PARTNERSHIP AND COOPERATION AGREEMENT ESTABLISHING A PARTNERSHIP BETWEEN THE EUROPEAN COMMUNITIES AND THEIR MEMBER STATES, OF THE ONE PART, AND TURKMENISTAN, 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 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,

Parties to the Treaty establishing the European Community, the Treaty establishing the European Coal and Steel Community and the Treaty establishing the European Atomic Energy Community,

hereinafter referred to as "Member States", and

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 TURKMENISTAN,

of the other part,

CONSIDERING the links between the Community, its Member States and Turkmenistan and the common values that they share,

RECOGNIZING that the Community and Turkmenistan wish to strengthen these links and to establish partnership and cooperation which would strengthen and widen the relations established in the past in particular by the Agreement between the European Economic Community and the European Atomic Energy Community and the Union of Soviet Socialist Republics on Trade and Commercial and Economic Cooperation, signed on 18 December 19891,

CONSIDERING the commitment of the Community and its Member States and of Turkmenistan to strengthening the political

and economic freedoms which constitute the very basis of the partnership,

RECOGNIZING in that context that support of the independence, sovereignty and territorial integrity of Turkmenistan will contribute to the safeguarding of peace and stability in Central Asia,

ACKNOWLEDGING that the United Nations General Assembly has recognized, and expressed its support for, the status of permanent neutrality declared by Turkmenistan,

CONSIDERING the commitment of the Parties to promote international peace and security as well as the peaceful settlement of disputes and to cooperate to this end in the framework of the United Nations and the Organisation for Security and Cooperation in Europe (OSCE),

CONSIDERING the firm commitment of the Community and its Member States and Turkmenistan to the full implementation of all principles and provisions contained in the Final Act of the Conference on Security and Cooperation in Europe (CSCE), the Concluding Documents of the Madrid and Vienna Follow-Up Meetings, the Document of the CSCE Bonn Conference on Economic Cooperation, the Charter of Paris for a New Europe and the CSCE Helsinki Document 1992 "The Challenges of Change", and other fundamental documents of the OSCE,

CONVINCED of the paramount importance of the rule of law and respect for human rights, particularly those of persons belonging to minorities, the establishment of a multiparty system with free and democratic elections and economic liberalization aimed at setting up a market economy,

BELIEVING that full implementation of this Partnership and Cooperation Agreement will both depend on and contribute to continuation and accomplishment of the political, economic and legal reforms in Turkmenistan, as well as the introduction of the factors necessary for cooperation, notably in the light of the conclusions of the CSCE Bonn Conference,

DESIROUS of encouraging the process of regional cooperation in the areas covered by this agreement with neighbouring countries in order to promote the prosperity and stability of the region,

DESIROUS of establishing and developing regular political dialogue on bilateral and international issues of mutual interest,

RECOGNIZING AND SUPPORTING the wish of Turkmenistan to establish close cooperation with European institutions,

CONSIDERING the necessity of promoting investment in Turkmenistan, including in the energy sector, and in this context the importance attached by the Community and its Member States to equitable conditions for access to and transit for export of energy products; confirming the attachment of the Community and its Member States and of Turkmenistan to the European Energy Charter, and to the full implementation of the Energy Charter Treaty and the Energy Charter Protocol on energy efficiency and related environmental aspects,

TAKING ACCOUNT of the Community's willingness to provide for economic cooperation and technical assistance as appropriate,

BEARING IN MIND the utility of the Agreement in favouring a gradual rapprochement between Turkmenistan and a wider area of cooperation in Europe and neighbouring regions and its progressive integration into the open international trading system,

CONSIDERING the commitment of the Parties to liberalize trade, in conformity with World Trade Organization (WTO) rules,

CONSCIOUS of the need to improve conditions affecting business and investment, and conditions in areas such as establishment of companies, labour, provision of services and capital movements,

CONVINCED that this Agreement will create a new climate for economic relations between the Parties and in particular for the development of trade and investment, which are essential to economic restructuring and technological modernization,

DESIROUS of establishing close cooperation in the area of environment protection taking into account the interdependence existing between the Parties in this field,

RECOGNIZING that cooperation for the prevention and control of illegal immigration, international organised crime and drug trafficking constitutes one of the primary objectives of this Agreement,

DESIROUS of establishing cultural cooperation and improving the flow of information,

HAVE AGREED AS FOLLOWS:

Article 1.

A Partnership is hereby established between the Community and its Member States of the one part, and Turkmenistan, of the other part. The objectives of this partnership are:

to support the independence and sovereignty of Turkmenistan,

- to support Turkmenistan's efforts to consolidate its democracy, to develop its economy and to achieve transition to a market economy,

- to assist in the construction of a civil society in Turkmenistan based upon the rule of law,

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

- to promote trade and investment, in particular in the energy sector, and harmonious economic relations between the Parties and so to foster their sustainable economic development,

- to provide a basis for legislative, economic, social, financial, civil, scientific, industrial, technological and cultural cooperation.

Title I. General Principles

Article 2.

Respect for democratic principles and fundamental and human rights, as defined in particular in the Universal Declaration of Human Rights, the United Nations Charter, the Helsinki Final Act and the Charter of Paris for a New Europe, as well as the principles of market economy, including those enunciated in the documents of the CSCE Bonn Conference, underpin the internal and external policies of the Parties and constitute an essential element of this Agreement.

Article 3.

The Parties consider that it is essential for their future prosperity and stability that the newly independent states which have emerged from the dissolution of the Union of Soviet Socialist Republics, hereinafter called "Independent States", should maintain and develop cooperation among themselves in compliance with the principles of the Helsinki Final Act and with international law and in the spirit of good neighbourly relations, and will make every effort to encourage this process.

Title II. Political Dialogue

Article 4.

A regular political dialogue shall be established between the Parties which they intend to develop and intensify. It shall accompany and consolidate the rapprochement between the Community and Turkmenistan, support the political and economic changes underway in Turkmenistan and contribute to the establishment of new forms of cooperation. The political dialogue:

- will strengthen the links of Turkmenistan with the Community and its Member States, and thus with the community of democratic nations as a whole. The economic convergence achieved through this Agreement will lead to more intense political relations;

- will bring about an increasing convergence of positions on international issues of mutual concern thus increasing security and stability in the tegion,

shall foresee that the Parties endeavour to cooperate on matters pertaining to the observance of the principles of democracy, and the respect, protection and promotion of human rights, including those of persons belonging to minorities and shall hold consultations, if necessary, on relevant matters.

Such dialogue may take place on a regional basis.

Article 5.

At ministerial level, political dialogue shall take place within the Cooperation Council established in Article 77 and on other

occasions by mutual agreement.

Article 6.

Other procedures and mechanisms for political dialogue shall be set up by the Parties, and in particular in the following forms:

- regular meetings at senior official level between representatives of the Community and its Member States on the one hand, and representatives of Turkmenistan on the other hand;

- taking full advantage of diplomatic channels between the Parties including appropriate contacts in the bilateral as well as the multilateral fields, including at United Nations, OSCE meetings and elsewhere;

- any other means, including the possibility of expert meetings which would contribute to consolidating and developing this dialogue.

Title III. Trade In Goods

Article 7.

1. The Parties shall accord to one another most-favoured-nation treatment in all areas in respect of

- customs duties and charges applied to imports and exports, including the method of collecting such duties and charges;

- provisions relating to customs clearance, transit, warehouses and transhipment;

- taxes and other internal charges of any kind applied directly or indirectly to imported goods;

- methods of payment and the transfer of such payments;

- the rules relating to the sale, purchase, transport, distribution and use of goods on the domestic market.

2. The provisions of paragraph 1 shall not apply to:

(a) advantages granted with the aim of creating a customs union or a free-trade area or pursuant to the creation of such a union or area;

(b) advantages granted to particular countries in accordance with WTO rules and with other international arrangements in favour of developing countries;

(c) advantages accorded to adjacent countries in order to facilitate frontier traffic.

3. The provisions of paragraph 1 shall not apply, during a transitional period expiring on 31 December 1998, to advantages defined in Annex I granted by Turkmenistan to other states which have emerged from the dissolution of the USSR.

Article 8.

1. The Parties agree that the principle of free transit is an essential condition of attaining the objectives of this Agreement.

In this connection each Party shall secure unrestricted transit via or through its territory of goods originating in the customs territory or destined for the customs territory of the other Party.

2. The rules described in Article V, paragraphs 2, 3, 4 and 5 of the GATT 1994 are applicable between the Parties.

3. The rules contained in this Article are without prejudice to any special rules relating to specific sectors, in particular such as transport, or products agreed between the Parties.

