets, market transparency and the business environment.

Cooperation shall take due account of the Community *acquis* in the field of industrial policy.

Article 93
Small and medium-sized enterprises

Cooperation between the Parties shall be aimed at developing and strengthening private sector small and medium-sized enterprises (SMEs) and shall take due account of priority areas related to the Community *acquis* in the field of SMEs, as well as the ten guidelines enshrined in the European Charter for Small Enterprises.

Article 94
Tourism

Cooperation between the Parties in the field of tourism shall be mainly aimed at strengthening the flow of information on tourism (through international networks, databanks, etc.), strengthening cooperation between tourism enterprises, experts and governments and their competent agencies in the field of tourism, and transferring know-how (through training, exchanges, seminars). Cooperation shall take due account of Community *acquis* related to this sector.

Cooperation may be integrated into a regional framework of cooperation.

Article 95
Agriculture, and the agro-industrial sector

Cooperation between the Parties shall focus on priority areas related to the Community *acquis* in the field of agriculture and veterinary and phytosanitary domains. Cooperation shall notably aim at modernising and restructuring the agriculture and agro-industrial sector in Bosnia and Herzegovina, in particular to reach veterinary and phytosanitary Community requirements and at supporting the progressive approximation of the legislation and practices of Bosnia and Herzegovina to the Community rules and standards.

Article 96
Fisheries

The Parties shall explore the possibility of identifying mutually beneficial areas of common interest in the fisheries sector. Cooperation shall take due account of priority areas related to the Community *acquis* in the field of fisheries, including the respect of international obligations concerning International and Regional Fisheries Organisation rules of management and conservation of fishery resources.

Article 97
Customs

The Parties shall establish cooperation in this area with a view to guarantee compliance with the provisions to be adopted in the area of trade and to achieve the approximation of the customs system of Bosnia and Herzegovina to that of the Community, thereby helping to pave the way for the liberalisation measures planned under this Agreement and for the gradual approximation of the customs legislation of Bosnia and Herzegovina to the *acquis*.

Cooperation shall take due account of priority areas related to the Community *acquis* in the field of customs.

The rules on mutual administrative assistance between the Parties in the customs field are laid down in Protocol 5.

Article 98
Taxation

The Parties shall establish cooperation in the field of taxation including measures aiming at the further reform of Bosnia and Herzegovina's fiscal system and the restructuring of tax administration with a view to ensuring effectiveness of tax collection and reinforcing the fight against fiscal fraud.

Cooperation shall take due account of priority areas related to the Community acquis in the field of taxation and in the fight against harmful tax competition. Elimination of harmful tax competition should be carried out on the basis of the principles of the Code of Conduct for business taxation agreed by the Council on 1 December 1997.

Cooperation shall also be geared to enhancing transparency and fighting corruption, and include exchange of information with the Member States of the European Union in an effort to facilitate the enforcement of measures preventing tax fraud, evasion or avoidance. Bosnia and Herzegovina shall also complete the network of bilateral Agreements with Member States, along the lines of the latest update of the OECD Model Tax Convention on Income and on Capital as well as on the basis of the OECD Model Agreement on Exchange of Information in Tax Matters, to the extent that the requesting Member State subscribes to these.

Article 99
Social cooperation

The Parties shall cooperate to facilitate the development of the employment policy in Bosnia and Herzegovina, in the context of strengthened economic reform and integration. Cooperation shall also seek to support the adaptation of the social security system of Bosnia and Herzegovina to the new economic and social requirements, with a view to ensuring equity of access and effective support to all vulnerable people and may involve the adjustment of the legislation in Bosnia and Herzegovina concerning working conditions and equal opportunities for women and men, for people with disabilities and for all vulnerable people including those belonging to minority groups as well as the improvement of the level of protection of the health and safety of workers, taking as a reference the level of protection existing in the Community.

Cooperation shall take due account of priority areas related to the Community acquis in this field.

