

**EUROPE AGREEMENT establishing an association between the
European Communities and their Member States, acting within the
framework of the European Union, of the one part, and the Republic
of Slovenia, 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,

Contracting parties to the Treaty establishing the European Community, the Treaty establishing the European Coal and Steel Community, the Treaty establishing the European Atomic Energy Community, and the Treaty on European Union, hereinafter referred to as 'Member States', and

THE EUROPEAN COMMUNITY, THE EUROPEAN COAL AND STEEL COMMUNITY, THE EUROPEAN ATOMIC ENERGY COMMUNITY, hereinafter referred to as the 'Community',

acting within the framework of the European Union,

of the one part, and

THE REPUBLIC OF SLOVENIA, hereinafter referred to as 'Slovenia',

of the other part,

CONSIDERING the importance of the established links existing between the parties and the common values that they share;

RECOGNISING that the Community and Slovenia wish to strengthen those links and to establish close and lasting relations, based on reciprocity and shared interests, which would allow Slovenia to take part in the process of European integration, thus strengthening and widening the relations established in the past notably by the Cooperation Agreement and the Protocol on financial cooperation between the European Economic Community and the Republic of Slovenia signed on 5 April 1993, which entered into force on 1 September 1993 and the Agreement between the Member States of the European Coal and Steel Community and the European Coal and Steel Community, of the one part, and the Republic of Slovenia, of

the other part, signed on 5 April 1993;

CONSIDERING that the relationship between the parties in the field of inland transport should continue to be governed by the Agreement between the European Economic Community and the Republic of Slovenia in the field of transport, signed on 5 April 1993, which entered into force on 29 July 1993;

CONSIDERING the opportunities for a relationship of a new quality offered by the emergence of a new democracy in Slovenia;

CONSIDERING the commitment of the parties to strengthening the political and economic freedoms which constitute the very basis of the Association;

RECOGNISING the establishment in Slovenia of a new political order which respects the rule of law and human rights, including the rights of persons belonging to minorities, and operates a multi-party system with free and democratic elections;

ACKNOWLEDGING the readiness of the Community to contribute to the strengthening of this new democratic order as well as to support the creation in Slovenia of a new economic order founded upon the principles of a free market economy;

CONSIDERING the firm commitment of the parties to the full implementation of all principles and provisions of CSCE process contained in particular in the Final Act of the Conference on Security and Cooperation in Europe (CSCE), the Helsinki document 1992 and the Budapest Summit 1994 and the Charter of Paris for a New Europe;

CONSCIOUS of the importance of this Europe Agreement, hereinafter referred to as the 'Agreement', for establishing in Europe a system of stability based on cooperation, with the European Union as one of the cornerstones;

BELIEVING that a link should be made between full implementation of association on the one hand and the actual accomplishment of Slovenia's political, economic and legal reforms on the other hand, as well as the introduction of the factors necessary for cooperation and the rapprochement between the parties' systems, notably in the light of the conclusions of the CSCE Bonn Conference;

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

RECOGNISING the contribution which the Pact on Stability in Europe can make to promoting stability and good neighbourly relations in the region and conforming their determination to work together for the success of this initiative;

TAKING ACCOUNT of the Community's willingness to provide decisive support for the implementation of reform and to help Slovenia cope with the economic and social consequences of structural readjustment;

TAKING ACCOUNT furthermore of the Community's willingness to set up instruments of cooperation and economic, technical and financial assistance on a comprehensive and multiannual basis;

CONSIDERING the commitment of the parties to free trade, based on the principles set out in General Agreement on Tariffs and Trade 1994, hereinafter referred to as the 'GATT 1994', as amended by the Uruguay Round trade negotiations, and taking account of the establishment of the World Trade Organization, hereinafter referred to as the 'WTO';

CONSIDERING the commitment of the Community and Slovenia to the principles set out in the European Energy Charter of 17 December 1991 and in the Final Statement of the Lucerne Conference of April 1993;

BEARING IN MIND the economic and social disparities between the Community and Slovenia and thus recognising that the objectives of this Association should be reached through appropriate provisions of this Agreement;

RECALLING the objectives of the Agreements signed at Osimo in November 1975 by the Italian Republic and the Socialist Federal Republic of Yugoslavia and succeeded to by the Republic of Slovenia, and in particular of the Agreement on the promotion of the economic cooperation between the two countries;

CONVINCED that this Agreement will create a new climate for their economic relations and in particular for the development of trade and investment, instruments which are indispensable for economic restructuring and technological modernisation in Slovenia;

DESIROUS of establishing cultural cooperation and developing exchanges of information;

RECOGNISING the fact that Slovenia's ultimate objective is to accede to the European Union, and that this Association, in the view of the parties, will help Slovenia to achieve this objective;

TAKING INTO ACCOUNT the accession preparations strategy adopted by the Essen European Council of December 1994,

which is being politically implemented by the creation, between the associated States and the Institutions of the European Union, of structured relations which encourage mutual trust and will provide a framework for addressing topics of common interest,

HAVE AGREED AS FOLLOWS:

Article 1.