Article 9.

Without prejudice to the rights and obligations stemming from international conventions on the temporary admission of goods which bind the Parties, each Party shall furthermore grant the other Party exemption from import charges and duties on goods admitted temporarily, in the instances and according to the procedures stipulated by any other international convention on this matter binding upon it, in conformity with its legislation. Account shall be taken of the conditions under which the obligations stemming from such a convention have been accepted by the Party in question.

Article 10.

1. Goods originating in Turkmenistan shall be imported into the Community free of quantitative restrictions and measures of equivalent effect, without prejudice to the provisions of Articles 12, 15 and 16 of this Agreement.

2. Goods originating in the Community shall be imported into Turkmenistan free of quantitative restrictions and measures of equivalent effect, without prejudice to the provisions of Articles 12, 15 and 16 of this Agreement.

Article 11.

Goods shall be traded between the Parties at market-related prices.

Article 12.

1. Where any product is being imported into the territory of one of the Parties in such increased quantities or under such conditions as to cause or threaten to cause injury to domestic producers of like or direct competitive products, the Community or Turkmenistan, whichever is concerned, may take appropriate measures in accordance with the following procedures and conditions.

2. Before taking any measures, or in cases to which paragraph 4 applies as soon as possible thereafter, the Community or Turkmenistan as the case may be shall supply the Cooperation Council with all relevant information with a view to seeking a solution acceptable to the Parties as provided for in Title XI.

3. If, as a result of the consultations, the Parties do not reach agreement within 30 days of referral to the Cooperation Council on actions to avoid the situation, the Party which requested consultations shall be free to restrict imports of the products concemed to the extent and for such time as is necessary to prevent or remedy the injury, or to adopt other appropriate measures.

4. In critical circumstances where delay would cause damage difficult to repair, the Parties may take the measures before the consultations, on the condition that consultations shall be offered immediately after taking such action.

5. In the selection of measures under this Article, the Parties shall give priority to those which cause least disturbance to the achievement of the aims of this Agreement.

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

Article 13.

The Parties undertake to consider development of the provisions in this Agreement on trade in goods between them, as circumstances allow, including the situation arising from the future accession of Turkmenistan to the WTO. The Cooperation Council may make recommendations on such developments to the Parties which could be put into effect, where accepted, by virtue of agreement between the Parties in accordance with their respective procedures.

Article 14.

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 natural resources; 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 15.

This Title shall not apply to trade in textile products falling under Chapters 50 to 63 of the Combined Nomenclature. Trade in these products shall be governed by a separate agreement, initialled on 30 December 1995 and applied provisionally since 1 January 1996.

Article 16.

1. Trade in products covered by the Treaty establishing the European Coal and Steel Community shall be governed by the provisions of this Title, with the exception of Article 10.

2. A contact group on coal and steel matters shall be set up, comprising representatives of the Community on the one hand, and representatives of Turkmenistan on the other.

The contact group shall exchange, on a regular basis, information on all coal and steel matters of interest to the Parties.

Article 17.

Trade in nuclear materials will be conducted in accordance with the provisions of the Treaty establishing the European Atomic Energy Community. If necessary, trade in nuclear materials shall be subject to the provisions of a specific Agreement to be concluded between the European Atomic Energy Community and Turkmenistan.

Title IV. Provisions Affecting Business and Investment

Chapter I. Labour Conditions

Article 18.

1. Subject to the laws, conditions and procedures applicable in each Member State, the Community and the Member States shall endeavour to ensure that the treatment accorded to nationals of Turkmenistan legally employed in the territory of a Member State shall be free from any discrimination based on nationality, as regards working conditions, remuneration or dismissal, as compared to its own nationals.

2. Subject to the laws, conditions and procedures applicable in Turkmenistan, Turkmenistan shall endeavour to ensure that the treatment accorded to nationals of a Member State legally employed in the territory of Turkmenistan shall be free from any discrimination based on nationality, as regards working conditions, remuneration or dismissal, as compared to its own nationals.

Article 19.

The Cooperation Council shall examine which improvements can be made in working conditions for business people consistent with the international commitments of the Parties, including those set out in the document of the CSCE Bonn Conference.

Article 20.

The Cooperation Council shall make recommendations for the implementation of Articles 18 and 19.

Chapter II. Conditions Affecting the Establishment and Operation of Companies

Article 21.

1. The Community and its Member States shall grant, for the establishment of Turkmen companies as defined in Article 23(d), treatment no less favourable than that accorded to any third country companies.

2. Without prejudice to the reservations listed in Annex II, the Community and its Member States shall grant to subsidiaries of Turkmen companies established in their territories a treatment no less favourable than that granted to any Community companies, in respect of their operation.

3. The Community and its Member States shall grant to branches of Turkmen companies established in their territories a treatment no less favourable than that accorded to branches of companies of any third country, in respect of their operation.

4. Without prejudice to the reservations listed in Annex II, Turkmenistan shall grant, for the establishment of Community companies as defined in Article 23(d), treatment no less favourable than that accorded to Turkmen companies or to any third country companies, whichever is the better.

5. Turkmenistan shall grant to subsidiaries and branches of Community companies established in its territory treatment no less favourable than that accorded to Turkmen companies or branches or to any third country company or branch, whichever is the better, in respect of their operations.

Article 22.

1. The provisions of Article 21 shall not apply to air transport, inland waterways transport and maritime transport.

2. However, in respect of activities undertaken by shipping agencies for the provision of international maritime transport services, including intermodal activities involving a sea leg, each Party shall permit the companies of the other Party their commercial presence in its territory in the form of subsidiaries or branches, under conditions of establishment and operation no less favourable than those accorded to its own companies or to subsidiaries or branches of companies of any third country, whichever are the better.

Such activities include but are not limited to:

(a) marketing and sales of maritime transport and related services through direct contact with customers, from quotation to invoicing, whether these services are operated or offered by the service supplier itself or by service suppliers with which the service seller has established standing business arrangements;

(b) purchase and use, on their own account or on behalf of their customers (and the resale to their customers) of any transport and related services, including inward transport services by any mode, particularly inland waterways, road and rail, necessary for the supply of an integrated service;

(c) preparation of documentation concerning transport documents, customs documents, or other documents related to the origin and character of the goods transported;

(d) provision of business information by any means, including computerized information systems and electronic data interchange (subject to any non-discriminatory restrictions concerning telecommunications);

(e) setting up of any business arrangement, including participation in the company's stock and the appointment of personnel recruited locally (or, in the case of foreign personnel, subject to the relevant provisions of this Agreement), with any locally established shipping agency;

(f) acting on behalf of the companies, organizing the call of the ship or taking over cargoes when required.

Article 23.

For the purpose of this Agreement:

(a) A "Community company" or a "Turkmen company" respectively shall mean a company set up in accordance with the laws of a Member State or of Turkmenistan respectively and having its registered office or central administration, or principal place of business in the territory of the Community or Turkmenistan respectively. However, should the company set up in accordance with the laws of a Member State or Turkmenistan respectively have only its registered office in the territory of the Community or Turkmenistan respectively, the company shall be considered a Community or Turkmen company respectively if its operations possess a real and continuous link with the economy of one of the Member States or Turkmenistan 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 the right of Community or Turkmen companies as referred to in point (a) to take up economic activities by means of the setting up of subsidiaries and branches in Turkmenistan or in the Community respectively.

(e) "Operation" shall mean the pursuit of economic activities.

(f) "Economic activities" shall mean activities of an industrial, commercial and professional character.

With regard to international maritime transport, including intermodal operations involving a sea leg, nationals of the Member States or of Turkmenistan established outside the Community or Turkmenistan respectively, and shipping companies established outside the Community or Turkmenistan and controlled by nationals of a Member State or nationals of Turkmenistan respectively, shall also be beneficiaries of the provisions of this Chapter and Chapter II if their vessels are registered in that Member State or in Turkmenistan respectively in accordance with their respective legislation.

Article 24.

1. Notwithstanding any other provisions of this Agreement, a Party shall not be prevented from taking measures for prudential reasons, including for the protection of investors, depositors, policy holders or persons to whom a fiduciary duty is owed by a financial service supplier, or to ensure the integrity and stability of the financial system. Where such measures do not conform with the provisions of this Agreement, they shall not be used as a means of avoiding the obligations of a Party under this Agreement.

2. Nothing in this Agreement shall be construed as requiring 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.

3. For the purposes of this Agreement, "financial services" shall mean those activities described in Annex IV.

Article 25.

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.

Article 26.