Article 100
Education and training

The Parties shall cooperate with the aim of raising the level of general education and vocational education and training in Bosnia and Herzegovina, as well as youth policy and youth work, including non-formal education. A priority for higher education systems shall be the achievement of the objectives of the Bologna Declaration in the intergovernmental Bologna process.

The Parties shall also cooperate with the aim of ensuring that access to all levels of education and training in Bosnia and Herzegovina is free of any discrimination on the grounds of gender, colour, ethnic origin or religion. A priority should be for Bosnia and Herzegovina to comply with the commitments assumed in the framework of relevant international conventions dealing with these issues.

The relevant Community programmes and instruments shall contribute to the upgrading of educational and training structures and activities in Bosnia and Herzegovina.

Cooperation shall take due account of priority areas related to the Community *acquis* in this field.

Article 101
Cultural cooperation

The Parties undertake to promote cultural cooperation. This cooperation serves *inter alia* to raise mutual understanding and esteem between individuals, communities and peoples. The Parties also undertake to cooperate to promote cultural diversity, notably within the framework of the UNESCO Convention on the protection and promotion of diversity of cultural expressions.

Article 102
Cooperation in the audio-visual field

The Parties shall cooperate to promote the audio-visual industry in Europe and encourage coproduction in the fields of cinema and television.

Cooperation could include *inter alia* programmes and facilities for the training of journalists and other media professionals, as well as technical assistance to the media, the public and private, so as to reinforce their independence, professionalism and links with the European media.

Bosnia and Herzegovina shall align its policies on the regulation of content aspects of cross-border broadcasting with those of the Community and shall harmonise its legislation with the relevant *acquis*. Bosnia and Herzegovina shall pay particular attention to matters relating to the acquisition of intellectual property rights for programmes broadcast by satellite, terrestrial frequencies and cable.

Article 103
Information Society

Cooperation shall primarily focus on priority areas related to the Community *acquis* regarding the information society. It shall mainly support Bosnia and Herzegovina's gradual alignment of its policies and legislation in this sector with those of the Community.

The Parties shall also cooperate with a view to further developing the Information Society in Bosnia and Herzegovina. Global objectives will include preparing society as a whole for the digital age, attracting investments and ensuring the interoperability of networks and services.

Article 104
Electronic Communications Networks and Services

Cooperation shall primarily focus on priority areas related to the Community *acquis* in this field.

The Parties shall, in particular, strengthen cooperation in the area of electronic communications networks and electronic communications services, with the ultimate objective of the adoption by Bosnia and Herzegovina of the Community *acquis* in the sector one year after the entry into force of this Agreement.

Article 105
Information and Communication

The Community and Bosnia and Herzegovina shall take the measures necessary to stimulate the mutual exchange of information. Priority shall be given to programmes aimed at providing the general public with basic information about the Community and professional circles in Bosnia and Herzegovina with more specialised information.

Article 106
Transport

Cooperation between the Parties shall focus on priority areas related to the Community *acquis* in the field of transport.

Cooperation may notably aim at restructuring and modernising the transport modes in Bosnia and Herzegovina, improving the free movement of passengers and goods, enhancing the access to the transport market and facilities, including ports and airports, supporting the development of multi-modal infrastructures in connection with the main Trans-European networks, notably to reinforce regional links in the South East Europe in line with the MoU of the development of the Core Regional Transport Network, achieving operating standards comparable to those in the Community, developing a transport system in Bosnia and Herzegovina compatible and aligned with the Community system and improving the protection of environment in transport.

Article 107
Energy

Cooperation shall focus on priority areas related to the Community *acquis* in the field of energy, including, as appropriate, nuclear safety aspects. It shall be based on the Energy Community Treaty and shall be developed with a view to the gradual integration of Bosnia and Herzegovina into Europe's energy markets.

Article 108
Environment

The Parties shall develop and strengthen their cooperation in the environmental field with the vital task of halting further degradation and start improving the environmental situation with the aim of sustainable development.