1. An Association is hereby established between the Community and its Member States of the one part and Slovenia of the other part.

2. The aims of this Association are:

- to provide an appropriate framework for political dialogue, allowing the development of close political relations between the parties;
- to promote the expansion of trade and harmonious economic relations between the parties and so foster dynamic economic development and prosperity in Slovenia;
- gradually to develop a free trade area covering virtually all trade between the Community and Slovenia;
- to support Slovenia's efforts to develop its economy and to complete the transition into a market economy;
- to provide an appropriate framework for Slovenia's gradual integration into the European Union. To this end, Slovenia shall work towards fulfilling the necessary conditions.

Title I. GENERAL PRINCIPLES

Article 2.

Respect for the democratic principles and human rights as proclaimed in the Universal Declaration of Human Rights and as defined in the Helsinki Final Act and the Charter of Paris for a New Europe, as well as the principles of market economy as reflected in the Document of the CSCE Bonn Conference on Economic Cooperation, shall form the basis of the domestic and external policies of the parties and constitute essential elements of this Agreement.

Article 3.

1. The Association shall include a transitional period of a maximum duration of six years divided into two successive stages, the first in principle lasting four years, the second two. The first stage shall begin upon the entry into force of this Agreement.
2. The Association Council established under Article 110 shall regularly examine the application of this Agreement and the accomplishment of Slovenia's economic reforms on the basis of the principles established in the preamble.
3. During the course of the twelve months preceding the expiry of the first stage, the Association Council shall meet to decide on the transition to the second stage as well as on any possible changes to be brought about as regards the content of the provisions governing the second stage. In so doing, it will take into account the results of the examination referred to in paragraph 2.
4. The two stages envisaged in paragraphs 1, 2 and 3 shall not apply to Title III.

Title II. POLITICAL DIALOGUE

Article 4.

The political dialogue between the European Union and Slovenia shall be further developed and intensified. It shall accompany and consolidate the rapprochement between the European Union and Slovenia, support the political and economic changes underway in that country or already realised, and contribute to the establishment of close links of solidarity and new forms of cooperation between the parties. The political dialogue is intended to promote in particular:

- Slovenia's full integration into the Community of democratic nations and its progressive rapprochement with the European

Union;

- an increasing convergence of positions of the parties on international issues and, in particular, on those issues likely to have substantial effects on the parties;
- better cooperation in areas covered by the Common Foreign and Security Policy of the European Union;
- common views on security and stability in Europe.

Article 5.

Political dialogue shall take place within the multilateral framework and in accordance with the forms and practices established with the associated countries of central Europe.

Article 6.

1. At ministerial level, political dialogue shall take place within the Association Council, which shall have the general responsibility for any matter which the parties might wish to put to it.
2. With the agreement of the parties, other procedures for political dialogue shall be established in particular:
 - meetings, where necessary, of senior officials (at the level of political directors) representing Slovenia, on the one hand, and the Presidency of the Council of the European Union and the Commission, on the other;
 - taking full advantage of all diplomatic channels between the parties, including appropriate contacts in third countries and within the United Nations, the OSCE and other international fora;
 - including Slovenia in the group of countries receiving regular information on the activities managed within the framework of the Common Foreign and Security Policy as well as exchanging information with a view to achieving the objectives defined in Article 4;
 - any other means which would make a useful contribution to consolidating, developing and stepping up this dialogue.

Article 7.

Political dialogue at parliamentary level may take place within the framework of the Association Parliamentary Committee established under Article 116.

Title III. FREE MOVEMENT OF GOODS

Article 8.

1. The Community and Slovenia shall gradually establish a free trade area in a transitional period lasting a maximum of six years starting from the entry into force of this Agreement in accordance with the provisions of this Agreement and in conformity with those of the GATT 1994 and the WTO.
2. The Combined Nomenclature of goods shall be applied to the classification of goods in trade between the two parties.
3. For each product the basic duty to which the successive reductions set out in this Agreement are to be applied shall be the duty actually applied erga omnes on the day preceding the signing of this Agreement.
4. If, after entry into force of this Agreement, any tariff reduction is applied on an erga omnes basis, in particular reductions resulting from the tariff agreement concluded as a result of the GATT Uruguay Round, such reduced duties shall replace the basic duty referred to in paragraph 3 as from the date when such reductions are applied.
5. The Community and Slovenia shall communicate to each other their respective basic duties.

