COMMISSION OF THE EUROPEAN COMMUNITIES

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2001/0049 (AVC)

VOLUME I

Proposal for a

COUNCIL DECISION

On the signing on behalf of the European Community, of the Stabilisation and Association Agreement between the European Communities and its Member States and the former Yugoslav Republic of Macedonia

Proposal for a

COUNCIL AND COMMISSION DECISION

on the conclusion of the Stabilisation and Association Agreement between the European Communities and their Member States, of the one part, and the former Yugoslav Republic of Macedonia, of the other part

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. The attached two proposals constitute the legal instruments for the signature and the conclusion of the Stabilisation and Association Agreement between the European Communities and their Member States, on the one part, and former Yugoslav Republic of Macedonia, on the other part: (i) Proposal for a Council Decision for the signature of the Agreement; (ii) Proposal for a Council and Commission Decision for the conclusion of the Agreement.

2. The former Yugoslav Republic of Macedonia's relations with the European Community are covered by the Co-operation Agreement which was signed by Exchange of letters in April 1997 and entered into force on 1/1/1998. An Agreement between the European Community and the former Yugoslav republic of Macedonia in the field of transport is in force since 28/11/97.The trade chapter and trade related provisions of the Co-operation Agreement have been suspended on 1st December 2000, to allow the application of the more favourable trade measures granted by the Council Regulation 2007/2000, as amended by Council Regulation (EC) 2563/2000 of 20 November 2000.

   A Transport Agreement is in force since 28/11/97. A Textiles agreement is in force since 1/1/1997 (preferential access to EC market).

3. The Commission adopted on 16 June 1999 its Report on the Feasibility of negotiating a Stabilisation and Association Agreement with the former Yugoslav Republic of Macedonia (ref. COM(99)300): the Commission assessment concluded that FYROM, taking into account the political and economic reforms undertaken notably in the framework of the Co-operation Agreement and relevant Community assistance, would be able to meet the requirements of a Stabilisation and Association Agreement after reasonable transition periods depending on the areas concerned. On this basis, the Commission feasibility report recommended the opening of negotiations for such an agreement. The Commission adopted on 8 September 1999 its recommendation to the Council for negotiating directives.

   The Council adopted on 24 January 2000 its negotiating directives.

4. The negotiations were launched by the Commission in Skopje on 5th March 2000. Following three formal round of negotiations, the SAA was initialled in the margin of the Zagreb Summit of 24 November 2000.

5. The Stabilisation and Association Agreement is a new type of Agreement created for the countries of the Stabilisation and Association Process of the Western Balkan Region, and focuses on the following main elements:

   – the inclusion of political dialogue with the former Yugoslav Republic of Macedonia;

   – provisions on enhanced regional co-operation, including the perspective of establishing free trade areas between the countries of the region;

   – the perspective of the establishment of a free-trade area between the Community and the FYROM within ten years after the entry into force of the Agreement;

– provisions on the movement of workers, freedom of establishment, supply of services, current payments and movement of capital;

– the commitment by the former Yugoslav Republic of Macedonia to approximate its legislation to that of the EC, notably in key areas of the internal market;

– provisions on co-operation with the former Yugoslav Republic of Macedonia in a wide range of fields, including justice and home affairs.

– provision for the establishment of an Association and Stabilisation Council which supervises the implementation of the agreement, of an Stabilisation and Association Committee and of an Association and Stabilisation Parliamentary Committee.

6. The Stabilisation and Association Agreement will replace the Co-operation Agreement between the European Community and the former Yugoslav Republic of Macedonia. The more favourable trade concessions granted by Council Regulation 2007/2000 of 18 September (as amended by Council Regulation (EC) 2563/2000 of 20 November 2000) will continue to apply, in parallel to the Stabilisation and Association Agreement. Relations in inland transport will continue to be covered by the Transport Agreement between the European Community and the former Yugoslav republic of Macedonia .

7. The Commission having proceeded to the initialling of the proposed agreement, asks the Council to approve the results of the negotiations, undertaken in close consultation with the Special Committee created for this purpose (namely, the COWEB) and to engage the procedures aimed at the signature and conclusion of this agreement on the basis of the attached two proposals.

8. The procedures for the signature and the conclusion of the Agreement are different for the three European Communities: (European Community, European Atomic Energy Community and European Coal and Steel Community):

a) as regards signature, the first indent, first sentence of Article 300 (2) of the EC Treaty provides for a separate Council Decision concerning the signing of the Agreement on behalf of the European Community; similar acts are not required under the ECSC and EAEC Treaties

b) as regards conclusion of the Agreement:

- The Council concludes the Agreement on behalf of the European Community, after having received the assent of the European Parliament, by virtue of Article 310 of the Treaty;

- The Council approves the Agreement on behalf of the European Atomic Energy Community by virtue of the second paragraph of Article 101 of the EAEC Treaty and the Agreement is then concluded by the Commission;

- The Commission concludes the Agreement on behalf of the European Coal and Steel Community, by virtue of Article 95 of the ECSC Treaty, with the unanimous assent of the Council and following consultation of the Consultative Committee.

9. In line with the above the Commission requests the Council to (i) decide on the signature of the Agreement on behalf of the European Community (ii) conclude the Agreement on behalf of the EC and to give its assent and approval for conclusion by ECSC and EURATOM.

Ratification by all Member States is a prerequisite for the entry into force of the Agreement.

Proposal for a

COUNCIL DECISION

On the signing of the Stabilisation and Association Agreement between the European Communities and its Member States and the former Yugoslav Republic of Macedonia on behalf of the European Community

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 310 in conjunction with the first sentence of the first sub paragraph of Article 300 (2) thereof,

Having regard to the proposal from the Commission[1],

Whereas:

(1) Negotiations with the former Yugoslav Republic of Macedonia of the Stabilisation and Association Agreement between the European Communities and their Member States, of the one part, and the former Yugoslav Republic of Macedonia, of the other part, have been completed;

(2) the commercial provisions contained in this agreement are of an exceptional nature, connected with the policy implemented within the framework of the stabilisation and association process and will not constitute, for the European Union, any precedent in the commercial policy of the Community with regard to third countries other than those of the Western Balkans;

(3) Subject to a possible conclusions at a later date, the Agreement initialled on 24 November 2000 should therefore be signed on behalf of the European Community;

HAS DECIDED AS FOLLOWS:

[1] OJ C […], […], p. […].

Sole Article

Subject to a possible conclusions at a later date, the President of the Council is hereby authorised to designate the persons empowered to sign, on behalf of the European Community, the Stabilisation and Association Agreement between the European Communities and their Member States, of the one part, and the former Yugoslav Republic of Macedonia, of the other part.

Done at Brussels,

For the Council
The President

2001/0049 (AVC)

Proposal for a

COUNCIL AND COMMISSION DECISION

on the conclusion of the Stabilisation and Association Agreement between the European Communities and their Member States, of the one part, and the former Yugoslav Republic of Macedonia, of the other part

THE COUNCIL OF THE EUROPEAN UNION,
THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community, and in particular Article 310 in conjunction with Article 300, second paragraph, first indent, last sentence, Article 300, third paragraph, second indent thereof;

Having regard to the Treaty establishing the European Coal and Steel Community, and in particular Article 95 thereof;

Having regard to the Treaty establishing the European Atomic Energy Community, and in particular the second paragraph of Article 101 thereof

Having regard to the proposal from the Commission

Having regard to the assent of the European Parliament[2];

After consultation of the Consultative Committee and with the assent of the Council pursuant to Article 95 of the Treaty establishing the European Coal and Steel Community;

Having regard to the approval of the Council granted pursuant to Article 101 of the Treaty establishing the European Atomic Energy Community;

Whereas

(1) the Stabilisation and Association Agreement between the European Communities and their Member States, of the one part, and the former Yugoslav Republic of Macedonia, of the other part, has been signed on behalf of the European Community, in [Brussels/Luxembourg] on ……..2001, subject to its a possible conclusion at a later date, in accordance with the Council Decision no. …/…/CE of …[3]

(2) the commercial provisions contained in this agreement are of an exceptional nature, connected with the policy implemented within the framework of the stabilisation and association process and will not constitute, for the European Union, any precedent in the commercial policy of the Community with regard to third countries other than those of the Western Balkans,

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[2] OJ C […], […], p. […].
[3] OJ C […], […], p. […].

(3) this Agreement should be approved;

HAVE DECIDED AS FOLLOWS:

Article 1

The Stabilisation and Association Agreement between the European Communities and their Member States, of the one part, and the former Yugoslav Republic of Macedonia, of the other part, the Annexes and Protocols annexed thereto and the declarations attached to the Final Act are hereby approved on behalf of the European Community, the European Coal and Steel Community, and the European Atomic Energy Community. The texts referred to in the first paragraph are attached to this Decision.

Article 2

1. The position to be taken by the Community within the Stabilisation and Association Council and within the Stabilisation and Association Committee when the latter is empowered to act by the Stabilisation and Association Council shall be determined by the Council, on a proposal by the Commission, or, where appropriate, by the Commission, each in accordance with the corresponding provisions of the Treaties.

2. The President of the Council shall, in accordance with Article 109 of the Stabilisation and Association Agreement, preside over the Stabilisation and Association Council. A representative of the Commission shall preside over the Stabilisation and Association Committee, in accordance with the Rules of Procedure thereof.

3. The decision to publish the decisions of the Stabilisation and Association Council and the Stabilisation and Association Committee in the *Official Journal of the European Communities* shall be taken on a case-by-case basis by the Council and the Commission respectively.

Article 3

The President of the Council is hereby authorised to designate the persons empowered, on behalf of the European Community, to deposit the act of notification provided for in Article 127 of the Agreement. The President of the Commission shall deposit the said acts of notification on behalf of the European Coal and Steel Community and European Atomic Energy Community.