1. Notwithstanding the provisions of Chapter I of this Title, a Community company or a Turkmen company established in the territory of Turkmenistan 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 Turkmenistan and the Community respectively, employees who are nationals of Community Member States and Turkmenistan respectively, provided that such employees are key personnel as defined in paragraph 2, and that they are employed exclusively by companies, or branches. The residence and work permits of such employees shall only cover the period of such employment.

2. Key personnel of the abovementioned companies herein referred to as "organizations" are "intra-corporate transferees" as defined in (c) in the following categories, provided that the organization is a legal person and that the persons concerned have been employed by it or have been partners in it (other than majority shareholders), for at least the year immediately preceding such movement:

(a) Persons working in a senior position with an organization, 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 or a department or subdivision of the establishment,

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

- having the authority personally to hire and fire or recommend hiring, firing or other personnel actions;

(b) Persons working within an organization 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 organization 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 organization 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 organization, effectively pursuing like economic activities in the territory of the other Party.

Article 27.

1. The Parties shall use their best endeavours to avoid taking any measures or actions which render the conditions for the establishment and operation of each other's companies more restrictive than the situation existing on the day preceding the date of signature of the Agreement.

2. The provisions of this Article are without prejudice to those of Article 35: the situations covered by such Article 35 shall be solely governed by its provisions to the exclusion of any other.

3. Acting in the spirit of partnership and cooperation and in the light of the provisions of Article 41, the Government of Turkmenistan shall inform the Community of its intentions to submit new legislation or adopt new regulations which may render the conditions for the establishment or operation in Turkmenistan of subsidiaries and branches of Community companies more restrictive than the situation existing on the day preceding the date of signature of the Agreement. The Community may request Turkmenistan to communicate the drafts of such legislation or regulations and to enter into consultations about those drafts.

4. Where new legislation or regulations introduced in Turkmenistan would result in rendering the conditions for operation of subsidiaries and branches of Community companies established in Turkmenistan more restrictive than the situation existing on the day of signature of this Agreement, such legislation or regulations shall not apply during three years following the entry into force of the relevant act to those subsidiaries and branches already established in Turkmenistan at the time of entry into force of the relevant act.

Chapter III. Cross Border Supply of Services between the Community and Turkmenistan

Article 28.

1. The Parties undertake in accordance with the provisions of this Chapter to take the necessary steps to allow progressively the supply of services by Community or Turkmen companies who are established in a Party other than that of the person for whom the services are intended taking into account the development of the service sectors in the Parties.

2. The Cooperation Council shall make recommendations for the implementation of paragraph 1.

Article 29.

The Parties shall cooperate with the aim of developing a market oriented service sector in Turkmenistan.

Article 30.

1. The Parties undertake to apply effectively the principle of unrestricted access to the international maritime market and traffic on a commercial basis:

(a) the above provision does not prejudice the rights and obligations arising from the United Nations Convention on a Code of Conduct for Liner Conferences, as applicable to one or other Party to this Agreement. Non-conference lines 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 feature of the dry and liquid bulk trade.

2. In applying the principles of paragraph 1, the Parties shall:

(a) not apply, as from the entry into force of this Agreement, any cargo sharing provisions of bilateral agreements between any Member States of the Community and the former Soviet Union;

(b) not introduce cargo sharing clauses into 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;

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

(d) abolish upon entry into force of this Agreement, all unilateral measures, administrative, technical and other obstacles which could have restrictive or discriminatory effects on the free supply of services in international maritime transport.

3. Each party shall grant, inter alia, no less favourable treatment, for the ships operated by nationals or companies of the

other Party, than that accorded to a Party's own ships, with regard to access to ports open to international trade, the use of infrastructure and auxiliary maritime services of the ports, as well as related fees and charges, customs facilities and the assignment of berths and facilities for loading and unloading.

Article 31.

With a view to assuring a coordinated development of transport between the Parties, adapted to their commercial needs, the conditions of mutual market access and provision of services in transport by road, rail and inland waterways and, if applicable, in air transport may be dealt with by specific agreements where appropriate negotiated between the Parties after entry into force of this Agreement.

Chapter IV. General Provisions

Article 32.

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 which in the territory of the Parties are connected, even occasionally, with the exercise of official authority.

Article 33.

For the purpose of this Title, nothing in this Agreement shall prevent the Parties from applying their laws and regulations regarding entry and stay, work, labour conditions and establishment of natural persons and supply of services, provided that, in so doing, they do not apply them in a manner as to nullify or impair the benefits accruing to any Party under the terms of a specific provision of this Agreement. The above provision does not prejudice the application of Article 32.

Article 34.

Companies which are controlled and exclusively owned by Turkmen companies and Community companies jointly shall also be beneficiaries of the provisions of Chapters I, I and IV.

Article 35.

Treatment granted by either Party to the other hereunder shall, as from the day one month prior to the date of entry into force of the relevant obligations of the General Agreement on Trade in Services (GATS), in respect of sectors or measures covered by the GATS, in no case be more favourable than that accorded by such first Party under the provisions of GATS and this in respect of each service sector, sub-sector and mode of supply.

Article 36.

For the purposes of Chapters II, II and IV, no account shall be taken of treatment accorded by the Community, its Member States or Turkmenistan pursuant to commitments entered into in economic integration agreements in accordance with the principles of Article V of the GATS.

Article 37.

1. The most-favoured-nation treatment granted in accordance with the provisions of this Title shall not apply to the tax advantages which the Parties are providing or will provide in the future on the basis of agreements to avoid double taxation, or other tax arrangements.

2. Nothing in 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. Nothing in this Title shall be construed to prevent Member States or Turkmenistan from distinguishing, in the application of the relevant provisions of their fiscal legislation, between tax payers who are not in identical situations, in particular as regards their place of residence.

Article 38.

Without prejudice to Article 26, no provision of Chapters I, II and IV shall be interpreted as giving the right to:

- nationals of the Member States or of Turkmenistan respectively to enter, or stay in, the territory of Turkmenistan or the Community respectively in any capacity whatsoever, and in particular as a shareholder or partner in a company or manager or employee thereof or supplier or recipient of services;

- Community subsidiaries or branches of Turkmen companies to employ or have employed in the territory of the Community nationals of Turkmenistan;

- Turkmen subsidiaries or branches of Community companies to employ or have employed in the territory of Turkmenistan nationals of the Member States;

- Turkmen companies or Community subsidiaries or branches of Turkmen companies to supply Turkmen persons to act for and under the control of other persons by temporary employment contracts;

- Community companies or Turkmen subsidiaries or branches of Community companies to supply workers who are nationals of the Member States by temporary employment contracts.

Chapter V. Current Payments and Capital

Article 39.

1. The Parties undertake to authorize in freely convertible currency, any payments on the current account of balance of payments between residents of the Community and of Turkmenistan connected with the movement of goods, services or persons made in accordance with the provisions of this Agreement.

2. With regard to transactions on the capital account of balance of payments, from entry into force of this Agreement, 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 I], and the liquidation or repatriation of these investments and of any profit stemming therefrom shall be ensured.

3. Without prejudice to paragraph 2 or to paragraph 5, as from the entry into force of this Agreement, no new foreign exchange restrictions on the movement of capital and current payments connected therewith between residents of the Community and Turkmenistan shall be introduced and the existing arrangements shall not become more restrictive.

4. The Parties shall consult each other with a view to facilitating the movement of forms of capital other than those referred to in paragraph 2 between the Community and Turkmenistan in order to promote the objectives of this Agreement.

5. With reference to the provisions of this Article, until full convertibility of the Turkmen currency within the meaning of Article VIII of the Articles of Agreement of the International Monetary Fund (IMF) is introduced, Turkmenistan may in exceptional circumstances apply exchange restrictions connected with the granting or taking up of short and medium-term financial credits to the extent that such restrictions are imposed on Turkmenistan for the granting of such credits and are permitted according to Turkmenistan's status under the IMF. Turkmenistan shall apply these restrictions in a non-discriminatory manner. They shall be applied in such a manner as to cause the least possible disruption to this Agreement. Turkmenistan shall inform the Cooperation Council promptly of the introduction of such measures and of any changes therein.

6. Without prejudice to paragraphs 1 and 2, where, in exceptional circumstances, movements of capital between the Community and Turkmenistan cause, or threaten to cause, serious difficulties for the operation of exchange rate policy or monetary policy in the Community or Turkmenistan, the Community and Turkmenistan respectively may take safeguard measures with regard to movements of capital between the Community and Turkmenistan for a period not exceeding six months, if such measures are strictly necessary.

Chapter VI. Intellectual, Industrial and Commercial Property Protection

Article 40.