Chapter I. INDUSTRIAL PRODUCTS

Article 9.

1. The provisions of this Chapter shall apply to products originating in the Community or Slovenia listed in Chapters 25 to 97

of the Combined Nomenclature, with the exception of the products listed in Annex I.

2. The provisions of Articles 10 to 14 shall not apply to textile products nor to products covered by the Treaty establishing the European Coal and Steel Community, as specified in Articles 16 and 17.

3. Trade between the parties in products covered by the Treaty establishing the European Atomic Energy Community shall be conducted in accordance with the provisions of that Treaty.

Article 10.

1. Customs duties on imports into the Community of products originating in Slovenia other than those listed in Annex II shall be abolished upon the entry into force of this Agreement.

2. Customs duties on imports into the Community of products of Slovenian origin listed in Annex II shall be suspended within the limits of annual Community tariff ceilings increasing progressively in accordance with the conditions specified in that Annex with a view to complete abolition of customs duties on imports of the products concerned on 1 January 2000.

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

Article 11.

1. Customs duties on imports into Slovenia of goods originating in the Community other than those listed in Annexes III and IV shall be abolished upon the entry into force of this Agreement.

2. Customs duties on imports into Slovenia of products originating in the Community which are listed in Annex III shall be progressively reduced in accordance with the following timetable:

- on 1 January 1996 each duty shall be reduced to 80 % of the basic duty;
- on 1 January 1997 each duty shall be reduced to 55 % of the basic duty;
- on 1 January 1998 each duty shall be reduced to 30 % of the basic duty;
- on 1 January 1999 each duty shall be reduced to 15 % of the basic duty;
- on 1 January 2000 the remaining duties shall be abolished.

3. Customs duties on imports into Slovenia of products originating in the Community which are listed in Annex IV shall be progressively reduced in accordance with the following timetable:

- on 1 January 1996 each duty shall be reduced to 90 % of the basic duty;
- on 1 January 1997 each duty shall be reduced to 70 % of the basic duty;
- on 1 January 1998 each duty shall be reduced to 45 % of the basic duty;
- on 1 January 1999 each duty shall be reduced to 35 % of the basic duty;
- on 1 January 2000 each duty shall be reduced to 20 % of the basic duty;
- on 1 January 2001 the remaining duties shall be abolished.

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

Article 12.

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

Article 13.

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

Article 14.

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

Slovenia shall abolish customs duties on exports and charges having equivalent effect upon entry into force of this Agreement except for the products listed in Annex XII where the abolition will take place in accordance with the timetable set out in that Annex.

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

Article 15.

Slovenia declares its readiness to reduce its customs duties in trade with the Community more rapidly than is provided for in Article 11 if its general economic situation and the situation of the economic sector concerned so permit.

The Community declares its readiness in similar circumstances to increase further or to abolish more speedily the tariff ceilings referred to in Article 10(2).

The Association Council shall make recommendations to this effect.

Article 16.

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

Article 17.

Protocol 2 lays down the arrangements applicable to products covered by the Treaty establishing the European Coal and Steel Community.

Article 18.

1. The provisions of this Chapter shall not preclude the retention by the Community of an agricultural component in the duties applicable to products listed in Annex V in respect of products originating in Slovenia.

2. The provisions of this Chapter shall not preclude the introduction of an agricultural component by Slovenia in the duties applicable to the products listed in Annex V in respect of products originating in the Community.

Chapter II. AGRICULTURE

Article 19.

1. The provisions of this Chapter shall apply to agricultural products originating in the Community or Slovenia.

2. The term 'agricultural products` means the products listed in Chapters 1 to 24 of the Combined Nomenclature and the products listed in Annex I, but excluding fishery products as defined by Regulation (EEC) No 3759/92.

Article 20.

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

Article 21.

1. The Community shall abolish on the date of entry into force of this Agreement the quantitative restrictions, and measures having equivalent effect, on imports of agricultural products originating in Slovenia.

2. From the date of entry into force of this Agreement, the Community shall apply to imports into its market of agricultural products originating in Slovenia the concessions listed in Annex VI.

3. Slovenia shall abolish quantitative restrictions, and measures having equivalent effect, on imports of agricultural products originating in the Community on the date of entry into force of this Agreement.

4. From the date of entry into force of this Agreement Slovenia shall apply to imports into Slovenia of products originating in the Community the concessions listed in Annex VII.

5. Taking account of the volume of trade in agricultural products between them, of its particular sensitivity, of the rules of the common agricultural policy of the Community, of the rules of the agricultural policy of Slovenia, and of the consequences of the multilateral trade negotiations under the GATT 1994 and WTO, the Community and Slovenia shall examine in the Association Council, product by product and on an orderly and reciprocal basis, the opportunities for granting each other further concessions.