Done at Brussels,

For the Council
The President

For the Commission
The President

FINAL ACT

The plenipotentiaries of:

THE KINGDOM OF BELGIUM,

THE KINGDOM OF DENMARK,

THE FEDERAL REPUBLIC OF GERMANY,

THE HELLENIC REPUBLIC,

THE KINGDOM OF SPAIN,

THE FRENCH REPUBLIC,

IRELAND,

THE ITALIAN REPUBLIC,

THE GRAND DUCHY OF LUXEMBOURG,

THE KINGDOM OF THE NETHERLANDS,

THE REPUBLIC OF AUSTRIA,

THE PORTUGUESE 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, the Treaty establishing the European Coal and Steel Community, the Treaty establishing the European Atomic Energy Community, and the Treaty on European Union,

hereinafter referred to as 'the Member States', and of

the EUROPEAN COMMUNITY, the EUROPEAN COAL AND STEEL COMMUNITY and the EUROPEAN ATOMIC ENERGY COMMUNITY,

hereinafter referred to as 'the Community',

of the one part, and

the plenipotentiaries of the FORMER YUGOSLAV REPUBLIC OF MACEDONIA,

of the other part,

meeting in Brussels on…in the year [2001] for the signature of the Stabilisation and Association Agreement between the European Communities and their Member States, of the one part, and the former Yugoslav Republic of Macedonia of the other part, hereinafter referred to as 'the Agreement', have adopted the following texts:

the Agreement, its Annexes I - VII, namely:

Annex I Imports into the former Yugoslav Republic of Macedonia of less sensitive industrial goods originating in the Community

Annex II - Imports into the former Yugoslav Republic of Macedonia of sensitive industrial goods originating in the Community

Annex III - EC Definition of "Baby beef"

Annex IV a - Imports into the former Yugoslav Republic of Macedonia of agricultural goods originating in the Community (zero-duty tariff)

Annex IV b - Imports into the former Yugoslav Republic of Macedonia of agricultural goods originating in the Community (zero-duty tariff within tariff quotas)

Annex IV c - Imports into the former Yugoslav Republic of Macedonia of agricultural goods originating in the Community (concessions within tariff quotas)

Annex V a - Imports into the Community of fish and fisheries products originating in the former Yugoslav Republic of Macedonia

Annex V b - Imports into the former Yugoslav Republic of Macedonia of fish and fisheries products originating in the Community

Annex VI - Establishment: "Financial services"

Annex VII - Intellectual, Industrial Commercial property rights

and the following Protocols:

Protocol 1 – On Textile and clothing products

Protocol 2 – On Steel Products

Protocol 3 – On trade between former Yugoslav Republic of Macedonia and the community in Processed agricultural products

Protocol 4 – concerning the definition of the concept of "originating products" and methods of administrative co-operation

Protocol 5 – on mutual Assistance between administrative authorities in Custom matters

The plenipotentiaries of the Member States and of the Community and the plenipotentiaries of former Yugoslav Republic of Macedonia have adopted the texts of the joint declarations listed below and annexed to this Final Act:

Joint Declaration concerning Article 34 of the Agreement

Joint Declaration concerning Article 40 of the Agreement

Joint Declaration concerning Article 44 of the Agreement

Joint Declaration concerning Article 46 of the Agreement

Joint Declaration concerning Article 57 of the Agreement

Joint Declaration concerning Article 71 of the Agreement

Joint Declaration concerning Article 118 of the Agreement

The plenipotentiaries of the former Yugoslav Republic of Macedonia have taken note of the Declaration listed below and annexed to this Final Act:

Unilateral declaration by Community and its member States concerning Articles 27 and 29

Unilateral Declaration of the Community on Article 76

Done at Brussels,

For the Council
The President

STABILISATION AND ASSOCIATION AGREEMENT
between the European Communities and their Member States, of the one part, and the former Yugoslav Republic of Macedonia, of the other part

THE KINGDOM OF BELGIUM,

THE KINGDOM OF DENMARK,

THE FEDERAL REPUBLIC OF GERMANY,

THE HELLENIC REPUBLIC,

THE KINGDOM OF SPAIN,

THE FRENCH REPUBLIC,

IRELAND,

THE ITALIAN REPUBLIC,

THE GRAND DUCHY OF LUXEMBOURG,

THE KINGDOM OF THE NEDERLANDS,

THE REPUBLIC OF AUSTRIA,

THE PORTUGUESE 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, the Treaty establishing the European Coal and Steel Community, the Treaty establishing the European Atomic Energy Community, and the Treaty on European Union

hereinafter referred to as 'Member States`, and

THE EUROPEAN COMMUNITY, THE EUROPEAN COAL AND STEEL COMMUNITY, THE EUROPEAN ATOMIC ENERGY COMMUNITY,

hereinafter referred to as the 'Community',

of the one part, and

THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA hereinafter referred to as 'The former Yugoslav Republic of Macedonia`,

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 the former Yugoslav Republic of Macedonia to further strengthen and extend the relations established previously, in particular through the Co-operation Agreement signed on 29 April 1997 by way of Exchange of Letters, which entered into force on 1 January 1998.

Considering that the relationship between the Parties in the field of inland transport should continue to be governed by the Agreement between the European Economic Community and the former Yugoslav Republic of Macedonia in the field of transport, signed on 29 June 1997, which entered into force on 28 November 1997;

Considering the importance of this Agreement, in the framework of the Stabilisation and Association process with the countries of south-eastern Europe, to be further developed by an EU Common strategy for this region, in the establishment and consolidation of a stable European order based on co-operation, of which the European Union is a mainstay, as well as in the framework of the Stability Pact.

Considering the commitment of the Parties to contribute by all means to the political, economic and institutional stabilisation in the former Yugoslav Republic of Macedonia as well as in the region, through the development of civic society and democratisation, institution building and public administration reform, enhanced trade and economic co-operation, the strengthening of national and regional security, as well as increased co-operation in justice and home affairs;

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 free and fair elections and a multiParty system;

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 the former Yugoslav Republic of Macedonia;

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 Helsinki Final Act, the concluding documents of the Madrid and Vienna Conferences, the Charter of Paris for a New Europe, and of the Cologne Stability Pact for south-eastern Europe, so as to contribute to regional stability and co-operation among the countries of the region;

Desirous of establishing regular political dialogue on bilateral and international issues of mutual interest, including regional aspects;

Considering the commitment of the Parties to free trade, in compliance with the rights and obligations arising out of the WTO;

Convinced that the Stabilisation and Association 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;

Bearing in mind the commitment by the former Yugoslav Republic of Macedonia to approximate its legislation to that of the Community;

Taking account of the Community's willingness to provide decisive support for the implementation of reform, and to use all available instruments of co-operation 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 bind the United Kingdom and Ireland as separate Contracting Parties, and not as part of the European Community, until the United Kingdom or Ireland (as the case may be) notifies the former Yugoslav Republic of Macedonia that it has become bound as part of the European Community in accordance with the Protocol on the position of the United Kingdom and Ireland annexed to the Treaty on European Union and the Treaty establishing the European Community. The same applies to Denmark, in accordance with the Protocol annexed to those Treaties on the position of Denmark;

Recalling the European Union's readiness to integrate to the fullest possible extent the former Yugoslav Republic of Macedonia 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 and fulfilment of the criteria defined by the European Council in June 1993, subject to successful implementation of this Agreement, notably regarding regional co-operation.

HAVE AGREED AS FOLLOWS:

Article 1

1. An Association is hereby established between the Community and its Member States of the one part and the former Yugoslav Republic of Macedonia of the other part.

2. The aims of this Association are:

   – to provide an appropriate framework for political dialogue, allowing the development of close political relations between the Parties;

   – to support the efforts of the former Yugoslav Republic of Macedonia to develop its economic and international co-operation, also through the approximation of its legislation to that of the Community;

   – to promote harmonious economic relations and develop gradually a free trade area between the Community and the former Yugoslav Republic of Macedonia;

   – 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 Helsinki Final Act and the Charter of Paris for a New Europe, respect for international law principles 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

International and regional peace and stability, the development of good neighbourly relations are central to the Stabilisation and Association Process. The conclusion and the implementation of this Agreement come within the framework of the regional approach of the Community as defined in the Council conclusions of 29 April 1997, based on the merits of the individual countries of the region.

Article 4

The former Yugoslav Republic of Macedonia commits itself to enter into co-operation 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. This commitment constitutes a key factor in the development of the relations and co-operation between the Parties and thus contributes to regional stability.

Article 5

1. The Association shall be fully realised over a transitional period of a maximum of ten years divided into two successive stages. The purpose of this division into successive stages is to implement progressively the provisions of the Stabilisation and Association Agreement and to focus on areas described hereinafter in Titles III, V, VI and VII during the first stage.

2. The Stabilisation and Association Council established under Article 108 shall regularly examine the application of this Agreement and the accomplishment by the former Yugoslav Republic of Macedonia of legal, administrative, institutional and economic reforms in the light of the preamble and in accordance with the general principles laid down in this agreement.

3. Four years after the entry into force of the Agreement, the Stabilisation and Association Council shall evaluate the progress made and decide about the passage into the second phase and its duration, as well as on any possible changes to be brought about as regards the content of the provisions governing the second stage. In so doing, it will take into account the results of the above-mentioned review.

4. The two stages envisaged in paragraphs 1 and 3 shall not apply to Title IV.

Article 6

The Agreement shall be fully compatible with the relevant WTO provisions, in particular Article XXIV of the GATT 1994 and Article V of the GATS.

TITLE II
POLITICAL DIALOGUE

Article 7

Political dialogue between the Parties shall be further developed and intensified. It shall accompany and consolidate the rapprochement between the European Union and the former Yugoslav Republic of Macedonia and contribute to the establishment of close links of solidarity and new forms of co-operation between the Parties.

The political dialogue is intended to promote in particular:

– an increasing convergence of positions of the Parties on international issues and, in particular, on those issues likely to have substantial effects on the Parties;

– regional co-operation and the development of good neighbourly relations;

– common views on security and stability in Europe, including in the areas covered by Common Foreign and Security Policy of the European Union.

Article 8

Political dialogue may take place within a multilateral framework, and as a regional dialogue including other countries of the region.

Article 9

1. At ministerial level, political dialogue shall take place within the Stabilisation and Association Council, which shall have the general responsibility for any matter that 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:

   – meetings, where necessary, of senior officials representing the former Yugoslav Republic of Macedonia, on the one hand, and the Presidency of the Council of the European Union and the Commission, on the other;

   – taking full advantage of all diplomatic channels between the Parties, including appropriate contacts in third countries and within the United Nations, the OSCE and other international fora;

– any other means which would make a useful contribution to consolidating, developing and stepping up this dialogue.

Article 10

Political dialogue at parliamentary level shall take place within the framework of the Stabilisation and Association Parliamentary Committee established under Article 114.

TITLE III
REGIONAL CO-OPERATION

Article 11

In conformity with its commitment to peace and stability, and to the development of good neighbourly relations, the former Yugoslav Republic of Macedonia will actively promote regional co-operation. The Community will also support projects having a regional or cross-border dimension through its technical assistance programmes.
Whenever the Former Yugoslav Republic of Macedonia foresees to reinforce its co-operation with one of the countries mentioned in Articles 12 to 14 below, it shall inform and consult the Community and its Member States according to the provisions laid down in Title X.

Article 12
Co-operation with other countries
having signed a Stabilisation and Association Agreement

No later than when at least one Stabilisation and Association Agreement will have been signed with another of the countries concerned by the Stabilisation and Association Process, the former Yugoslav Republic of Macedonia shall start negotiations with the country or the countries concerned with a view to conclude a convention on regional co-operation, the aim of which will be to enhance the scope of co-operation between the countries concerned.