1. Pursuant to the provisions of this Article and of Annex V, Turkmenistan shall continue to improve the protection of

intellectual, industrial and commercial property rights in order to provide, by the end of the fifth year after the entry into force of this Agreement, for a level of protection similar to that existing in the Community, including effective means of enforcing such rights.

2. By the end of the fifth year after entry into force of this Agreement, Turkmenistan shall accede to the multilateral conventions on intellectual, industrial and commercial property rights referred to in paragraph 1 of Annex V to which Member States are parties or which are de facto applied by Member States, according to the relevant provisions contained in these conventions.

Title V. Legislative Cooperation

Article 41.

1. The Parties recognize that an important condition for strengthening the economic links between Turkmenistan and the Community is the approximation of Turkmenistan's existing and future legislation to that of the Community. Turkmenistan shall endeavour to ensure that its legislation will be gradually made compatible with that of the Community.

2. The approximation of laws shall extend to the following areas in particular: customs law, company law, laws on banking and other financial services, company accounts and taxes, intellectual property, protection of workers at the workplace, rules on competition including any related issues and practices affecting trade, public procurement, protection of health and life of humans, animals and plants, the environment, consumer protection, indirect taxation, technical rules and standards, nuclear laws and regulations, transport and telecommunications.

3. The Community shall provide Turkmenistan with technical assistance for the implementation of these measures, which may include e.g.:

- the exchange of experts;

- the provision of early information especially on relevant legislation;

- organization of seminars;

- training of personnel involved in the drafting and implementation of legislation;

- aid for translation of Community legislation in the relevant sectors.

4. The Parties agree to examine ways to apply their respective competition laws on a concerted basis in such cases where trade between them is affected.

Title VI. Economic Cooperation

Article 42.

1. The Community and Turkmenistan shall establish economic cooperation aimed at contributing to the process of economic reform and recovery and sustainable development of Turkmenistan. Such cooperation shall strengthen existing economic links, to the benefit of the Parties.

2. Policies and other measures will be designed to bring about economic and social reforms and restructuring of the economic systems in Turkmenistan and will be guided by the requirements of sustainability and harmonious social development; they will also fully incorporate environmental considerations.

3. To this end the cooperation will concentrate, in particular, on economic and social development, human resources development, support for enterprises (including privatization, investment and development of financial services), agriculture and food, energy and civil nuclear safety, transport, postal services and telecommunications, tourism, environmental protection and regional cooperation.

4. Special attention shall be devoted to measures capable of fostering regional cooperation.

5. Where appropriate, economic cooperation and other forms of cooperation provided for in this Agreement may be supported by technical assistance from the Community, taking into account the Community's relevant Council regulation applicable to technical assistance in the Independent States, the priorities agreed upon in the indicative programme related to Community technical assistance to Turkmenistan and its established coordination and implementation procedures.

Article 43. Cooperation In the Field of Trade In Goods and Services

The Parties will cooperate with a view to ensuring that Turkmenistan's international trade is conducted in conformity with the rules of the WTO. The Community shall provide Turkmenistan with technical assistance for this purpose.

Such cooperation shall include specific issues directly relevant to trade facilitation, in particular with a view to assisting Turkmenistan to harmonize its legislation and regulations with WTO rules and so to fulfil as soon as possible the conditions of accession to that Organisation. These include:

- formulation of policy on trade and trade-related questions, including payments and clearing mechanisms,

- drafting of relevant legislation.

Article 44. Industrial Cooperation

1. Cooperation shall aim at promoting the following in particular:

- the development of business links between economic operators of both sides;

- Community participation in Turkmenistan's efforts to restructure its industry;

- the improvement of management;

- the improvement of the quality of industrial products;

- the development of efficient production and processing capacity in the raw materials sector;

- the development of appropriate commercial rules and practices including product marketing;

- environmental protection; defence conversion;

- training of management personnel.

2. The provisions of this Article shall not affect the enforcement of Community competition rules applicable to undertakings.

Article 45. Investment Promotion and Protection

1. Bearing in mind the respective powers and competences of the Community and the Member States, cooperation shall aim to establish a favourable climate for private investment, both domestic and foreign, especially through better conditions for investment protection, the transfer of capital and the exchange of information on investment opportunities.

2. The aims of cooperation shall be in particular:

- the conclusion, where appropriate, between the Member States and Turkmenistan of agreements for the promotion and protection of investment;

- the conclusion, where appropriate, between the Member States and Turkmenistan of agreements to avoid double taxation;

- the creation of favourable conditions for attracting foreign investments into the Turkmen economy;

- to establish stable and adequate business law and conditions, and to exchange information on laws, regulations and administrative practices in the field of investment;

- to exchange information on investment opportunities in the form of, inter alia, trade fairs, exhibitions, trade weeks and other events.

Article 46. Public Procurement

The Parties shall cooperate to develop conditions for open and competitive award of contracts for goods and services in particular through calls for tenders.

Article 47. Cooperation In the Field of Standards and Conformity Assessment

1. Cooperation between the Parties shall promote alignment with internationally agreed criteria, principles and guidelines followed in the field of quality. The required actions will facilitate progress towards mutual recognition in the field of conformity assessment, as well as the improvement of Turkmen product quality.

2. To this end the Parties shall seek to cooperate in technical assistance projects which will:

- promote appropriate cooperation with organizations and institutions specialized in these fields;

- promote the use of Community technical regulations and the application of European standards and conformity assessment procedures;

- permit the sharing of experience and technical information in the field of quality management.

Article 48. Mining and Raw Materials

1. The Parties shall aim at increasing investment and trade in mining and raw materials.

2. The cooperation shall focus in particular on the following areas:

- exchange of information on the prospects of the mining and non-ferrous metals sectors;

- the establishment of a legal framework for cooperation; - trade matters;

- the adoption and implementation of environmental legislation;

- training;

- safety in the mining industry.

Article 49. Cooperation In Science and Technology

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

2. Science and technology cooperation shall cover:

- the exchange of scientific and technical information;

- joint RTD activities;

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

Where such cooperation takes the form of activities involving education and/or training, it should be carried out in accordance with the provisions of Article 50.

The Parties, on the basis of mutual agreement, can engage in other forms of cooperation in science and technology.

In carrying out such cooperation activities, special attention shall be devoted to the redeployment of scientists, engineers, researchers and technicians who are or have been engaged in research on/and production of weapons of mass destruction.

3. The cooperation covered by this Article 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 50. Education and Training

1. The Parties shall cooperate with the aim of raising the level of generaleducation and professional qualifications in Turkmenistan, both in the public and private sectors.

2. The cooperation shall focus in particular on the following areas:

- updating higher education and training systems in Turkmenistan including the system of certification of higher educational establishments and diplomas of higher education;

- the training of public and private sector executives and civil servants in priority areas to be determined;

- cooperation between educational establishments and between educational establishments and firms;

- mobility for teachers, graduates, administrators, young scientists and researchers, and young people;

- promoting teaching in the field of European Studies within the appropriate institutions;

- teaching Community languages;

- post-graduate training of conference interpreters;

- training of journalists;

- training of trainers.

3. The possible participation of one Party in the respective programmes in the field of education and training of the other Party could be considered in accordance with their respective procedures and, where appropriate, institutional frameworks and plans of cooperation will then be established through the participation of Turkmenistan in the Community's TEMPUS programme.

Article 51. Agriculture and the Agro-Industrial Sector

The purpose of cooperation in this area shall be the pursuance of agrarian reform, the modernization, privatization and restructuring of agriculture, the agro-industrial and services sectors in Turkmenistan, development of domestic and foreign markets for Turkmen products, in conditions that ensure the protection of the environment, taking into account the necessity to improve security of food supply as well as the development of agri-business, the processing and distribution of agricultural products. The Parties shall also aim at the gradual approximation of Turkmen standards to Community technical regulations concerning industrial and agricultural food products including sanitary and phytosanitary standards.

Article 52. Energy

1. Cooperation shall take place within the principles of the market economy and the European Energy Charter, against a background of the progressive integration of the energy markets in Europe.

2. Cooperation shall concentrate, inter alia, upon the formulation and development of energy policy. It shall include among others the following areas:

- improvement in management and regulation of the energy sector in line with a market economy;

- improvement of energy supply, including security of supply, in an economic and environmentally sound manner;

- promotion of energy saving and energy efficiency and implementation of the Energy Charter Protocol on Energy Efficiency and related environmental aspects;

- modernization of energy infrastructures;

- improvement of energy technologies in supply and end use across the range of energy types;

- management and technical training in the energy sector; - transportation and transit of energy materials and products;

- the introduction of the range of institutional, legal, fiscal and other conditions necessary to encourage increased energy trade and investment;

- development of hydro-electric and other renewable energy resources.