The Parties shall, in particular, establish cooperation with the aim of strengthening administrative structures and procedures to ensure strategic planning of environment issues and co-ordination between relevant actors and shall focus on Bosnia and Herzegovina's alignment to the Community *acquis*. Cooperation could also centre on the development of strategies to significantly reduce local, regional and trans-boundary air and water pollution, including waste and chemicals, to establish a system for efficient, clean, sustainable and renewable production and consumption of energy, and to execute environmental impact assessment and strategic environmental assessment. Special attention shall be paid to the ratification and the implementation of the Kyoto Protocol.

Article 109
Research and technological development

The Parties shall encourage cooperation in civil scientific research and technological development (RTD) on the basis of mutual benefit and, taking into account the availability of resources, adequate access to their respective programmes, subject to appropriate levels of effective protection of intellectual, industrial and commercial property rights (IPR).

Cooperation shall take due account of the priority areas related to the Community *acquis* in the field of research and technological development.

Article 110
Regional and local development

The Parties shall seek to strengthen regional and local development cooperation, with the objective of contributing to economic development and reducing regional imbalances. Specific attention shall be given to cross-border, trans-national and interregional cooperations.

Cooperation shall take due account of the priorities of the Community *acquis* in the field of regional development.

Article 111
Public administration reform

Cooperation will aim to further the development of an efficient and accountable public administration in Bosnia and Herzegovina, building on the reform efforts undertaken to date in this area.

Cooperation in this area shall mainly focus on institution building, in line with European Partnership requirements and will include aspects such as the development and implementation of transparent and impartial recruitment procedures, human resources management and career development for the public service, continued training, the promotion of ethics within the public administration and the strengthening of the policy making process. Reforms will take due account of fiscal sustainability objectives, including aspects of fiscal architecture. Cooperation shall cover all levels of public administration in Bosnia and Herzegovina.

TITLE IX FINANCIAL COOPERATION

Article 112

In order to achieve the objectives of this agreement and in accordance with Articles 5, 113 and 115 Bosnia and Herzegovina may receive financial assistance from the Community in the forms of grants and loans, including loans from the European Investment Bank. Community aid is conditional on further progress in satisfying the Copenhagen political criteria and in particular progress in meeting the specific priorities of the European Partnership. Account shall also be taken of the assessment provided by the annual Progress Reports on Bosnia and Herzegovina. Community assistance shall also be subject to the conditionalities of the Stabilisation and Association process, in particular as regards the recipients' undertaking to carry out democratic, economic and institutional reforms. Aid granted to Bosnia and Herzegovina shall be geared to address identified needs, agreed priorities, reflect the capacity to absorb and when appropriate repay and implement measures taken to reform and restructure the economy.

Article 113

Financial assistance, in the form of grants, may be provided in accordance with the relevant Council Regulation within a multi-annual indicative framework and based on annual action programmes, established by the Community following consultations with Bosnia and Herzegovina.

Financial assistance from the Community may cover any sectors of cooperation, paying particular attention to Justice and Home Affairs, approximation of legislation and economic development.

Article 114

In order to permit optimum use of the resources available, the Parties shall ensure that Community contributions are made in close co-ordination with those from other sources such as the Member States, other countries and international financial institutions.

To this effect, information on all sources of assistance shall be exchanged regularly between the Parties.

TITLE X

INSTITUTIONAL, GENERAL AND FINAL PROVISIONS

Article 115

A Stabilisation and Association Council is hereby established which shall supervise the application and implementation of this Agreement. It shall meet at an appropriate level at regular intervals and when circumstances require. It shall examine any major issues arising within the framework of this Agreement and any other bilateral or international issues of mutual interest.