The main elements of this convention will be:

– political dialogue;

– the establishment of a free trade area between the Parties, consistent with relevant WTO provisions;

– mutual concessions concerning the movement of workers, establishment, supply of services, current payments and movement of capital at an equivalent level to that of this Agreement;

– provisions on co-operation in other fields whether or not covered by this Agreement, and notably the field of Justice and Home Affairs.

This convention will contain provisions for the creation of the necessary institutional mechanisms, as appropriate.

This convention on regional co-operation shall be concluded within two years after the entry into force of at least the second Stabilisation and Association Agreement. Readiness by the former Yugoslav Republic of Macedonia to conclude such a convention will be a condition for the further development of the relations between the former Yugoslav Republic of Macedonia and the EU.

Article 13
Co-operation with other countries concerned by the Stabilisation & Association Process

The former Yugoslav Republic of Macedonia shall engage in regional co-operation with the other countries concerned by the Stabilisation & Association Process in some or all the fields of co-operation covered by this Agreement, and notably those of common interest. Such co-operation should be compatible with the principles and objectives of this Agreement.

Article 14
Co-operation with countries candidate to EU accession

The former Yugoslav Republic of Macedonia may foster its co-operation and conclude a convention on regional co-operation with any country candidate for EU accession in any of the fields of co-operation covered by this Agreement. Such convention should aim to gradually align bilateral relations between the former Yugoslav Republic of Macedonia and this country to the relevant part of the relations between the European Community and its Member States and this country.

TITLE IV
FREE MOVEMENT OF GOODS

Article 15

1. The Community and the former Yugoslav Republic of Macedonia shall gradually establish a free trade area over a period lasting a maximum of ten 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 of goods shall be applied to the classification of goods in trade between the two Parties.

3. For each product the basic duty to which the successive reductions set out in this Agreement are to be applied shall be the duty actually applied *erga omnes* on the day preceding the signature of this Agreement.

4. If, after the signature of this Agreement, any tariff reduction is applied on an *erga omnes* basis, in particular reductions resulting from the tariff negotiations in the WTO, such reduced duties shall replace the basic duty referred to in paragraph 3 as from the date when such reductions are applied.

5. The Community and the former Yugoslav Republic of Macedonia shall communicate to each other their respective basic duties.

CHAPTER I
INDUSTRIAL PRODUCTS

Article 16

1. The provisions of this Chapter shall apply to products originating in the Community or the former Yugoslav Republic of Macedonia listed in Chapters 25 to 97 of the Combined Nomenclature, with the exception of the products listed in Annex I. § I, (ii) of the Agreement on agriculture (GATT 1994)

2. The provisions of Articles 17 and 18 shall neither apply to textile products nor to steel products, as specified in Articles 22 and 23.

3. 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 17

1. Customs duties on imports into the Community of products originating in the former Yugoslav Republic of Macedonia shall be abolished upon the entry into force of this Agreement.

2. Quantitative restrictions on imports into the Community and measures having equivalent effect shall be abolished on the date of entry into force of this Agreement with regard to products originating in the former Yugoslav Republic of Macedonia.

Article 18

1. Customs duties on imports into the Former Yugoslav Republic of Macedonia of goods originating in the Community other than those listed in Annexes I and II shall be abolished upon the entry into force of this Agreement.

2. Customs duties on imports into the former Yugoslav Republic of Macedonia of goods originating in the Community which are listed in Annex I shall be progressively reduced in accordance with the following timetable:

   – on 1 January of the first year after the entry into force of the Agreement each duty shall be reduced to 90% of the basic duty;

   – on 1 January of the second year after the entry into force of the Agreement each duty shall be reduced to 80% of the basic duty;

   – on 1 January of the third year after the entry into force of the Agreement each duty shall be reduced to 70% of the basic duty;

   – on 1 January of the fourth year after the entry into force of the Agreement each duty shall be reduced to 60% of the basic duty;

   – on 1 January of the fifth year after the entry into force of the Agreement each duty shall be reduced to 50% of the basic duty;

– on 1 January of the sixth year after the entry into force of the Agreement each duty shall be reduced to 40% of the basic duty;

– on 1 January of the seventh year after the entry into force of the Agreement each duty shall be reduced to 30% of the basic duty;

– on 1 January of the eighth year after the entry into force of the Agreement each duty shall be reduced to 20% of the basic duty;

– on 1 January of the ninth year after the entry into force of the Agreement each duty shall be reduced to 10% of the basic duty;

– on 1 January of the tenth year after the entry into force of the Agreement the remaining duties shall be abolished.

3. Customs duties on imports into the former Yugoslav Republic of Macedonia of goods originating in the Community which are listed in Annex II shall be progressively reduced and eliminated in accordance with the timetable specified in the Annex.

4. Quantitative restrictions on imports into the former Yugoslav Republic of Macedonia of goods originating in the Community and measures having equivalent effect shall be abolished upon the date of entry into force of this Agreement.

Article 19

The Community and the former Yugoslav Republic of Macedonia shall abolish upon the entry into force of this Agreement in trade between themselves any charges having an effect equivalent to customs duties on imports.

Article 20

1. The Community and the former Yugoslav Republic of Macedonia shall abolish any customs duties on exports and charges having equivalent effect upon the entry into force of this Agreement.

2. The Community and the former Yugoslav Republic of Macedonia shall abolish between themselves any quantitative restrictions on exports and measures having equivalent effect upon the entry into force of this Agreement.

Article 21

The former Yugoslav Republic of Macedonia declares its readiness to reduce its customs duties in trade with the Community more rapidly than is provided for in Article 18 if its general economic situation and the situation of the economic sector concerned so permit.

The Stabilisation and Association Council shall make recommendations to this effect.

Article 22

Protocol 1 lays down the arrangements applicable to the textile products referred to therein.

Article 23

Protocol 2 lays down the arrangements applicable to steel products referred to therein.

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 former Yugoslav Republic of Macedonia.

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 Agreement on agriculture (GATT, 1994).

3. This definition includes fish and fisheries products covered by chapter 3, headings 1604 and 1605, and sub-headings 0511 91, 2301 20 00 and ex 1902 20[4].

Article 25

Protocol 3 lays down the trade arrangements for processed agricultural products that are listed therein.

Article 26

1. On 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 the former Yugoslav Republic of Macedonia.

2. On the date of entry into force of this Agreement, the former Yugoslav Republic of Macedonia 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 the former Yugoslav Republic of Macedonia, other than those of heading Nos 0102, 0201, 0202 and 2204 of the Combined Nomenclature.

[4] Ex 1902 20 is 'stuffed pasta containing more than 20% by weight of fish, crustaceans, molluscs or other aquatic invertebrates'

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 IIIand originating in the former Yugoslav Republic of Macedonia, 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 of1 650 tonnes expressed in carcass weight.

3. From the date of entry into force of this Agreement, the Former Yugoslav Republic of Macedonia shall:

   (a) abolish the customs duties applicable on imports of certain agricultural products originating in the Community, listed in Annex IV (a) ;

   (b) abolish the customs duties applicable on imports of certain agricultural products originating in the Community, listed in Annex IV (b)within the limits of tariff quotas indicated for each product in that Annex. For the quantities exceeding the tariff quotas the Former Yugoslav Republic of Macedonia shall reduce progressively the customs duties in accordance with the timetable indicated for each product in that Annex;

   (c) reduce progressively the customs duties applicable on imports of certain agricultural products originating in the Community, listed in Annex IV (c)within the limits of tariff quotas and in accordance with the timetable indicated for each product in that Annex.

4. The trade arrangements to apply to wine and spirit products will be defined in a separate wine and spirit agreement .

Article 28
Fisheries products

1. From the entry into force of this Agreement the Community shall totally eliminate customs duties on fish and fisheries products originating in the Former Yugoslav Republic of Macedonia, Products listed in Annex V (a)shall be subject to the provisions laid down therein.

2. From the entry into force of this Agreement the Former Yugoslav Republic of Macedonia shall abolish all charges having an equivalent effect to a custom duty and reduce customs duties on fish and fisheries products originating in the European Community by 50% of the MFN duty. The residual duties shall be reduced over a period of six years to be eliminated at the end of this period.

   The rules contained in this paragraph shall not apply to products listed in Annex V (b) which shall be subject to tariff reductions laid down in the said Annex.

Article 29

1. 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 for agriculture and fisheries, of the rules of the agricultural policies of the Former Yugoslav Republic of Macedonia, of the role of agriculture in Former Yugoslav Republic of Macedonia's economy, of the production and export potential of its traditional branches and markets and of the consequences of the multilateral trade negotiations under the WTO, the Community and Former Yugoslav Republic of Macedonia shall examine in the Stabilisation and Association Council, no later than 1st January 2003, 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.

2. The provisions of this Chapter shall in no way affect the application, on a unilateral basis, of more favourable measures by one or the other Party.

Article 30

Notwithstanding other provisions of this Agreement, and in particular Article 37, given the particular sensitivity of the agricultural and fisheries markets, if imports of products originating in one of the two Parties, which are the subject of concessions granted pursuant to Article 25, 27 and 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.

CHAPTER III
COMMON PROVISIONS

Article 31

The provisions of this Chapter shall apply to trade in all products between the Parties except where otherwise provided herein or in Protocols 1, 2 and 3.

Article 32
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 the Former Yugoslav Republic of Macedonia.

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 the Former Yugoslav Republic of Macedonia.

3. Without prejudice to the concessions granted under Article 26, the provisions of paragraphs 1 and 2 of this Article shall not restrict in any way the pursuit of the respective agricultural policies of the Former Yugoslav Republic of Macedonia and the Community or the taking of any measures under those policies in so far as the import regime in the Annexes III, IV (a) (b) (c) and V (a) (b) is not affected.

Article 33
Prohibition of fiscal discrimination

1. The Parties 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 34

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

Article 35
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 periods specified in Articles 17 and 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 and the Socialist Federal Republic of Yugoslavia and succeeded to by the former Yugoslav Republic of Macedonia or resulting from the bilateral agreements specified in Title III concluded by the former Yugoslav Republic of Macedonia 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 Community, such consultations shall take place so as to ensure that account is taken of the mutual interests of the Community and the former Yugoslav Republic of Macedonia stated in this Agreement.

Article 36
Dumping

1. If one of the Parties finds that dumping is taking place in trade with the other Party within the meaning of Article VI of the GATT 1994, it may take appropriate measures against this practice in accordance with the Agreement on implementation of Article VI of the GATT 1994 and its own related internal legislation.

2. As regards the first paragraph of this Article, the Stabilisation and Association Council shall be informed of the dumping case as soon as the authorities of the importing Party have initiated an investigation. When no end has been put to the dumping within the meaning of Article VI of the GATT 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.