3. The Parties shall exchange relevant information relating to investment projects in the energy sector, in particular concerning the production of energy resources and the construction and refurbishing of oil and gas pipelines or other means of transporting energy products. The Parties attach particular importance to cooperation regarding investments in the energy sector and the manner in which these are regulated. They shall cooperate with a view to implementing as efficaciously as possible the provisions of Title IV and of Article 45, in respect of investments in the energy sector.

Article 53. Environment

1. Bearing in mind the European Energy Charter, the Declarations of the Lucerne Conference of April 1993 and of the Sofia Conference of October 1995, and taking into account the Energy Charter Treaty and especially its Article 19, and the Energy Charter Protocol on Energy Efficiency and related environmental aspects, the Parties shall develop and strengthen their cooperation on environment and human health.

2. Cooperation shall aim at protecting the environment and in particular:

- effective monitoring of pollution levels and assessment of the environment; system of information on the state of the environment;

- combating local, regional and transboundary air and water pollution; ecological restoration;

- sustainable, efficient and environmentally effective production and use of energy;

- safety of industrial plants; classification and safe handling of chemicals; water quality;

- waste reduction, recycling and safe disposal, implementation of the Basle Convention;

- the environmental impact of agriculture, soil erosion, and chemical pollution;

- the protection of forests;

- the conservation of biodiversity, protected areas and sustainable use and management of biological resources;

- land-use planning, including construction and urban planning; use of economic and fiscal instruments;

- global climate change;

- environmental education and awareness;

- implementation of the Espoo Convention on Environmental Impact Assessment in a transboundary context.

3. Cooperation shall take place particularly through:

- disaster planning and other emergency situations;

- exchange of information and experts, including information and experts dealing with the transfer of clean technologies and the safe and environmentally sound use of biotechnologies;

- joint research activities;

- improvement of laws towards Community standards;

- cooperation at regional level, including cooperation within the framework of the European Environment Agency, and at international level;

- development of strategies, particularly with regard to global and climatic issues and also with a view to achieving sustainable development;

- environmental impact studies.

4. The Parties shall seek to develop their cooperation on questions of human health, in particular through technical assistance on the prevention and combating of infectious diseases and the protection of mothers and young children.

Article 54.

Transport The Parties shall develop and strengthen their cooperation in the field of transport. This cooperation shall, inter alia, aim at restructuring and modernizing transport systems and networks in Turkmenistan; developing and ensuring, where appropriate, compatibility of transportation systems in the context of achieving a more global transport system; and identifying and elaborating priority projects and seeking to attract investment for their implementation.

The cooperation shall include, inter alia:

- the modernization of management and operations of road transport, railways, ports and airports;

- modernization and development of railways, waterways, roads, airport and air navigation infrastructure as well as navigation aids, and including the modernization of major routes of common interest and the trans-European links for the

above modes, particularly those related to the TRACECA project;

- promotion and development of multi-modal transport;

- the promotion of joint research and development programmes; preparation of the legislative and institutional framework for policy development and implementation including privatization of the transport sector.

Article 55. Postal Services and Telecommunications

Within their respective powers and competences the Parties shall expand and strengthen cooperation in the following areas:

- the establishment of policies and guidelines for the development of the telecommunications sector and postal services;

- development of principles of a tariff policy and marketing in telecommunications and postal services;

- transferring technology and know-how, particularly regarding European technical standards and certification systems;

- encouraging the development of projects for telecommunications and postal services and attracting investment;

- enhancing efficiency and quality of the provision of telecommunications and postal services, amongst others through

- liberalization of activities of sub-sectors;

- advanced application of telecommunications, notably in the area of electronic funds transfer;

- management of telecommunications networks and their "optimization";

- an appropriate regulatory basis for the provision of telecommunication and postal services and for the use of the radio frequency spectrum;

- training in the field of telecommunications and postal services for operations in market conditions.

Article 56. Financial Services and Fiscal Institutions

1. Cooperation in the field of financial services shall in particular aim at facilitating the involvement of Turkmenistan in universally accepted systems of mutual settlements. Technical assistance shall focus on:

- the development of a stock market and a securities market;

- the development of banking services, the development of a common market of credit resources and the involvement of Turkmenistan in a universally accepted system of mutual settlements;

- the development of insurance services, which would inter alia create a favourable framework for Community companies' participation in the establishment of joint ventures in the insurance sector in Turkmenistan, as well as the development of export credit insurance.

This cooperation shall in particular contribute to foster the development of relations between the Parties in the financial services sector.

2. The Parties shall cooperate in developing the fiscal system and fiscal institutions in Turkmenistan. This cooperation shall include the exchange of information and experience on fiscal matters and the training of personnel involved in the formulation and implementation of fiscal policy.

Article 57. Enterprise Restructuring and Privatisation

Recognizing that privatisation is of fundamental importance to a sustainable economic recovery, the Parties agree to cooperate in the development of the necessary institutional, legal and methodological framework. Particular attention will be paid to the orderly and transparent nature of the privatisation process.

Technical assistance shall focus on, inter alia:

- the further development of an institutional base within the Government of Turkmenistan to assist with defining and managing the privatisation process;

- the further development of the privatisation strategy of the Government of Turkmenistan, including the legislative framework, and implementation mechanisms;

- furthering market approaches to land use and ownership, and the privatisation of land;

- the restructuring of those enterprises not yet ready for privatisation;

- the development of private enterprise, particularly in the small and medium enterprise sector;

- the development of investment funds. The objective of this cooperation is also to contribute to the promotion of Community investment in Turkmenistan.

Article 58. Regional Development

1. The Parties shall strengthen cooperation on regional development and land-use planning.

2. To this end, the Parties shall encourage the exchange of information by national, regional and local authorities on regional and land-use planning policy and on methods of formulation of regional policies with special emphasis on the development of disadvantaged areas.

They shall also encourage direct contacts between the respective regions and public organizations responsible for regional development planning with the aim, inter alia, of exchanging information regarding means to foster regional development.

Article 59. Social Cooperation

1. With regard to health and safety, the Parties shall develop cooperation between them with the aim of improving inter alia the level of protection of the health and safety of workers.

The cooperation shall include notably:

- education and training on health and safety issues with specific attention to high risk sectors of activity;

- development and promotion of preventive measures to combat work telated diseases and other work related ailments;

- prevention of major accident hazards and the management of toxic chemicals;

- research on developing information and understanding of the working environment and on the health and safety of workers.

2. With regard to employment, the cooperation shall include notably technical assistance to:

- optimization of the labour market;

- modermization of the job-finding and consulting services;

- planning and management of the restructuring programmes;

- encouragement of local employment development;

- exchange of information on the programmes of flexible employment, including those stimulating self-employment and promoting entrepreneurship.

3. The Parties shall pay special attention to cooperation in the sphere of social protection which, inter alia, shall include cooperation in planning and implementing social protection reforms in Turkmenistan.

These reforms shall aim to develop in Turkmenistan methods of protection intrinsic

to market economies and shall comprise all relevant forms of social protection.

Article 60. Tourism

The Parties shall increase and develop cooperation between them, which shall include:

- facilitating the tourist trade;

- increasing the flow of information;

- transferring know-how;

- studying the opportunities for joint operations;

- cooperation between official tourism bodies, including the preparation of promotional material;

- training for tourism development.

Article 61. Small and Medium-Sized Enterprises

1. The Parties shall aim to develop and strengthen small and medium-sized enterprises (SMEs) and their associations and cooperation between SMEs in the Community and Turkmenistan.

2. Cooperation shall include technical assistance, in particular in the following areas:

- the development of a legislative framework for SMEs;

- the development of an appropriate infrastructure to support SMEs, to promote communication and business cooperation between SMEs both within Turkmenistan and further afield, and to train SMEs in the skills necessary to access funding;

- training in the areas of marketing, accounting and control of the quality of products.

Article 62. Information and Communication

The Parties shall support the development of modern methods of information handling, including the media, and stimulate the effective mutual exchange of information. Priority shall be given to programmes aimed at providing the general public with basic information about the Community and Turkmenistan, including, where possible, access to databases, in full respect of intellectual property rights.

Article 63. Consumer Protection

The Parties will enter into close cooperation aimed at achieving compatibility between their systems of consumer protection. This cooperation may include the exchange of information on legislative work and institutional reform, the establishment of permanent systems of mutual information on dangerous products, the improvement of information provided to consumers especially on prices, characteristics of products and services offered, the development of exchanges between the consumer interest representatives, and increasing the compatibility of consumer protection policies, and the organization of seminars and training periods.