Article 116

1. The Stabilisation and Association Council shall consist of the members of the Council of the European Union and members of the European Commission, on the one hand, and of members of the Council of Ministers of Bosnia and Herzegovina on the other.
2. The Stabilisation and Association Council shall establish its rules of procedure.
3. The members of the Stabilisation and Association Council may arrange to be represented, in accordance with the conditions to be laid down in its rules of procedure.
4. The Stabilisation and Association Council shall be chaired in turn by a representative of the Community and a representative of Bosnia and Herzegovina, in accordance with the provisions to be laid down in its rules of procedure.
5. In matters that concern it, the European Investment Bank shall take part, as an observer, in the work of the Stabilisation and Association Council.

Article 117

The Stabilisation and Association Council shall, for the purpose of attaining the objectives of this Agreement, have the power to take decisions within the scope of this Agreement in the cases provided for therein. The decisions taken shall be binding on the Parties, which shall take the measures necessary to implement the decisions taken. The Stabilisation and Association Council may also make appropriate recommendations. It shall draw up its decisions and recommendations by agreement between the Parties.

Article 118

1. The Stabilisation and Association Council shall be assisted in the performance of its duties by a Stabilisation and Association Committee, composed of representatives of the Council of the European Union and of representatives of the European Commission, on the one hand, and of representatives of the Council of Ministers of Bosnia and Herzegovina on the other.
2. In its rules of procedure the Stabilisation and Association Council shall determine the duties of the Stabilisation and Association Committee, which

shall include the preparation of meetings of the Stabilisation and Association Council, and shall determine how the Committee shall function.

3. The Stabilisation and Association Council may delegate to the Stabilisation and Association Committee any of its powers. In this event the Stabilisation and Association Committee shall take its decisions in accordance with the conditions laid down in Article 117.

Article 119

The Stabilisation and Association Committee may create subcommittees.

Before the end of the first year after the date of entry into force of this Agreement, the Stabilisation and Association Committee shall set up the necessary sub-committees for the adequate implementation of this Agreement.

A sub-committee that will address migration issues shall be created.

Article 120

The Stabilisation and Association Council may decide to set up any other special Committee or body that can assist it in carrying out its duties. In its rules of procedure, the Stabilisation and Association Council shall determine the composition and duties of such Committees or bodies and how they shall function.

Article 121

A Stabilisation and Association Parliamentary Committee is hereby established. It shall be a forum for Members of the Parliamentary Assembly of Bosnia and Herzegovina and of the European Parliament to meet and exchange views. It shall meet at intervals that it shall itself determine.

The Stabilisation and Association Parliamentary Committee shall consist of Members of the European Parliament and of Members of the Parliamentary Assembly of Bosnia and Herzegovina.

The Stabilisation and Association Parliamentary Committee shall establish its rules of procedure.

The Stabilisation and Association Parliamentary Committee shall be chaired in turn by a member of the European Parliament and by a member of the Parliamentary Assembly of Bosnia and Herzegovina, in accordance with the provisions to be laid down in its rules of procedure.

Article 122

Within the scope of this Agreement, each Party undertakes to ensure that natural and legal persons of the other Party have access free of discrimination in relation to its own nationals to the competent courts and administrative organs of the Parties to defend their individual rights and their property rights.

Article 123

Nothing in this Agreement shall prevent a Party from taking any measures:

- (a) which it considers necessary to prevent the disclosure of information contrary to its essential security interests;
- (b) which relate to the production of, or trade in, arms, munitions or war materials or to research, development or production indispensable for

defence purposes, provided that such measures do not impair the conditions of competition in respect of products not intended for specifically military purposes;

- (c) which it considers essential to its own security in the event of serious internal disturbances affecting the maintenance of law and order, in time of war or serious international tension constituting threat of war or in order to carry out obligations it has accepted for the purpose of maintaining peace and international security.