Article 37
General safeguard clause

1. 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:

   – serious injury to the domestic industry of like or directly competitive products in the territory of the importing Party; or

   – 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 measures under the conditions and in accordance with the procedures laid down in this Article.

2. The Community and the former Yugoslav Republic of Macedonia shall only apply safeguard measures between themselves in accordance with the provisions of this Agreement. Such measures shall not exceed what is necessary to remedy the difficulties which have arisen, and should normally consist of the suspension of the further reduction of any applicable rate of duty provided for under this Agreement for the product concerned or the increase of the rate of duty for that product.

   Such measures shall contain clear elements progressively leading to their elimination at the end of the set period, at the latest. Measures shall not be taken for a period exceeding one year. In very exceptional circumstances, measures may be taken up to a total maximum period of three years. No 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, three years since the expiry of the measure.

3. In the cases specified in this Article, before taking the measures provided for therein or, in the cases to which paragraph 4 (b) of this Article applies, as soon as possible, the Community or the former Yugoslav Republic of Macedonia, as the case may be, shall supply the Stabilisation and Association Committee with all relevant information, with a view to seeking a solution acceptable to the two Parties.

4. For the implementation of the above paragraphs the following provisions shall apply:

(a) The difficulties arising from the situation referred to in this Article shall be referred for examination to the Stabilisation and Association Committee, which may take any decisions needed to put an end to such difficulties.If the Stabilisation and Association Committee or the exporting Party has not taken a decision putting an end to the difficulties or no other satisfactory solution has been reached within 30 days of the matter being referred to the Stabilisation and Association Committee, 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.

(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 precautionary measures necessary to deal with the situation and shall inform the other Party immediately thereof.

5. The safeguard measures shall be notified immediately to the Stabilisation and Association Committee 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 the former Yugoslav Republic of Macedonia subjecting imports of products liable to give rise to the difficulties referred to in this Article to an administrative procedure having at its purpose the rapid provision of information on the trend of trade flows, it shall inform the other Party.

Article 38
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 of this Article or, as soon as possible in cases to which paragraph 4 of this Article applies, the Community or the former Yugoslav Republic of Macedonia, as the case may be, shall supply the Stabilisation and Association Committee with all relevant information, with a view to seeking a solution acceptable to the Parties. The Parties within the Stabilisation and Association Committee 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 Committee, 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 the Former Yugoslav Republic of Macedonia, 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 Committee 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 39
State monopolies

The former Yugoslav Republic of Macedonia shall progressively adjust any State monopolies of a commercial character so as to ensure that, by the end of the fifth year 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 and of the former Yugoslav Republic of Macedonia. The Stabilisation and Association Council shall be informed about the measures adopted to attain this objective.

Article 40

Protocol 4 lays down the rules of origin for the application of tariff preferences provided for in this Agreement.

Article 41
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 42

Both parties agree to co-operate to reduce the potential for fraud in the application of the trade provisions of this Agreement.

Notwithstanding other provisions of this Agreement, and in particular Articles 30, 37 and 88 and Protocol 4, where one Party finds that there is sufficient evidence of fraud such as a significant increase in trade of products by one party to the other party, beyond the level reflecting economic conditions such as normal production and export capacities, or failure to provide administrative co-operation as required for the verification of evidence of origin by 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. In the selection of the measure priority must be given to those which least disturb the functioning of the arrangements established in this Agreement.

Article 43

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

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

CHAPTER I
MOVEMENT OF WORKERS

Article 44

1. Subject to the conditions and modalities applicable in each Member State:

   - treatment accorded to workers who are nationals of the former Yugoslav Republic of Macedonia 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 its own nationals;

   - 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, with the meaning of Article 45, 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. the former Yugoslav Republic of Macedonia shall, subject to conditions and modalities in that country, accord the treatment refereed 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 the said country.

Article 45

1. Taking into account the labour market situation in the Member States, subject to their legislation and to compliance with the rules in force in the Member States in the area of mobility of workers:

   – the existing facilities of access to employment for workers of the former Yugoslav Republic of Macedonia accorded by Member States with bilateral agreements should be preserved and if possible improved;

   – the other Member States shall examine the possibility of concluding similar agreements.

2. 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 labour market situation in the Member States and in the Community.

Article 46

Rules shall be laid down for the co-ordination of social security system for workers with nationality of the former Yugoslav Republic of Macedonia, 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, will put the following provisions in place:

– 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;

– any pensions or annuities in respect of old age, death, industrial accident or occupational disease, or of invalidity resulting therefrom, 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;

– the workers in question shall receive family allowances for the members of their families as defined above;

The former Yugoslav Republic of Macedonia 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 the second and third indents of paragraph 1.

CHAPTER II
ESTABLISHMENT

Article 47

For the purposes of this Agreement:

(a) a 'Community company' or a 'company of the former Yugoslav Republic of Macedonia ' respectively shall mean a company set up in accordance with the laws of a Member State or of former Yugoslav Republic of Macedonia respectively and having its registered office or central administration or principal place of business in the territory of the Community or former Yugoslav Republic of Macedonia respectively.

However, should the company, set up in accordance with the laws of a Member State or of the former Yugoslav Republic of Macedonia respectively, have only its registered office in the territory of the Community or the former Yugoslav Republic of Macedonia respectively, the company shall be considered a Community or a company from the former Yugoslav Republic of Macedonia respectively if its operations possess a real and continuous link with the economy of one of the Member States or the former Yugoslav Republic of Macedonia respectively;

(b) 'Subsidiary' of a company shall mean a company which is effectively controlled by the first 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 set up undertakings, in particular companies, which they effectively control. 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.

(ii) as regards Community or the former Yugoslav Republic of Macedonia companies, the right to take up economic activities by means of the setting up of subsidiaries and branches in the former Yugoslav Republic of Macedonia 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 the former Yugoslav Republic of Macedonia ' shall mean respectively a natural person who is a national of one of the Member States or of the former Yugoslav Republic of Macedonia ;

(h) with regard to international maritime transport, including inter-modal operations involving a sea leg, nationals of the Member States or of the former Yugoslav

Republic of Macedonia established outside the Community or of the former Yugoslav Republic of Macedonia respectively, and shipping companies established outside the Community or the former Yugoslav Republic of Macedonia and controlled by nationals of a Member State or the nationals of the former Yugoslav Republic of Macedonia 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 the former Yugoslav Republic of Macedonia respectively, in accordance with their respective legislation.

(i) '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 48

1. The former Yugoslav Republic of Macedonia shall grant, upon entry into force of this Agreement:

   (i) as regards the establishment of Community companies treatment no less favourable than that accorded to its own companies or to any third country company , whichever is the better, and;

   (ii) as regards the operation of subsidiaries and branches of Community companies in the former Yugoslav Republic of Macedonia, 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 former Yugoslav Republic of Macedonia shall not adopt any new regulations or measures which introduce discrimination as regards the establishment of Community companies on its territory or in respect of their operation, once established, by comparison with its own companies.

3. The Community and its Member States shall grant, from the entry into force of this Agreement:

   (i) as regards the establishment of companies from the former Yugoslav Republic of Macedonia, 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;

   (ii) as regards the operation of subsidiaries and branches of companies from the former Yugoslav Republic of Macedonia, established in their 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.

4. Five years after the entry into force of this Agreement, and in the light of the relevant European Court of Justice jurisprudence, and the situation of the labour market, the Stabilisation and Association Council will examine whether to extend the above provisions to the establishment of nationals of both Parties to the Agreement 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 the former Yugoslav Republic of Macedonia;

(b) Subsidiaries of Community companies shall also have the right to acquire and enjoy ownership rights over real property as the companies of the former Yugoslav Republic of Macedonia and as regards public goods/goods of common interest, including natural resources, agricultural land and forestry, the same rights as enjoyed by companies of the former Yugoslav Republic of Macedonia, where these rights are necessary for the conduct of the economic activities for which they are established;

(c) By the end of the first stage of transitional period the Stabilisation and Association Council shall examine the possibility of extending the rights under (b) to branches of the Community companies.

Article 49

1. Subject to the provisions of Article 48, with the exception of financial services described in Annex VI, each Party may regulate the establishment and operation of companies and nationals on its territory, in so far as these regulations do not discriminate against companies and nationals of the other Party 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 owned 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 the Agreement.

3. Nothing in the 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 50

1. The provisions of this 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 51

1. The provisions of Articles 48 and 49 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 52

In order to make it easier for Community nationals and nationals of the former Yugoslav Republic of Macedonia to take up and pursue regulated professional activities in the former Yugoslav Republic of Macedonia and 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 53

1. A Community company or a company from the former Yugoslav Republic of Macedonia established in the territory of the former Yugoslav Republic of Macedonia or the Community respectively 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 country of establishment, in the territory of the former Yugoslav Republic of Macedonia and the Community respectively, employees who are nationals of the Community Member States and former Yugoslav Republic of Macedonia 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 above mentioned companies, herein referred to as 'organisations', are 'intra-corporate transferees' as defined in 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:

– directing the establishment of a department or sub-division of the establishment;

– supervising and controlling the work of other supervisory, professional or managerial employees;

– 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 the former Yugoslav Republic of Macedonia of nationals of the former Yugoslav Republic of Macedonia 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 company from the former Yugoslav Republic of Macedonia or of a subsidiary or branch in the former Yugoslav Republic of Macedonia of a Community company in a Community Member State or in the former Yugoslav Republic of Macedonia respectively, when:

– those representatives are not engaged in making direct sales or supplying services, and

– the company has its principal place of business outside the Community or the former Yugoslav Republic of Macedonia , respectively, and has no other representative, office, branch or subsidiary in that Community Member State or former Yugoslav Republic of Macedonia respectively.

Article 54

During the first four years following the date of entry into force of this Agreement, the former Yugoslav Republic of Macedonia may introduce measures which derogate from the provisions of this Chapter as regards the establishment of Community companies and nationals of certain industries which*:*

– are undergoing restructuring, or are facing serious difficulties, particularly where these entail serious social problems in the former Yugoslav Republic of Macedonia, or

– face the elimination or a drastic reduction of the total market share held by the former Yugoslav Republic of Macedonia companies or nationals in a given sector or industry in the former Yugoslav Republic of Macedonia, or

– are newly emerging industries in the former Yugoslav Republic of Macedonia

Such measures:

(i) shall cease to apply at the latest two years after the end of the first stage of the transitional period.

(ii) shall be reasonable and necessary in order to remedy the situation, and

(iii) shall not introduce discrimination concerning the activities of Community companies or nationals already established in the former Yugoslav Republic of Macedonia at the time of introduction of a given measure, by comparison with companies or nationals from the former Yugoslav Republic of Macedonia.