Article 64. Customs

1. The aim of cooperation shall be to guarantee compliance with all the provisions scheduled for adoption in connection with t-rade and fair trade and to achieve the approximation of Turkmenistan's customs system to that of the Community.

2. Cooperation shall include the following in particular:

- the exchange of information;

- the improvement of working methods;

- the introduction of the Combined Nomenclature and the single administrative document;

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

- support for the introduction of modern customs information systems;

- the organization of seminars and training periods. Technical assistance shall be provided where necessary.

3. Without prejudice to further cooperation foreseen in this Agreement and in particular Title VI, mutual assistance in customs matters between administrative authorities of the Parties shall take place in accordance with the provisions of the Protocol attached to this Agreement.

Article 65. Statistical Cooperation

Cooperation in this area shall have as its aim the development of an efficient statistical system to provide the reliable statistics needed to support and monitor the process of economic reform and contribute to the development of private enterprise in Turkmenistan.

The Parties, in particular, shall cooperate in the following fields:

- adaptation of the Turkmen statistical system to international methods, standards and classification;

- exchange of statistical information;

- provision of necessary statistical macro and microeconomic information to implement and manage economic reforms.

The Community shall contribute to this end by rendering technical assistance to Turkmenistan.

Article 66. Economics

The Parties shall facilitate the process of economic reform and the coordination of economic policies by cooperating to improve understanding of the fundamentals of their respective economies and the design and implementation of economic policy in market economies. To this end, the Parties shall exchange information on macroeconomic performance and prospects.

The Community shall provide technical assistance so as to:

- assist Turkmenistan in the process of economic reform by providing expert advisory and technical assistance;

- encourage cooperation among economists in order to expedite the transfer of know-how for the drafting of economic policies, and provide for wide dissemination of policy-relevant research;

- improve Turkmenistan's capacity to formulate economic models.

Title VII. Cooperation on Matters Relating to Democracy and Human Rights

Article 67.

The Parties shall cooperate on all questions relevant to the establishment or reinforcement of democratic institutions, including those required in order to strengthen the rule of law, and the protection of human rights and fundamental freedoms according to international law and OSCE principles.

This cooperation shall take the form of technical assistance programmes intended to assist, inter alia, in the drafting of relevant legislation and regulations; the implementation of such legislation; the functioning of the judiciary; the role of the State in questions of justice; and the operation of the electoral system. They may include training where appropriate. The Parties shall encourage contacts and exchanges between their national, regional and judicial authorities, parliamentarians, and non-governmental organisations.

Title VIII. Cooperation on Prevention of Illegal Activities and the Prevention and Control of Illegal Immigration

Article 68.

The Parties shall establish cooperation aimed at preventing illegal activities such as:

- illegal activities in the sphere of economics, including corruption;

- illegal transactions of various goods, including industrial waste, and illicit traffic of arms;

- counterfeiting. Cooperation in the abovementioned areas will be based on mutual consultation and close interaction.

Technical and administrative assistance will be provided, including in the following areas:

- drafting of national legislation in the sphere of preventing illegal activities;

- creation of information centres;

- increasing the efficiency of institutions engaged in preventing illegal activities;

- training of personnel and development of research infrastructures;

- elaboration of mutually acceptable measures impeding illegal activities.

Article 69. Money Laundering

1. The Parties agree on the necessity of making efforts and cooperating 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. Cooperation in this area shall include administrative and technical assistance with the purpose of establishing suitable standards against money laundering equivalent to those adopted by the Community and international fora in this field, including the Financial Action Task Force (FATF).

Article 70. Drugs

Within the framework of their respective powers and competences the Parties shall cooperate in increasing the effectiveness and efficiency of policies and measures to counter the illicit production, supply and traffic in narcotic drugs and psychotropic substances, including the prevention of diversion of precursor chemicals, as well as in promoting drug demand prevention and reduction. As regards the control of precursor chemicals and other essential substances used for the illicit production of narcotic drugs and psychotropic substances, this cooperation shall be on the basis of the standards adopted by the Community and the international authorities concerned, such as those of the Chemical Action Task Force (CATF). Cooperation in this area shall be based on mutual consultation and close coordination between the Parties on objectives and measures to be taken in the various drug-related fields.

Article 71. Illegal Immigration

1. The Member States and Turkmenistan agree to cooperate in order to prevent and control illegal immigration. To this end:

- Turkmenistan 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; and

- each Member State agrees to readmit any of its nationals, as defined for Community purposes, illegally present on the territory of Turkmenistan, upon request by the latter and without further formalities.

The Member States and Turkmenistan will also provide their nationals with appropriate identity documents for such purposes.

2. Turkmenistan agrees to conclude bilateral agreements with Member States which so request, regulating specific obligations for readmission including an obligation for the readmission of nationals of other countries and stateless persons who have arrived on the territory of any such Member State from Turkmenistan or who have arrived on the territory of Turkmenistan from any such Member State.

3. The Cooperation Council shall examine what other joint efforts can be made to prevent and control illegal immigration.

Title IX. Cultural Cooperation

Article 72.

The Parties undertake to promote, encourage and facilitate cultural cooperation. Where appropriate, the Community's cultural cooperation programmes or those of one or more Member States may be the subject of cooperation and further activities of mutual interest may be developed.

Title X. Financial Cooperation

Article 73.

In order to achieve the objectives of this Agreement and in accordance with Articles 74, 75 and 76, Turkmenistan shall benefit from temporary financial assistance from the Community by way of technical assistance in the form of grants.

Article 74.

This financial assistance shall be covered within the framework of Tacis as foreseen in the Community's relevant Council Regulation.

Article 75.

The objectives and the areas of the Community's financial assistance shall be laid down in an indicative programme reflecting established priorities to be agreed between the Community and Turkmenistan, taking into account Turkmenistan's needs, sectoral absorption capacities and progress with reform. The Parties shall inform the Cooperation Council thereof.

Article 76.

In order to permit optimum use of the resources available, the Parties shall ensure that Community technical assistance contributions are made in close coordination with those from other sources such as the Member States, other countries, and international organizations such as the International Bank for Reconstruction and Development and the European Bank for Reconstruction and Development.

Title XI. Institutional, General and Final Provisions

Article 77.

A Cooperation Council is hereby established which shall supervise the implementation of this Agreement. It shall meet at ministerial level once a year. It shall examine any major issues arising within the framework of this Agreement and any other bilateral or international issues of mutual interest for the purpose of attaining the objectives of this Agreement. The Cooperation Council may also make appropriate recommendations, by agreement between the Parties.

Article 78.

1. The Cooperation Council shall consist of 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 Turkmenistan, on the other.

2. The Cooperation Council shall establish its rules of procedure.

3. The office of President of the Cooperation Council shall be held alternately by a representative of the Community and by a member of the Government of Turkmenistan.

Article 79.

1. The Cooperation Council shall be assisted in the performance of its duties by a Cooperation Committee composed of representatives of the members of the Council of the European Union and of members of the Commission of the European Communities on the one hand and of representatives of the Government of Turkmenistan on the other, normally at senior civil servant level. The office of President of the Cooperation Committee shall be held alternately by the Community and by Turkmenistan.

In its rules of procedure the Cooperation Council shall determine the duties of the Cooperation Committee, which shall include the preparation of meetings of the Cooperation Council, and how the Committee shall function.

2. The Cooperation Council may delegate any of its powers to the Cooperation Committee, which will ensure continuity between meetings of the Cooperation Council.

Article 80.

The Cooperation Council may decide to set up any other special committee or body that can assist it in carrying out its duties and shall determine the composition and duties of such committees or bodies and how they shall function.

Article 81.

When examining any issue arising within the framework of this Agreement in relation to a provision referring to an Article of one of the Agreements constituting the WTO, the Cooperation Council shall take into account to the greatest extent possible the interpretation that is generally given to the Article in question by the Members of the WTO.

Article 82.

A Parliamentary Cooperation Committee is hereby established. It shall be a forum for Members of the Turkmen Parliament and the European Parliament to meet and exchange views, including on matters concerning political dialogue at parliamentary level. It shall meet at intervals which it shall itself determine.

Article 83.

1. The Parliamentary Cooperation Committee shall consist of members of the European Parliament, on the one hand, and of members of the Turkmen Parliament, on the other.

2. The Parliamentary Cooperation Committee shall establish its rules of procedure.

3. The Parliamentary Cooperation Committee shall be presided in turn by the European Parliament and the Turkmen Parliament respectively, in accordance with the provisions to be laid down in its rules of procedure.

Article 84.