Article 124

1. In the fields covered by this Agreement and without prejudice to any special provisions contained therein:
 - a) the arrangements applied by Bosnia and Herzegovina in respect of the Community shall not give rise to any discrimination between the Member States, their nationals, companies or firms;
 - b) the arrangements applied by the Community in respect of Bosnia and Herzegovina shall not give rise to any discrimination between nationals, companies or firms of Bosnia and Herzegovina.
2. The provisions of paragraph 1 shall be without prejudice to the right of the Parties to apply the relevant provisions of their fiscal legislation to taxpayers who are not in identical situations as regards their place of residence.

Article 125

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. The Parties agree to consult promptly through appropriate channels at the request of either Party to discuss any matter concerning the interpretation or implementation of this Agreement and other relevant aspects of the relations between the Parties.
3. Each Party shall refer to the Stabilisation and Association Council any dispute relating to the application or interpretation of this Agreement. In that case, Article 126 and, as the case may be, Protocol 6, shall apply.

The Stabilisation and Association Council may settle the dispute by means of a binding decision.

4. If either Party considers that the other Party has failed to fulfil an obligation under this Agreement, it may take appropriate measures. Before so doing, except in cases of special urgency, it shall supply the Stabilisation and Association Council with all relevant information required for a thorough examination of the situation with a view to seeking a solution acceptable to the Parties.

In the selection of measures, priority must be given to those which least disturb the functioning of this Agreement. These measures shall be notified immediately to the Stabilisation and Association Council and shall be the subject of consultations, if the other Party so requests, within the

Stabilisation and Association Council, the Stabilisation and Association Committee or any other body set up on the basis of Articles 119 and 120.

5. The provisions of paragraphs 2, 3 and 4 shall in no way affect and are without prejudice to Articles 30, 38, 39, 40, and 44 and Protocol 2 (Definition of the concept of originating products and methods of administrative cooperation).

Article 126

1. When a dispute arises between the Parties concerning the interpretation or the implementation of this Agreement, any Party shall notify to the other Party and the Stabilisation and Association Council a formal request that the matter in dispute be resolved.

Where a Party considers that a measure adopted by the other Party, or a failure of the other Party to act, constitutes a breach of its obligations under this Agreement, the formal request that the dispute be resolved shall give the reasons for this opinion and indicate, as the case may be, that the Party may adopt measures as provided for in Article 125, paragraph 4.

2. The Parties shall endeavour to resolve the dispute by entering into good faith consultations within the Stabilisation and Association Council and other bodies as provided in paragraph 3, with the aim of reaching as soon as possible a mutually acceptable solution.
3. The Parties shall provide the Stabilisation and Association Council with all relevant information required for a thorough examination of the situation.

As long as the dispute is not resolved, it shall be discussed at every meeting of the Stabilisation and Association Council, unless the arbitration procedure as provided for in Protocol 6 has been initiated. A dispute shall be deemed to be resolved when the Stabilisation and Association Council has taken a binding decision to settle the matter as provided for in Article 125, paragraph 3, or when it has declared that there is no dispute anymore.

Consultations on a dispute can also be held at any meeting of the Stabilisation and Association Committee or any other relevant committee or body set up on the basis of Articles 119 or 120, as agreed between the Parties or at the request of any of the Parties. Consultations may also be held in writing.

All information disclosed during the consultations shall remain confidential.

4. For matters within the scope of application of Protocol 6, any Party may submit the matter in dispute for settlement through arbitration in accordance with that Protocol, when the Parties have failed to resolve the dispute within two months after the initiation of the dispute settlement procedure in accordance with paragraph 1.

Article 127

This Agreement shall not, until equivalent rights for individuals and economic operators have been achieved under this Agreement, affect rights ensured to them through existing Agreements binding one or more Member States, on the one hand, and Bosnia and Herzegovina, on the other.

Article 128

Annexes I to VII and Protocols 1, 2, 3, 4, 5, 6 and 7 shall form an integral part of this Agreement.

The Framework Agreement between the Community and Bosnia and Herzegovina on the general principles for the participation of Bosnia and Herzegovina in Community Programmes⁶, signed on 22 November 2004, and the Annex thereto shall form an integral part of this Agreement. The review provided for in Article 8 of that Framework Agreement shall be carried out within the Stabilisation and Association Council, which shall have the power to amend, if necessary, the Framework Agreement.