While devising and applying such measures, the former Yugoslav Republic of Macedonia shall grant preferential treatment wherever possible to Community companies and nationals, and in no case treatment less favourable than that accorded to companies or nationals from any third country. Prior to the adoption of these measures, the former Yugoslav Republic of Macedonia shall consult the Stabilisation and Association Council and shall not put them into effect before a one month period has elapsed following the notification to the Stabilisation and Association Council of the concrete measures to be introduced by the former Yugoslav Republic of Macedonia, except where the threat of irreparable damage requires the taking of urgent measures, in which case the former Yugoslav Republic of Macedonia shall consult the Stabilisation and Association Council immediately after their adoption.

Upon the expiry of the fourth year following the entry into force of this Agreement the former Yugoslav Republic of Macedonia may introduce or maintain such measures only with the authorisation of the Stabilisation and Association Council and under conditions determined by the latter.

CHAPTER III
SUPPLY OF SERVICES

Article 55

1. The Parties undertake in accordance with the following provisions to take the necessary steps to allow progressively the supply of services by Community or the former Yugoslav Republic of Macedonia companies or nationals which are established in 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 53, including natural persons who are representatives of a Community or the former Yugoslav Republic of Macedonia 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. As from the second stage of the transition period, 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 56

1. The Parties shall not take any measures or actions which render the conditions for the supply of services by Community and the former Yugoslav Republic of Macedonia 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 the Agreement.

2. If one Party is of the view that measures introduced by the other Party since the entry into force of the 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 the Agreement, such first Party may request the other Party to enter into consultations.

Article 57

With regard to supply of transport services between the Community and the former Yugoslav Republic of Macedonia , the following provisions shall apply:

1. With regard to inland transport, the relationship between the parties is governed by the agreement between the european community and the former yugoslav republic of macedonia in the field of transport entered into force on 28 november 1997. the parties confirm the importance they attach to the correct application of this agreement.

2. With regard to international maritime transport the Parties undertake to apply effectively the principle of unrestricted access to the market and traffic on a commercial basis.

   (a) The above provision does not prejudice the rights and obligations under the United Nations Code of Conduct for Liner Conferences, as applied by one or the other Party to this Agreement. Non-conference liners will be free to operate in competition with a conference as long as they adhere to the principle of fair competition on a commercial basis;

   (b) The Parties affirm their commitment to a freely competitive environment as being an essential of the dry and liquid bulk trade.

3. In applying the principles of paragraph 2, the Parties shall:

   (a) not introduce cargo-sharing clauses in future bilateral agreements with third countries, other than in those exceptional circumstances where liner shipping companies from one or other Party to this Agreement would not otherwise have an effective opportunity to ply for trade to and from the third country concerned;

   (b) prohibit cargo-sharing arrangements in future bilateral agreements concerning dry and liquid bulk trade;

   (c) 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.

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 special agreements to be negotiated between the Parties after the entry into force of this Agreement.

5. Prior to the conclusion of the agreement referred to in paragraph 4, 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. During the transitional period, the former Yugoslav Republic of Macedonia shall adapt its legislation, including administrative, technical and other rules, to that of the Community existing at any time in the field of air and inland transport insofar as it serves liberalisation purposes and mutual access to markets of the Parties and facilitates the movement of passengers and of goods.

   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 inland transport services.

CHAPTER IV
CURRENT PAYMENTS AND MOVEMENT OF CAPITAL

Article 58

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

Article 59

1. With regard to transactions on the capital and financial account of balance of payments, from entry into force of the 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 therefrom.

2. With regard to transactions on the capital and financial account of balance of payments, from 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.

   They shall also ensure, from beginning of the second stage, free movement of capital relating to portfolio investment and financial loans and credits with maturity shorter than a year.

3. 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 the former Yugoslav Republic of Macedonia and shall not make the existing arrangements more restrictive.

4. Without prejudice to the provisions of Article 58 and of this Article, where, in exceptional circumstances, movements of capital between the Community and the former Yugoslav Republic of Macedonia cause, or threaten to cause, serious difficulties for the operation of exchange rate policy or monetary policy in the Community or the former Yugoslav Republic of Macedonia, the Community and the former Yugoslav Republic of Macedonia, respectively, may take safeguard measures with regard to movements of capital between the Community and the former Yugoslav Republic of Macedonia for a period not exceeding six months if such measures are strictly necessary.

5. The Parties shall consult each other with a view to facilitating the movement of capital between the Community and the former Yugoslav Republic of Macedonia in order to promote the objectives of this Agreement.

Article 60

1. During the first stage, 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 first stage, the Stabilisation and Association Council shall examine ways of enabling Community rules on the movement of capital to be applied in full.

CHAPTER V
GENERAL PROVISIONS

Article 61

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 either Party are connected, even occasionally, with the exercise of official authority.

Article 62

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, 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 61.

Article 63

Companies which are controlled and exclusively owned jointly by the former Yugoslav Republic of Macedonia companies or nationals and Community companies or nationals shall also be covered by the provisions of this Title.

Article 64

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 former Yugoslav Republic of Macedonia 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 65

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 the former Yugoslav Republic of Macedonia is in serious balance of payments difficulties, or under imminent threat thereof, the Community or the former Yugoslav Republic of Macedonia, 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 the former Yugoslav Republic of Macedonia, 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 66

The provisions of this Title shall be progressively adjusted, notably in the light of requirements arising from Article V of the General Agreement on Trade in Services (GATS).

Article 67

The provisions of this Agreement shall not prejudice the application by each 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 AND LAW ENFORCEMENT

Article 68

1. The Parties recognise the importance of the approximation of the existing and future laws of the former Yugoslav Republic of Macedonia to those of the Community. The former Yugoslav Republic of Macedonia shall endeavour to ensure that its laws will be gradually made compatible with those of the Community.

2. This gradual approximation of law will take place in two stages.

3. Starting on the date of signing of the Agreement and lasting as explained in Article 5, the approximation of laws shall extend to certain fundamental elements of the Internal Market acquis as well as to other trade-related areas, along a programme to be defined in co-ordination with the Commission of the European Communities. The former Yugoslav Republic of Macedonia will also define, in co-ordination with the Commission of the European Communities, the modalities for the monitoring of the implementation of approximation of legislation and law enforcement actions to be taken, including reform of the judiciary.

   Deadlines will be set for competition law, intellectual property law, standards and certification law, public procurement law, and data protection law. Legal approximation in other sectors of the internal market will be an obligation to be met at the end of the transition period.

4. During the second stage of the transitional period laid down in Article 5 the approximation of laws shall extend to the elements of the acquis that are not covered by the previous paragraph.

Article 69
Competition and other economic provisions

1. The following are incompatible with the proper functioning of the Agreement, in so far as they may affect trade between the Community and the former Yugoslav Republic of Macedonia:

   (i) 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;

   (ii) abuse by one or more undertakings of a dominant position in the territories of the Community or of the former Yugoslav Republic of Macedonia as a whole or in a substantial part thereof;

   (iii) any public 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 rules of Articles 81, 82 and 87 of the Treaty establishing the European Community.

3.

(a) For the purposes of applying the provisions of paragraph 1(iii), the Parties recognise that during the first four years after the entry into force of this Agreement, any public aid granted by the former Yugoslav Republic of Macedonia shall be assessed taking into account the fact that the former Yugoslav Republic of Macedonia shall be regarded as an area identical to those areas of the Community described in Article 87(3)(a) of the Treaty establishing the European Community.

(b) Each Party shall ensure transparency in the area of public aid, *inter alia* by reporting annually to the other Party on the total amount and the distribution of the aid given and by providing, upon request, information on aid schemes. Upon request by one Party, the other Party shall provide information on particular individual cases of public aid.

Each Party shall ensure that the provisions of this Article are applied within five years of the Agreement's entry into force

4. With regard to products referred to in Chapter II of Title IV:

– paragraph 1 (iii) shall not apply.

– any practices contrary to paragraph 1(i) shall be assessed according to the criteria established by the Community on the basis of Articles 36 and 37 of the Treaty establishing the European Community and specific Community instruments adopted on this basis.

5. If the Community or the Former Yugoslav Republic of Macedonia considers that a particular practice is incompatible with the terms of paragraph 1, and:

– if such practice causes or threatens to cause serious injury to the interests of the other Party or material injury to its domestic industry, including its services industry, it may take appropriate measures after consultation within the Stabilisation and Association Council or after thirty working days following referral for such consultation.

In the case of practices incompatible with paragraph 1(iii), such appropriate measures may, where the WTO Agreement applies thereto, only be adopted in accordance with the procedures and under the conditions laid down thereby or the relevant Community internal legislation.

6. The Parties shall exchange information taking into account the limitations imposed by the requirements of professional and business confidentiality.

Article 70

With regard to public undertakings, and undertakings to which special or exclusive rights have been granted, each Party shall ensure that as from the third year following the date of entry into force of this Agreement, the principles of the Treaty establishing the European Community, in particular Article 86 thereof, are upheld.

Article 71
Intellectual, industrial and commercial property

1. Pursuant to the provisions of this Article and Annex VII, the Parties confirm the importance that they attach to ensure adequate and effective protection and enforcement of intellectual, industrial and commercial property rights.

2. The Former Yugoslav Republic of Macedonia shall take 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.

3. The Former Yugoslav Republic of Macedonia undertakes to accede, within the period referred above, to the multilateral conventions on intellectual, industrial and commercial property rights referred to in Annex VII.

   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 72
Public contracts

1. The Parties consider the opening-up of the award of public contracts on the basis of non-discrimination and reciprocity, in particular in the WTO context, to be a desirable objective.

2. The companies of the former Yugoslav Republic of Macedonia, 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 will also apply to contracts in the utilities sector once the government of the former Yugoslav Republic of Macedonia has adopted the legislation introducing the Community rules in this area. The Community shall examine periodically whether the former Yugoslav Republic of Macedonia has indeed introduced such legislation.

   Community companies not established in the former Yugoslav Republic of Macedonia shall be granted access to contract award procedures in the former Yugoslav Republic of Macedonia pursuant to the Law on Public Procurement under treatment no less favourable than that accorded to companies of the former Yugoslav

Republic of Macedonia at the latest five years after the entry into force of this Agreement. Community companies established in the former Yugoslav Republic of Macedonia under the provisions of Chapter 2 of Title V shall have upon entry into force of this Agreement access to contract award procedures under treatment no less favourable than that accorded to companies of the former Yugoslav Republic of Macedonia.

The Stabilisation and Association Council shall periodically examine the possibility for the former Yugoslav Republic of Macedonia to introduce access to award procedures in the former Yugoslav Republic of Macedonia for all Community companies.

3. As regards establishment, operations, supply of services between the Community and the former Yugoslav Republic of Macedonia, and also employment and movement of labour linked to the fulfilment of public contracts, the provisions of Articles 44 to 67 are applicable.