The Parliamentary Cooperation Committee may request relevant information regarding the implementation of this Agreement from the Cooperation Council, which shall then supply the Committee with the requested information.

The Parliamentary Cooperation Committee shall be informed of the recommendations of the Cooperation Council.

The Parliamentary Cooperation Committee may make recommendations to the Cooperation Council.

Article 85.

1. 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, including those concerning intellectual, industrial and commercial property.

2. Within the limits of their respective powers and competences, the Parties:

- shall encourage the adoption of arbitration for the settlement of disputes arising out of commercial and cooperation transactions concluded by economic operators of the Community and those of Turkmenistan;

- agree that where a dispute is submitted to arbitration, each party to the dispute may, except where the rules of the arbitration centre chosen by the parties provide otherwise, choose its own arbitrator, irrespective of his nationality, and that the presiding third arbitrator or the sole arbitrator may be a citizen of a third State;

- will recommend their economic operators to choose by mutual consent the law applicable to their contracts;

shall encourage recourse to the arbitration rules elaborated by the United Nations Commission on International Trade Law (Uncitral) and to arbitration by any centre of a State signatory to the Convention on Recognition and Enforcement of Foreign Arbitral Awards done at New York on 10 June 19584.

Article 86.

Nothing in this Agreement shall prevent a Party, within the limits of its respective powers and competences, 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;

(d) which it considers necessary to respect its international obligations and commitments in the control of dual use industrial goods and technology.

Article 87.

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

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

- the arrangements applied by the Community in respect of Turkmenistan shall not give rise to any discrimination between Turkmen nationals, or its companies or firms.

2. The provisions of paragraph 1 are without prejudice to the right of the Parties to apply the relevant provisions of their fiscal legislation to tax payers who are not in identical situations as regards their place of residence.

Article 88.

1. Each of the Parties may refer to the Cooperation Council any dispute relating to the application or interpretation of this Agreement.

2. The Cooperation Council may settle the dispute by means of a recommendation.

3. In the event of it not being possible to settle the dispute in accordance with paragraph 2 of this Article, either Party may notify the other of the appointment of a conciliator; the other Party must then appoint a second conciliator within two months. For the application of this procedure, the Community and the Member States shall be deemed to be one Party to the dispute.

The Cooperation Council shall appoint a third conciliator. The conciliators' recommendations shall be taken by majority vote. Such recommendations shall not be binding upon the Parties.

Article 89.

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 12, 88 and 94.

Article 90.

Treatment granted to Turkmenistan hereunder shall in no case be more favourable than that granted by the Member States to each other.

Article 91.

on the one part, and the Community, or the Member States, or the Community and the Member States, in accordance with their respective powers, on the other part.

Article 92.

Insofar as matters covered by this Agreement are covered by the Energy Charter Treaty and Protocols thereto, such Treaty and Protocols shall upon entry into force apply to such matters but only to the extent that such application is provided for therein.

Article 93.

This Agreement is concluded for an initial period of ten years after which time the Agreement shall be automatically renewed year by year provided that neither Party gives the other Party written notice of denunciation of this Agreement six months before it expires.

Article 94.

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 Cooperation 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 these measures, priority must be given to those which least disturb the functioning of this Agreement. These measures shall be notified immediately to the Cooperation Council if the other Party so requests.

Article 95.

Annexes I, II, III, IV and V together with the Protocol shall form an integral part of this Agreement.

Article 96.

This Agreement shall not, until equivalent rights for individuals and economic operators have been achieved hereunder, affect rights assured to them through existing Agreements binding one or more Member States, on the one hand, and Turkmenistan, on the other, except in areas falling within Community competence and without prejudice to the obligations of Member States resulting from this Agreement in areas falling within their competence.

Article 97.

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, on the other hand, to the territory of Turkmenistan.

Article 98.

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

Article 99.

The original of this Agreement, of which the Danish, Dutch, English, Finnish, French, German, Greek, Italian, Portuguese, Spanish, Swedish and Turkmen languages are equally authentic, shall be deposited with the Secretary-General of the Council of the European Union.

Article 100.

This Agreement will be approved by the Parties 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 the Secretary-General of the Council of the European Union that the procedures referred to in the first paragraph have been completed.

Upon its entry into force, and as far as relations between Turkmenistan and the Community are concerned, this Agreement shall replace the Agreement between the European Economic Community, the European Atomic Energy Community and the Union of Soviet Socialist Republics on trade and economic and commercial cooperation signed in Brussels on 18 December 1989.

Article 101.

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 are put into effect by means of an Interim Agreement between the Community and Turkmenistan, the Parties agree that, in such circumstances, the term "date of entry into force of this Agreement" shall mean the date of entry into force of the Interim Agreement.

Annex II. Community Reservations in Accordance with Article 21(2)

Mining In some Member States, a concession may be required for mining and mineral rights for non-Community controlled companies.

Fishing

Access to and use of the biological resources and fishing grounds situated in the maritime waters coming under the sovereignty or within the jurisdiction of Member States of the Community is restricted to fishing vessels flying the flag of a Community Member State and registered in Community territory unless otherwise provided for.

Real estate purchase In some Member States, the purchase of real estate by non-Community companies is subject to restrictions.

Audio-visual services including radio National treatment concerning production and distribution, including broadcasting and other forms of transmission to the public, may be reserved to audiovisual works meeting certain origin criteria.

Telecommunications services including mobile and satellite services Reserved services

In some Member States market access concerning complementary services and infrastructures is restricted.

Professional services Services reserved to natural persons who are nationals of Member States. Under certain conditions those persons may create companies.

Agriculture

In some Member States national treatment is not applicable to non-Community controlled companies which wish to undertake an agricultural enterprise. The acquisition of vineyards by non-Community controlled companies is subject to notification, or, as necessary, authorization.

News agency services

In some Member States limitations exist on foreign participation in publishing companies and broadcasting companies.

Annex III. Reservations of Turkmenistan in Accordance with Article 21(4)

1. Under current Turkmen legislation, a licence is required by companies or natural persons wishing to invest in certain economic activities in Turkmenistan. The conditions for the issue of such licences may not result in discrimination between Turkmen and foreign companies.

Such licensing may therefore not be used in order to nullify the benefits accorded to Community companies pursuant to Article 21(4) of this Agreement, nor to circumvent any other provisions of this Agreement. In particular it may not be used to impede the establishment of Community companies in any area of economic activity, except as provided for in paragraph 2 below. No licence may be revoked without due justification and any such revocation may be subject to appeal and, if necessary, dispute settlement.

2. The following reservations are currently applied:

Real estate (immovable property) purchase

Foreign persons and companies are not allowed to acquire plots of land. They may, however, lease plots of land on a long term basis.

Agriculture

There are limitations for foreigners regarding the breeding of horses and "sardzhin"

sheep

Historical sites and monuments

3. The application of the reservations in paragraph 2 above can in no case result in treatment less favourable than that accorded to companies of any third country. Any relaxation of these restrictions will be extended to Community companies

on the basis of national treatment or most-favoured-nation treatment, whichever is the better.

The future development of investment legislation in Turkmenistan will take place in conformity with the provisions and the spirit of this Agreement including in particular its General Principles, the conditions affecting the establishment and operation of companies, and the provisions regarding legislative cooperation (Titles I, IV and V) as well as the Exchange of Letters between the Community and Turkmenistan in Relation to the Establishment of Companies.

Annex IV. Financial Services Referred to in Article 24(3)

A financial service is any service of a financial nature offered by a financial service provider of a Party. Financial services include the following activities:

A. All insurance and insurance-related services;

1. Direct insurance (including co-insurance).

(i) life

(ii) non-life

2. Reinsurance and retrocession.

3. Insurance intermediation, such as brokerage and agency.

4. Services auxiliary to insurance, such as consultancy, actuarial, risk assessment and claim settlement services.

B. Banking and other financial services (excluding insurance).

1. Acceptance of deposits and other repayable funds from the public.

2. Lending of all types, including, inter alia, consumer credit, mortgage credit, factoring and financing of commercial transaction.

3. Financial leasing.

4. All payment and money transmission services, including credit charge and debit cards, travellers cheques and bankers drafts.

5. Guarantees and commitments.

6. Trading for own account or for the account of customers, whether on an exchange, in an over the counter market or otherwise, the following:

(a) money market instruments (cheques, bills, certificates of deposits, etc.)

(b) foreign exchange

(c) derivative products including, but not limited to, futures and options

(d) exchange rates and interest rate instruments, including products such as swaps, forward rate agreements, etc.

(e) transferable securities

(f) other negotiable instruments and financial assets, including bullion.