Article 129

This Agreement is concluded for an unlimited period.

Either Party may denounce this Agreement by notifying the other Party. This Agreement shall terminate six months after the date of such notification.

Either Party may suspend this Agreement, with immediate effect, in the event of non compliance by the other party with one of the essential elements of this Agreement.

Article 130

For the purposes of this Agreement, the term "Parties" shall mean the Community, or its Member States, or the Community and its Member States, in accordance with their respective powers, of the one part, and Bosnia and Herzegovina, of the other part.

Article 131

This Agreement shall apply, on the one hand, to the territories in which the Treaties establishing the European Community and the European Atomic Energy Community are applied and under the conditions laid down in those Treaties, and to the territory of Bosnia and Herzegovina on the other.

Article 132

The Secretary General of the Council of the European Union shall be the depositary of this Agreement.

Article 133

This Agreement is drawn up in duplicate in Bulgarian, Spanish, Czech, Danish, German, Estonian, Greek, English, French, Italian, Latvian, Lithuanian, Hungarian, Maltese, Dutch, Polish, Portuguese, Romanian, Slovak, Slovene, Finnish and Swedish languages and in Bosnian, Croatian and Serbian languages, each of these texts being equally authentic.

Article 134

The Parties shall ratify or approve this Agreement in accordance with their own procedures.

The instruments of ratification or approval shall be deposited with the General Secretariat of the Council of the European Union.

⁶ OJ L 192, 22 July 2005, p.9

This Agreement shall enter into force on the first day of the second month following the date of the deposit of the last instrument of ratification or approval.

Article 135
Interim Agreement

In the event that, pending the completion of the procedures necessary for the entry into force of this Agreement, the provisions of certain parts of this Agreement, in particular those relating to the free movement of goods as well as the relevant provisions on Transport, are put into effect by means of Interim Agreements between the Community and Bosnia and Herzegovina, the Parties agree that, in such circumstances for the purpose of the provisions of Title IV, Articles 71 and 73 of this Agreement, **Protocols 1, 2, 4, 5, 6 and 7**, and relevant provisions of **Protocol 3**, hereto, the terms "date of entry into force of this Agreement" mean the date of entry into force of the relevant Interim Agreement in relation to obligations contained in the above-mentioned provisions.

ANNEXES

- **Annex I (Art. 21) Tariff concessions of Bosnia and Herzegovina for Community Industrial Products**
- **Annex II (Art. 27(2)) Definition of "baby beef" products**
- **Annex III (Art. 27) Bosnia and Herzegovina tariff concessions for agricultural primary products originating in the Community**
- **Annex IV (Art. 28) Duties applicable to goods originating in Bosnia and Herzegovina on import into the Community**
- **Annex V (Art. 28) Duties applicable to goods originating in the Community on import into Bosnia and Herzegovina**
- **Annex VI (Art. 50) Establishment: Financial Services**
- **Annex VII (Art. 73) Intellectual, industrial and commercial property rights**

PROTOCOLS

- **Protocol 1 (Art. 25) on trade between the Community and Bosnia and Herzegovina in processed agricultural products**
- **Protocol 2 (Art. 42) concerning the definition of the concept of "originating products" and methods of administrative co-operation for the application of the provisions of this Agreement between the Community and Bosnia and Herzegovina**
- **Protocol 3 (Art. 59) on land transport**
- **Protocol 4 (Art. 71) on State aid to the steel industry**
- **Protocol 5 (Art. 97) on Mutual administrative assistance in customs matters**
- **Protocol 6 (Art. 126) Dispute settlement**
- **Protocol 7 (Art. 27) on reciprocal preferential concessions for certain wines, the reciprocal recognition, protection and control of wine, spirit drinks and aromatised wine names**