Article 73
Standardisation, Metrology, Accreditation and Conformity Assessment

1. The former Yugoslav Republic of Macedonia 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, Parties shall seek:

- to promote the use of Community technical regulations and European standards, tests and conformity assessment procedures;
- to conclude, where appropriate, European Conformity Assessment Protocols;
- to foster the development of the quality infrastructure: standardisation, metrology, accreditation and conformity assessment;
- to promote participation in the work of specialised European organisations (CEN, CENELEC, ETSI, EA, WELMEC, EUROMED etc),

TITLE VII
JUSTICE AND HOME AFFAIRS

Article 74
Reinforcement of institutions and rule of law

In their co-operation in justice and home affairs the Parties will attach particular importance to the reinforcement of institutions at all levels in the areas of administration in general and law enforcement and the machinery of justice in particular. This includes the consolidation of the rule of law. Co-operation in the field of justice will focus in particular on the independence of the judiciary, the improvement of its effectiveness and training of the legal professions.

Article 75
Visa, border control, asylum and migration

1. The Parties shall co-operate in the areas of visa, border control, asylum and migration and will set-up a framework for the co-operation, including at a regional level, in these fields.

2. Co-operation in the matters referred to in paragraph 1 shall be based on mutual consultations and close co-ordination between the Parties and should include technical and administrative assistance for:

   – exchange of information on legislation and practices;

   – the drafting of legislation;

   – enhancing the efficiency of the institutions;

   – training of staff;

   – security of the travel documents and detection of false documents.

3. Co-operation will focus in particular:

   – in the area of asylum on the development and implementation of national legislation to meet the standards of the 1951 Geneva Convention and thereby to ensure that the principle of non-refoulement is respected.

   – in the field of legal migration, on admission rules and rights and status of the persons 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 granting them rights and obligations comparable to those of their citizens.

The Stabilisation and Association Council can recommend additional subjects for co-operation under this article.

Article 76
Prevention and control of illegal immigration; readmission

1. The Parties agree to co-operate in order to prevent and control illegal immigration. To this end:

   – The former Yugoslav Republic of Macedonia agrees to readmit any of its nationals illegally present on the territory of a Member State, upon request by the latter and without further formalities once such persons have been positively identified as such;

   – and each Member State of the European Union agrees to readmit any of its nationals illegally present on the territory of the former Yugoslav Republic of Macedonia, upon request by the latter and without further formalities once such persons have been positively identified as such.

The Member States of the European Union and the former Yugoslav Republic of Macedonia will provide their nationals with appropriate identity documents and will extend to them the administrative facilities necessary for such purposes.

2. The Parties agree to conclude, upon request, an agreement between the former Yugoslav Republic of Macedonia and the European Community regulating the specific obligations for the former Yugoslav Republic of Macedonia and for the Member States of the European Union for readmission, including an obligation for the readmission of nationals of other countries and stateless persons.

3. Pending the conclusion of the agreement with the Community referred to in paragraph 2, the former Yugoslav Republic of Macedonia agrees to conclude, upon request of a Member State, bilateral agreements with individual Member States of the European Union regulating the specific obligations for readmission between the former Yugoslav Republic of Macedonia and the Member State concerned, including an obligation for the readmission of nationals of other countries and stateless persons.

4. The Stabilisation and Association Council shall examine what other joint efforts can be made to prevent and control illegal immigration, including the trafficking in human beings.

Article 77
Combating money laundering

1. The Parties agree on the necessity of making every effort and co-operating in order to prevent the use of their financial systems for laundering of proceeds from criminal activities in general and drug offences in particular.

2. Co-operation 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 equivalent to those adopted by the Community and international fora in this field.

Article 78
Preventing and combating crime and other illegal activities

1. The Parties agree to co-operate on fighting and preventing criminal and illegal activities, organised or otherwise, such as:

– trafficking in human beings;

– illegal economic activities, and in particular corruption, illegal transactions on products such as industrial waste, radioactive material and transactions involving illegal or counterfeit products;

– illicit trafficking in drugs and psychotropic substances;

– smuggling;

– illicit arms trafficking;

– terrorism.

Co-operation in the above matters will be the subject of consultations and close co-ordination between the parties.

2. The technical and administrative assistance in this field may include:

– the drafting of national legislation in the field of criminal law;

– enhancing the efficiency of the institutions charged with fighting and preventing crime;

– staff training and the development of investigative facilities;

– the formulation of measures to prevent crime.

Article 79
Co-operation on illicit drugs

1. Within their respective powers and competencies, the Parties shall co-operate to ensure a balanced and integrated approach towards drugs. Drug policies and actions shall be aimed at reducing the supply, trafficking and demand of illicit drugs as well as at a more effective control of precursors.

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

3. The co-operation between the Parties shall comprise technical and administrative assistance in particular in the following areas: drafting of national legislation and policies; establishment of institutions and information centres; training of personnel; drug related research; and the prevention of diversion of precursors used for the illicit manufacture of drugs. The Parties may agree to include other areas.

TITLE VIII
CO-OPERATION POLICIES

Article 80

1. The Community and the Former Yugoslav Republic of Macedonia shall establish a close co-operation aimed at contributing to the development and growth potential of the Former Yugoslav Republic of Macedonia. Such co-operation shall strengthen existing economic links on the widest possible foundation, to the benefit of both Parties.

2. Policies and other measures will be designed to bring about the economic and social development of the Former Yugoslav Republic of Macedonia. 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. Co-operation policies shall be integrated into a regional framework of co-operation. Special attention will have to be devoted to measures that can foster co-operation between the former Yugoslav Republic of Macedonia and its neighbouring countries including Member States, thus contributing to regional stability. The Stabilisation and Association Council may define priorities between and within the co-operation policies described hereinafter.

Article 81
Economic policy

1. The Community and the former Yugoslav Republic of Macedonia shall facilitate the process of economic reform by co-operating to improve understanding of the fundamentals of their respective economies and of implementing economic policy in market economies.

2. To these ends the Community and the former Yugoslav Republic of Macedonia shall co-operate to:

   – exchange information on macroeconomic performance and prospects and on strategies for development;

   – analyse jointly economic issues of mutual interest, including the framing of economic policy and the instruments for implementing it.

3. At the request of the authorities of the former Yugoslav Republic of Macedonia, the Community may provide assistance designed to support the efforts of the former Yugoslav Republic of Macedonia towards the introduction of full convertibility of the Denar and the gradual development of its policies towards those of the European Monetary System. Co-operation in this area will include informal exchange of information concerning the principles and the functioning of the European Monetary System and the European System of Central Banks.

Article 82
Statistical co-operation

1. Co-operation in the area of statistics shall aim at the development of an efficient and sustainable statistical system capable to provide in due time reliable, objective and accurate data needed to plan and monitor the process of transition and reform in the former Yugoslav Republic of Macedonia. It shall enable the national statistical system co-ordinated by the State Statistical Office to better meet the needs of its customers, both public administration and private businesses. The statistical system should respect the fundamental principles of statistics issued by the United Nations and the stipulations of the European Statistical law and develop towards the acquis Communautaire in statistics.

2. To this end the Parties may co-operate in particular:

   – to promote the development of an efficient statistical service in the former Yugoslav Republic of Macedonia based on an appropriate institutional framework;

– to develop and maintain national capacity for collecting, processing and disseminating statistical information of high quality using modern technologies in the most efficient way;

– to provide private and public sector economic operators and research community with the appropriate socio-economic data needed to monitor state reforms;

– to enable the national statistical system to adopt the principles and standards of the European statistical system;

– to ensure the confidentiality of individual data.

3. Co-operation in this field shall include, but not limited to, providing information on methods, participation in selected EUROSTAT working groups and exchange of statistical data.

Article 83
Banking, insurance and other financial services

1. The Parties shall co-operate with the aim of establishing and developing a suitable framework for the encouragement of banking, insurance and financial services sector in the former Yugoslav Republic of Macedonia.

The co-operation shall focus on:

– the adoption of a common accounting system compatible with European standards;

– the strengthening and restructuring of the banking, insurance and other financial sectors;

– the improvement of supervision and regulation of banking and other financial services;

– the exchange of information in particular in respect of proposed legislation;

– the preparation of translations and terminology glossaries.

2. The Parties shall co-operate with the aim of developing efficient audit systems in the former Yugoslav Republic of Macedonia following the harmonised Community methods and procedures.

Co-operation shall focus on:

– technical assistance to the Office of Auditors in the former Yugoslav Republic of Macedonia;

– the establishment of internal audit units in official agencies;

– the exchange of information with regard to auditing systems;

– the standardisation of audit documentation;

– training and advisory operations.

Article 84
Investment promotion and protection

1. Co-operation between the Parties shall be aimed at establishing a favourable climate for private investment, both domestic and foreign.

2. The particular aims of co-operation shall be:

– for the former Yugoslav Republic of Macedonia to improve a legal framework which favours and protects investment;

– the conclusion, where appropriate, with Member States of bilateral agreements for the promotion and protection of investment;

– the implementation of suitable arrangements for the transfer of capital;

– the improvement of investment protection.

Article 85
Industrial co-operation

1. Co-operation shall be aimed at promoting the modernisation and restructuring of the industry and individual sectors in the former Yugoslav Republic of Macedonia, as well as industrial co-operation between economic operators of both sides, with the particular objective of strengthening the private sector under conditions that ensure that the environment is protected.

2. Industrial co-operation initiatives will reflect the priorities determined by both Parties. They will 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.

Article 86
Small and medium-sized enterprises

The Parties shall aim to develop and strengthen private sector small and medium-sized enterprises (SMEs), the establishment of new undertakings in areas offering potential for growth and co-operation between SMEs in the Community and the former Yugoslav Republic of Macedonia.

Article 87
Tourism

Co-operation between the Parties in the field of tourism will be aimed at facilitating and encouraging tourism and tourist trade through know-how transfer, participation of the former Yugoslav Republic of Macedonia in important European tourism organisations and studying the opportunities for joint operations, notably in regional tourism projects.

Article 88
Customs

1. The aim of co-operation shall be to guarantee compliance with all the provisions scheduled for adoption in the area of trade and to achieve the approximation of the customs system of the former Yugoslav Republic of Macedonia to that of the Community, thus helping to pave the way for liberalisation measures planned under this Agreement.

2. Co-operation shall include the following in particular:

   – the exchange of information including on the methods of investigation;

   – the development of cross-border infrastructure between the Parties;

   – the possibility of interconnection between the transit systems of the Community and the former Yugoslav Republic of Macedonia, as well as the adoption and use of the Single Administrative Document (SAD);

   – the simplification of inspections and formalities in respect of the carriage of goods;

   – support for introduction of modern customs information systems.

3. Without prejudice to further co-operation provided for in this Agreement, and in particular Articles 76, 77 and 78, the mutual assistance between administrative authorities in customs matters of the Parties shall take place in accordance with the provisions of Protocol 5.