7. Participation in issues of all kinds of securities, including under-writing and placement as agent (whether publicly or privately) and provision of services related to such issues.

8. Money brokering.

9. Asset management, such as cash or portfolio management, all forms of collective investment management, pension fund management, custodial depository and trust services.

10. Settlement and clearing services for financial assets, including securities, derivative products, and other negotiable instruments.

11. Advisory intermediation and other auxiliary financial services on all the activities listed in points 1 to 10 above, including

credit reference and analysis, investment and portfolio research and advice, advice on acquisitions and on corporate restructuring and strategy.

12. Provision and transfer of financial information, and financial data processing and related software by providers of other financial services.

The following activities are excluded from the definition of financial services:

(a) Activities carried out by central banks or by any other public institution in pursuit of monetary and exchange rate policies.

(b) Activities conducted by central banks, government agencies or departments, or public institutions, for the account or with the guarantee of the government, except when those activities may be carried out by financial service providers in competition with such public entities.

(c) Activities forming part of a statutory system of social security or public retirement plans, except when those activities may be carried out by financial service providers in competition with public entities or private institutions.

Annex V. Intellectual, Industrial and Commercial Property Conventions Referred to in Article 40

1. Article 40(2) concerns the following multilateral conventions:

- Berne Convention for the Protection of Literary and Artistic Works (Paris Act, 1971);

- International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (Rome, 1961);

- Madrid Agreement concerning the International Registration of Marks (Stockholm Act, 19677 and amended in 1979);

- Protocol relating to the Madrid Agreement concerning the International Registration of Marks (Madrid,1989);

- Nice Agreement concerning the International Classification of Goods and Services for the purposes of the Registration of Marks (Geneva 1977 and amended in 1979);

- Budapest Treaty on the International Recognition of the Deposit of Micro Organisms for the purposes of Patent Procedures (1977, modified in 1980);

- International Convention for the Protection of New Varieties of Plants (UPOV) (Geneva Act, 1991).

2. The Cooperation Council may recommend that Article 40(2) shall apply to other multilateral conventions. If problems in the area of intellectual, industrial and commercial property affecting trading conditions were to occur, urgent consultations will be undertaken, at the request of either Party, with a view to reaching mutually satisfactory solutions.

3. The Parties confirm the importance they attach to the obligations arising from the following multilateral conventions:

- Paris Convention for the Protection of Industrial Property (Stockholm Act, 1967 and amended in 1979);

- Patent Cooperation Treaty (Washington, 197013, amended in 1979 and modified in 1984).

4. From the entry into force of this Agreement, Turkmenistan shall grant to Community companies and nationals, in respect of the recognition and protection of intellectual, industrial and commercial property, treatment no less favourable than that granted by it to any third country under bilateral agreements.

5. The provisions of paragraph 4 shall not apply to advantages granted by Turkmenistan to any third country on an effective reciprocal basis and to advantages granted by Turkmenistan to another country of the former USSR.

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 and the Treaty establishing the EUROPEAN ATOMIC ENERGY COMMUNITY, 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 TURKMENISTAN,

of the other part,

meeting at... for the signature of the Partnership and Cooperation Agreement establishing a partnership between the European Communities and their Member States, of the one part, and Turkmenistan, of the other part, hereinafter referred to as the "Agreement", have adopted the following texts:

the Agreement including its Annexes and the following Protocol:

Protocol on mutual administrative assistance in customs matters

The plenipotentiaries of the Member States and of the Community and the plenipotentiaries of Turkmenistan have adopted the texts of the Joint Declarations listed below and annexed to this Final Act:

Joint Declaration on personal data

Joint Declaration in relation to Article 5 of the Agreement

Joint Declaration concerning Article 13 of the Agreement

Joint Declaration concerning the Notion of "control" in Article 23(b) and Article 34 Joint Declaration concerning Article 33 of the Agreement

Joint Declaration concerning Article 40 of the Agreement

Joint Declaration concerning Article 94 of the Agreement

The plenipotentiaries of the Member States and of the Community and the plenipotentiaries of Turkmenistan have also taken note of the following Exchange

of Letters annexed to this Final Act:

Exchange of Letters between the Community and Turkmenistan in relation to the establishment of companies

The plenipotentiaries of the Member States and of the Community and the

plenipotentiaries of Turkmenistan have further taken note of the following Declaration annexed to this Final Act:

Declaration by the French Government

JOINT DECLARATION ON PERSONAL DATA

In applying this Agreement, the parties are aware of the necessity of an adequate protection of individuals with regard to the processing of personal data and on the free movement of such data.

JOINT DECLARATION IN RELATION TO ARTICLE 5

Should the Parties agree that circumstances warrant meetings at the highest level, such meetings may be arranged on an ad hoc basis.

JOINT DECLARATION CONCERNING ARTICLE 13

Until Turkmenistan accedes to the WTO, the Parties shall hold consultations in the Cooperation Committee on Turkmenistan's import tariff policies, including changes in tariff protection. In particular, such consultations shall be offered prior to the increase of tariff protection.

JOINT DECLARATION CONCERNING THE NOTION OF "CONTROL" IN ARTICLE 23(b) AND ARTICLE 34

1. The Parties confirm their mutual understanding that the question of control shall depend on the factual circumstances of the particular case.

2. Accompany shall, for example, be considered as being "controlled" by another company, and thus a subsidiary of such other company if:

- the other company holds directly or indirectly a majority of the voting rights, or

- the other company has the right to appoint or dismiss a majority of the administrative organ, of the management organ or of the supervisory organ and is at the same time a shareholder or member of the subsidiary.

3. The Parties consider the criteria in paragraph 2 to be non-exhaustive. JOINT DECLARATION CONCERNING ARTICLE 33 The sole fact of requiring a visa for natural persons of certain Parties and not for those of others shall not be regarded as nullifying or impairing benefits under a specific commitment.

JOINT DECLARATION CONCERNING ARTICLE 40

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

JOINT DECLARATION CONCERNING ARTICLE 94

1. The Parties agree, for the purpose of its correct interpretation and its practical application, that the term "cases of special urgency" included in Article 94 of the Agreement means cases of material breach of the Agreement by one of the Parties. A material breach of the Agreement consists in

(a) repudiation of the Agreement not sanctioned by the general rules of international law or

(b) violation of the essential elements of the Agreement set out in Article 2. 2. The parties agree that the "appropriate measures" referred to in Article 94 are measures taken in accordance with international law. If a party takes a measure in a case of special urgency as provided for under Article 94, the other party may avail itself of the procedure relating to settlement of dispute.

EXCHANGE OF LETTERS BETWEEN THE COMMUNITY AND TURKMENISTAN IN RELATION TO THE ESTABLISHMENT OF COMPANIES

A. Letter from the Government of Turkmenistan Dear Sir,

I refer to the Partnership and Cooperation Agreement initialled on

As I underlined during the negotiations, Turkmenistan grants to Community companies establishing and operating in Turkmenistan in certain respects a privileged treatment. I explained that this reflects the Turkmen policy to promote by all means the establishment of Community companies in Turkmenistan.

With this in mind, it is my understanding that during the period between the date of initialling of this agreement and the entry into force of the relevant articles on establishment of companies, Turkmenistan shall not adopt measures or regulations which would introduce or worsen discrimination of Community companies vis-a-vis Turkmen companies or companies from any third country as compared to the situation existing on the date of initialling of this Agreement.

I would be obliged if you would acknowledge receipt of this letter.

Please accept, Sir, the assurance of my highest consideration.

For the Government of Turkmenistan

B. Letter from the European Community Dear Sir, Thank you for your letter of today's date, which reads as follows:

"I refer to the Partnership and Cooperation Agreement initialled on

As I underlined during the negotiations, Turkmenistan grants to Community companies establishing and operating in Turkmenistan in certain respects a privileged treatment. I explained that this reflects the Turkmen policy to promote by all means the establishment of Community companies in Turkmenistan.

With this in mind, it is my understanding that during the period between the date of initialling of this agreement and the entry into force of the relevant articles on establishment of companies, Turkmenistan shall not adopt measures or

regulations which would introduce or worsen discrimination of Community companies vis-a-vis Turkmen companies or companies from any third country as compared to the situation existing on the date of initialling of this Agreement.

I would be obliged if you would acknowledge receipt of this letter."

I acknowledge receipt of the letter.

Please accept, Sir, the assurance of my highest consideration.

On behalf of the European Community

DECLARATION BY THE FRENCH GOVERNMENT

The French Republic notes that the Partnership and Cooperation Agreement with Turkmenistan does not apply to the overseas countries and territories associated with the European Community pursuant to the Treaty establishing the European Community.