Article 89
Taxation

The Parties will establish co-operation in the field of taxation including measures aiming at the further reform of the fiscal system, the modernisation of the tax services with a view to ensuring effectiveness of tax collection and the fight against fiscal fraud.

Article 90
Social co-operation

1. With regard to employment, co-operation between the Parties shall focus notably on upgrading job-finding and careers advice services, providing back-up measures and promoting local development to assist industrial and labour market restructuring. It shall also include measures such as studies, the secondment of experts and information and training operations.

2. With regard to social security, co-operation between the Parties shall seek to adapt the social security system of the former Yugoslav Republic of Macedonia to the new economic and social requirements, notably by providing the services of experts and organising information and training activities.

3. Co-operation between parties will involve the adjustment of legislation in the former Yugoslav Republic of Macedonia concerning working conditions and equal opportunities for women and men.

4. The Parties shall develop co-operation between them with the aim of improving the level of protection of the health and safety of workers, taking as a reference the level of protection existing in the Community.

Article 91
Education and training

1. The Parties shall co-operate with the aim of raising the level of general education and professional qualifications in the former Yugoslav Republic of Macedonia taking into consideration the priorities of the former Yugoslav Republic of Macedonia.

2. The Tempus programme will contribute to strengthening co-operation between the two Parties in the field of education and training, promoting democracy, the rule of law and economic reform.

3. The European Training Foundation will also contribute to the upgrading of training structures and activities in the former Yugoslav Republic of Macedonia

Article 92
Cultural Co-operation

The Parties undertake to promote cultural co-operation. This co-operation serves *inter alia* to raise mutual understanding and esteem between individuals, communities and peoples.

Article 93
Information and communication

The Community and the former Yugoslav Republic of Macedonia will take the measures necessary to stimulate the mutual exchange of information. Priority will be given to programmes aimed at providing the general public with basic information about the Community and professional circles in the former Yugoslav Republic of Macedonia with more specialised information.

Article 94
Co-operation in the audio-visual field

The Parties shall co-operate to promote the audio-visual industry in Europe and encourage co-production in the fields of cinema and television.

The Parties will co-ordinate, and where appropriate, harmonise their policies on the regulation of content aspects of cross-border broadcasting, paying particular attention to matters relating to the acquisition of intellectual property rights for programmes and broadcast by satellite or cable.

Article 95
Electronic Communications Infrastructure and Associated Services

The Parties will strengthen co-operation in the area of electronic communications infrastructures, including classical telecommunications networks and relevant electronic audio-visual transport networks, and associated services, with the objective of ultimate alignment with the *acquis* by the former Yugoslav Republic of Macedonia one year after the entry into force of the Agreement**.**

The above mentioned co-operation will focus on he following priority areas:

– Policy development,

– legal and regulatory aspects,

– Institution Building required for a liberalised environment,

– Modernisation of the former Yugoslav Republic of Macedonia's electronic infrastructure and its integration into European and world networks, with a focus on improvements at a regional level

– International co-operation,

– Co-operation within European structures especially those involved in standardisation,

– Co-ordinating positions in international organisations and fora.

Article 96
Information Society

The Parties agree to strengthen co-operation with the objective of further developing the Information Society in the former Yugoslav Republic of Macedonia. Global objectives will be preparing society as a whole for the digital age, attracting investments and interoperability of networks and services.

The authorities of the former Yugoslav Republic of Macedonia, with the assistance of the Community, will review carefully any political commitment undertaken in the European Union with the objective of aligning its own policies with those of the Union.

The authorities of the former Yugoslav Republic of Macedonia will establish a plan for the adoption of Community legislation in the area of the Information Society.

Article 97
Consumer protection

The Parties will co-operate in order to align the standards of consumer protection in the former Yugoslav Republic of Macedonia to those of the Community. Effective consumer protection is necessary in order to ensure that the market economy functions properly, 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 will encourage and ensure:

– the harmonisation of legislation and the alignment of consumer protection in the Republic of Macedonia on that in force in the Community;

– a policy of active consumer protection including the increase of information and development of independent organisations;

– effective legal protection for consumers in order to improve the quality of consumer goods and maintain appropriate safety standards.

Article 98
Transport

1. In addition to the Agreement between the European Community and the former Yugoslav Republic of Macedonia in the field of transport, the Parties shall develop and step up the co-operation in order to enable the former Yugoslav Republic of Macedonia to:

   – restructure and modernise transport and related infrastructure;

   – improve movement of passengers and goods and access to the transport market, by the removing of administrative, technical and other barriers;

   – achieve operating standards comparable to those in the Community;

   – develop a transport system compatible and aligned with the Community system;

   – improve the protection of environment in transport, reduction of harmful effects and pollution.

2. Co-operation shall include the following priority areas:

   – the development of road, rail, airport and port infrastructure and other major routes of common interest and Trans-European and Pan-European links.

   – the management of railways and airports, including appropriate co-operation between the relevant national authorities;

   – road transport, including taxation and social and environmental aspects;

   – combined rail and road transport;

   – the harmonisation of international transport statistics;

– the modernisation of technical transport equipment in line with Community standards, and assistance in acquiring financing to that end, particularly as regards road-rail transport, multi-modal transport and transhipment;

– the promotion of joint technological and research programmes;

– the adoption of co-ordinated transport policies that are compatible with those applied in the Community.

Article 99
Energy

1. Co-operation will reflect the principles of the market economy and the European Energy Charter Treaty, and will develop with a view to the gradual integration of Europe's energy markets.

2. Co-operation shall include the following in particular:

– formulation and planning of energy policy, including modernisation of infrastructure, improvement and diversification of supply and improvement of access to the energy market, including facilitation of transit;

– management and training for the energy sector and transfer of technology and know-how;

– the promotion of energy saving, energy efficiency, renewable energy and studying of the environmental impact of energy production and consumption;

– the formulation of framework conditions for restructuring of energy utilities and co-operation between undertakings in this sector.

Article 100
Agriculture, and the agro-industrial sector

Co-operation in this field shall have as its aim the modernisation and restructuring of agriculture and the agro-industrial sector, water management, the rural development, the gradual harmonisation of the Veterinary and Phytosanitary legislation with Community standards and the development of fishery and forestry sectors in the former Yugoslav Republic of Macedonia.

Article 101
Regional and local development

The Parties will strengthen regional development co-operation, with the objective of contributing to economic development and reducing regional imbalances.

Specific attention will be given to cross-border, trans-national and interregional co-operations. To this end, the exchange of information and experts may be undertaken.

Article 102
Co-operation in Research and Technological Development

1. The Parties shall promote bilateral co-operation 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).

2. Science and technology co-operation shall cover:

   – the exchange of scientific and technical information;

   – the organisation of joint scientific meetings;

   – joint RTD activities,

   – training activities and mobility programmes for scientists, researchers and technicians engaged in RTD in both sides.

3. Such co-operation shall be implemented according to specific arrangements to be negotiated and concluded in accordance with the procedures adopted by each Party, and which shall set out, inter alia, appropriate IPR provisions.

Article 103
Environment and nuclear safety

1. The Parties shall develop and strengthen their co-operation in the vital task of combating environmental degradation, with the view to support environment sustainability.

2. Co-operation could centre on the following priorities:

   – combating local, regional and cross-border pollution (air, water quality, including waste water treatment and drinking water pollution) and establishing effective monitoring;

   – development of strategies with regard to global and climate issues;

   – efficient, sustainable and clean energy production and consumption, safety of industrial plants;

   – classification and safe handling of chemicals;

   – waste reduction, recycling and safe disposal, and the implementation of the Basle Convention on the control of transboundary movements of hazardous wastes and their disposal (Basle 1989);

   – the environmental impact of agriculture; soil erosion and pollution by agricultural chemicals;

   – the protection of forests, the flora and fauna; the conservation of bio-diversity;

– town and country planning, including construction and urban planning;

– environmental impact assessment and strategic environmental assessment;

– continuous approximation of laws and regulations to Community standards;

– international Conventions in the area of environment where the Community is Party;

– co-operation at regional level as well as co-operation within the framework of European Environment Agency;

– education, information and awareness on environmental issues.

3. In the field of protection against natural disasters, the aim of co-operation is to ensure the protection of people, animals, property and environment against man-made disasters. To this end the co-operation could include the following areas:

– exchange of the outcome of scientific and research development projects;

– mutual monitoring, early notification and warning systems on hazards disasters and their consequences;

– rescue and relief exercises and assistance systems in case of disasters;

– exchange of experience in rehabilitation and reconstruction after disaster;

4. Co-operation in the field of nuclear safety could cover the following topics:

– upgrading the laws and regulations of the former Yugoslav Republic of Macedonia on nuclear safety and strengthening the supervisory authorities and their resources;

– radiation protection, including environmental radiation monitoring;

– radioactive waste management: the former Yugoslav Republic of Macedonia undertakes to provide to the Stabilisation and Association Council information concerning any intention to import or store radioactive waste;

– encouraging the promotion of Agreements between the EU Member States, or EURATOM, and the former Yugoslav Republic of Macedonia on early notification of information in cases of nuclear accidents and on nuclear safety issues generally, if appropriate;

– strengthening the supervision and control on the transport of materials sensitive to radioactive pollution.

TITLE IX
FINANCIAL COOPERATION

Article 104

In order to achieve the objectives of this agreement and in accordance with Article 3, 108 and 109 the former Yugoslav Republic of Macedonia may receive financial assistance from the Community in the forms of grants and loans, including loans from the European Investment Bank.

Article 105

Financial assistance, in the form of grants, shall be covered by the operation measures provided for in the relevant Council Regulation within a multi-annual indicative framework established by the Community following consultations with the former Yugoslav Republic of Macedonia.

The overall objectives of the assistance, in the form of institution-building and investment, shall contribute to the democratic, economic and institutional reforms of the former Yugoslav Republic of Macedonia, in line with the Stabilisation and Association process. Financial assistance may cover all areas of harmonisation of legislation and co-operation policies of this agreement, including Justice and Home Affairs.

Consideration should be given to the full implementation of the infrastructure projects of common interest identified in the Transport Agreement.

Article 106

At the request of the former Yugoslav Republic of Macedonia and in case of special need, the Community could examine in co-ordination with international financial institutions, the possibility of granting on an exceptional basis macro-financial assistance subject to certain conditions taking into account the availability of all financial resources .

Article 107

In order to permit optimum use of the resources available, the parties shall ensure that Community contribution 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 108

A Stabilisation and Association Council is hereby established which shall supervise the application and implementation of this Agreement. It shall meet at 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 109

1. The Stabilisation and Association Council shall consist of the members of the Council of the European Union and members of the Commission of the European Communities, on the one hand, and of members of the Government of the former Yugoslav Republic of Macedonia, on the other.

2. The Stabilisation and Association Council shall establish its rules of procedure.

3. 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 European Community and a representative of the former Yugoslav Republic of Macedonia, 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 110

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 the 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. When deciding on the transition to the second stage, as provided in the article 5 the Stabilisation and Association Council may also decide on any possible changes to be brought about as regards the content of the provisions governing the second stage.

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.

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 this Article.

The Stabilisation and Association Council may also make appropriate recommendations.

It shall draw up its decisions and recommendations by agreement between the Parties.

Article 111

Each Party may refer to the Stabilisation and Association Council any dispute relating to the application or interpretation of this Agreement. The Stabilisation and Association Council may settle the dispute by means of a binding decision.

Article 112

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 Commission of the European Communities, on the one hand, and of representatives of the former Yugoslav Republic of Macedonia on the other.

Article 113

The Stabilisation and Association Committee may create subcommittees. The Transport Committee established under the Transport Agreement shall assist the Stabilisation and Association Committee.

Article 114

A Stabilisation and Association Parliamentary Committee is hereby established. It shall be a forum for Members of the former Yugoslav Republic of Macedonian Parliament and 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, on the one hand, and of Members of the Parliament of the former Yugoslav Republic of Macedonia, on the other.

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

The Stabilisation and Association Parliamentary Committee shall be chaired in turn by the European Parliament and the Parliament of the former Yugoslav Republic of Macedonia, in accordance with the provisions to be laid down in its rules of procedure.

Article 115

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 116

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 117

1. In the fields covered by this Agreement and without prejudice to any special provisions contained therein:

   - the arrangements applied by the former Yugoslav Republic of Macedonia in respect of the Community shall not give rise to any discrimination between the Member States, their nationals or its companies or firms;

   - the arrangements applied by the Community in respect of the former Yugoslav Republic of Macedonia shall not give rise to any discrimination between the nationals of the former Yugoslav Republic of Macedonia or its companies or firms.

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 118

1. The Parties shall take any general or specific measures required to fulfil their obligations under this Agreement. They shall see to it that the objectives set out in this Agreement are attained.

2. 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 within the Stabilisation and Association Council if the other Party so requests.

Article 119

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.

The provisions of this Article shall in no way affect and are without prejudice to Articles 30, 37, 38 and 42.

Article 120

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 the former Yugoslav Republic of Macedonia, on the other.

Article 121

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

Article 122

This Agreement is concluded for an unlimited period.

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

Article 123

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 the former Yugoslav Republic of Macedonia, of the other part.

Article 124

This Agreement shall apply, on the one hand, to the territories in which the Treaties establishing the European Community, the European Coal and Steel Community and the European Atomic Energy Community are applied and under the conditions laid down in those Treaties, and to the territory of the former Yugoslav Republic of Macedonia on the other.

Article 125

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

Article 126

This Agreement is drawn up in duplicate each of the official languages of the Parties, each of these texts being equally authentic.

Article 127

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

This Agreement shall enter into force on the first day of the second month following the date on which the Parties notify each other that the procedures referred to in the first paragraph have been completed.

Upon its entry into force, this Agreement shall replace the Co-operation Agreement between the European Community and the former Yugoslav Republic of Macedonia signed on 29 April 1997 by way of Exchange of Letters.

Article 128

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 movements of goods, are put into effect by means of an Interim Agreement between the Community and the former Yugoslav Republic of Macedonia, the parties agree that, in such circumstances, for the purpose of Title IV, Articles 69, 70 and 71of this Agreement and Protocol 1 to 5 hereto, the terms "date of entry into force of this Agreement" mean the date of entry into force of the Interim Agreement in relation to obligations contained in these Articles and Protocols.

Joint-Declaration on Art. 34

The European Communities and the former Yugoslav Republic of Macedonia, aware of the impact that the sudden elimination of the 1% fee applied for customs clearance purposes to imported goods could have on the budget of the latter, agree, as an exceptional measure, that the fee would be maintained until 1 January 2002 or until the entry into force of the Stabilisation and Association Agreement, whichever occurs first.

Should this fee, in the meantime, be reduced or eliminated vis-à-vis a third country, the former Yugoslav Republic of Macedonia undertakes to immediately apply the same treatment to goods of EC origin.

The content of this joint-declaration is of no prejudice to the position of the European Communities in the negotiations on the accession of the former Yugoslav Republic of Macedonia to the World Trade Organisation.

Joint Declaration concerning Article 40

Declaration of intent by the Contracting parties on the trade arrangements between the States that emerged from the former Socialist Federal Republic of Yugoslavia:

1. The European Community and former Yugoslav Republic of Macedonia consider it essential for economic and trade cooperation between the States that emerged from the former Socialist Federal Republic of Yugoslavia to be re-established as quickly as possible, as soon as political and economic circumstances permit.

2. The Community is prepared to grant cumulation of origin to the States that emerged from the former Socialist Federal Republic of Yugoslavia which have restored normal economic and trade cooperation as soon as the administrative cooperation needed for cumulation to work properly has been established.

3. With this in mind, former Yugoslav Republic of Macedonia declares its readiness to enter into negotiations as soon as possible in order to establish cooperation with other States that emerged from the former Socialist Federal Republic of Yugoslavia.

Joint Declaration concerning Article 44

It is understood that the notion ‘children’ is defined in accordance with national legislation of the host country concerned.

Joint Declaration concerning Article 46

It is understood that the notion ‘members of their family’ is defined in accordance with national legislation of the host country concerned.

Joint Declaration on Transport Issues concerning Art.57

The Parties agree to seek the earliest possible implementation of Article 12.3 (b) of the Transport Agreement between the European Community and the former Yugoslav Republic of Macedonia, on a system of ecopoints through the conclusion of the relevant agreement, in the form of an exchange of letters, as soon as possible and at the latest by the conclusion of the Interim Agreement.

Joint Declaration concerning Article 71

The parties agree that for the purpose of this Agreement, intellectual, industrial and commercial property includes in particular copyright, including the copyright in computer programmes, and neighbouring rights, the rights relating to databases, patents, industrial designs, trademarks and service marks, topographies of integrated circuits geographical indications, including appellation of origins, as well as protection against unfair competition as referred to in Article 10a of the Paris Convention for the Protection of Industrial Property and protection of undisclosed information on know-how.

Declaration by the Community and its Member States concerning Articles 27 and 29

Considering that exceptional trade measures are granted by the European Community to countries participating or linked to the EU Stabilisation and Association Process including the former Yugoslav Republic of Macedonia on the basis of Regulation (EC) 2007/2000 as amended by Council Regulation (EC) …/2000, the European Community and its Member States declare:

– that, in application of Article 29. (2) of this Agreement, those of the unilateral autonomous trade measures which are more favourable shall apply in addition to the contractual trade concessions offered by the Community in this Agreement as long as Council Regulation (EC) 2007/2000 as amended applies;

– that, in particular, 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 shall apply also to the specific customs duty in derogation from the relevant provision of Article 27. (1).

Declaration of the European Community on Article 76

As far as the readmission of nationals of other countries and of stateless persons by former Yugoslav Republic of Macedonia is concerned, the repatriation policy of the European Community is based on the following main elements:

– Priority is given to voluntary return;

– Repatriation into the country of origin is the overriding principle.

Joint Declaration concerning Article 118

(a) For the purposes of the interpretation and practical application of the Agreement, the parties agree that the cases of special urgency referred to in Article 118 of the Agreement mean cases of material breach of the Agreement by one of the two parties. A material breach of the Agreement consists in

- repudiation of the Agreement not sanctioned by the general rules of international law

- violation of the essential elements of the Agreement set out in Article 2

(b) The parties agree that the "appropriate measures" referred to in Article 118 are measures taken in accordance with international law. If a party takes a measure in a case of special urgency pursuant to Article 118, the other party may avail itself of the dispute settlement procedure.

Done at Brussels,

For the Council
The President

FINANCIAL STATEMENT

1. TITLE OF OPERATION

Stabilisation and Association Agreement between the European Communities and their Member States, of the one part, and the former Yugoslav Republic of Macedonia, of the other part.

2. BUDGET HEADING(S) INVOLVED

The Stabilisation and Association Agreement is not generating any additional expenses to the CARDS program. Financial proposals for the region will be managed through and according to the CARDS regulation[5], and within the financial framework of the CARDS regulation in budget heading B7-54, Cooperation with Balkan countries

3. LEGAL BASIS

Article 310 EC, 95 ECSC, 101(2) EAEC.

4. DESCRIPTION OF OPERATION

The proposals concerns the signature and conclusion of a Stabilisation and Association Agreement. It concerns legal obligation for the former Yugoslav Republic of Macedonia to approximate its legislation to the acqui communautaire, to co-operate with the Countries of the Balkan Region. It will involve a political dialogue with the European Union the perspective of the establishment of a free-trade area between the Community and the country, provisions on co-operation in a wide range of fields, including justice and home affairs, and the establishment of a Association and Stabilisation Council and Committee, to discuss and decide on issues related to this Agreement.

The Community will provide financial assistance to the former Yugoslav Republic of Macedonia, to help the Government to achieve the objectives of the Agreement. Financial Assistance will be provided through the Programme CARDS.

5. CLASSIFICATION OF EXPENDITURE OR REVENUE

Non-compulsory expenditure

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5 OJ L 306, 7/12/2000, p. 1.

6. TYPE OF EXPENDITURE OR REVENUE

– 100% grant (under CARDS)

– Should the operation prove an economic success, is there provision for all or part of the Community contribution to be reimbursed? NO

– Will the proposed operation cause any change in the level of revenue? The Stabilisation and Association Agreement has no impact on revenues as equivalent free trade is already into force under separate trade measures introduced by the by Council Regulation (EC) No2563/2000 of 20 November 2000 amending Regulation (EC) No 2007/2000[6]

7. FINANCIAL IMPACT

None.

8. FRAUD PREVENTION MEASURES

– Specific control measures envisaged.

Concerning trade, the Article 42 of the Stabilisation and Association Agreement, provide the possibility to take immediate measures in case of fraud.

9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

– Target population: Trade Operators of the Community and the former Yugoslav Republic of Macedonia. The whole population of the former Yugoslav Republic of Macedonia will benefit from the implementation of this Agreement.

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6 OJ L 295, 23/11/2000, p.1

10. ADMINISTRATIVE EXPENDITURE (SECTION III, PART A OF THE BUDGET)

10.1 Effect on the number of posts

Type of post		Staff to be assigned to managing the operation		Source		Duration
		Permanent posts	Temporary posts	Existing resources in the DG or department concerned	Additional resources	
Officials or temporary staff	A B C	2		2		
Other resources						
Total		2		2	None	

10.2 Overall financial impact of additional human resources

None