Article 22.

Notwithstanding other provisions of this Agreement, and in particular Article 31, if, given the particular sensitivity of the agricultural markets, imports of products originating in one of the two parties, which are the subject of concessions granted pursuant to Article 21, cause serious disturbance to the markets in the other party, both parties shall enter into consultations immediately to find an appropriate solution. Pending such solution, the party concerned may take the measures it deems necessary.

Chapter III. FISHERIES

Article 23.

The provisions of this Chapter shall apply to fishery products originating in the Community or Slovenia which are covered by Regulation (EEC) No 3759/92 on the common organisation of the market in fishery and aquaculture products.

Article 24.

1. The fishery products originating in Slovenia listed in Annex VIII(a) shall be subject from the date of entry into force of this Agreement to the reduced customs duties provided for in that Annex. The provisions of Articles 21 and 22 shall apply mutatis mutandis to fishery products.

2. The fishery products originating in the Community listed in Annex VIII(b) shall be subject from the date of entry into force of this Agreement to the reduced customs duties provided for in that Annex. The provisions of Articles 21 and 22 shall apply mutatis mutandis to fishery products.

Chapter IV. COMMON PROVISIONS

Article 25.

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

Article 26. Standstill

1. No new customs duties on imports or exports or charges having equivalent effect shall be introduced, nor shall those already applied be increased, in trade between the Community and Slovenia from the date of entry into force of this Agreement.

2. No new quantitative restriction on imports or exports or measure having equivalent effect shall be introduced, nor shall those existing be made more restrictive, in trade between the Community and Slovenia from the date of entry into force of this Agreement.

3. Without prejudice to the concessions granted under Article 21, the provisions of paragraphs 1 and 2 of this Article shall not restrict in any way the pursuit of the respective agricultural policies of Slovenia and the Community or the taking of any measures under those policies in so far as the import regime in the Annexes VI and VII is not affected.

Article 27. Prohibition of Fiscal Discrimination

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

Article 28. Customs Unions, Free Trade Areas, Cross-border Arrangements

1. This Agreement shall not preclude the maintenance or establishment of customs unions, free trade areas or arrangements for frontier trade except in so far as they alter the trade arrangements provided for in this Agreement. This Agreement shall in particular not affect the implementation of the specific arrangements governing the movement of goods laid down in frontier agreements previously concluded between one or more Member States and the Socialist Federal Republic of Yugoslavia and succeeded to by the Republic of Slovenia.
2. Consultations between the parties shall take place within the Association Council concerning agreements establishing such customs unions or free trade areas and, where requested, on other major issues related to their respective trade policies towards third countries. In particular in the event of a third country acceding to the Community, such consultations shall take place so as to ensure that account is taken of the mutual interests of the Community and Slovenia stated in this Agreement.

Article 29. Exceptional Tariff Measures

Exceptional measures of limited duration which derogate from the provisions of Article 11 and Article 26(1) may be taken by Slovenia in the form of increased customs duties.

These measures may only concern infant industries, or certain sectors undergoing restructuring or facing serious difficulties, particularly where these difficulties produce major social problems.

Customs duties introduced by these measures on imports into Slovenia of products originating in the Community may not exceed 25 % ad valorem and shall maintain an element of preference for products originating in the Community. The total value of imports of the products which are subject to these measures may not exceed 15 % of total imports from the Community of industrial products as defined in Chapter I, during the last year for which statistics are available.

The measures shall be applied for a period not exceeding five years unless a longer duration is authorised by the Association Council. They shall cease to apply at the latest on the expiry of the transitional period.

No such measures may be introduced in respect of a product if more than three years have elapsed since the elimination of all duties and quantitative restrictions or charges or measures having equivalent effect concerning that product.

Slovenia shall inform the Association Council of any exceptional measures it intends to adopt and, at the request of the Community, consultations shall be held in the Association Council on such measures and the sectors to which they apply before they are put into effect. When adopting such measures Slovenia shall provide the Association Council with a schedule for the elimination of the customs duties introduced under this Article. This schedule shall provide for a phasing-out of these duties at equal annual rates starting at the latest two years after their introduction. The Association Council may decide on a different schedule.

Article 30. Dumping

If one of the parties finds that dumping is taking place in trade with the other party within the meaning of Article VI of the GATT 1994, it may take appropriate measures against this practice in accordance with the Agreement on implementation of Article VI of the GATT 1994, its own related internal legislation and the conditions and procedures laid down in Article 34.

Article 31. General Safeguard Clause

When any product is being imported in such increased quantities and under such conditions as cause or threaten to cause:

- serious injury to domestic producers of like or directly competing products in the territory of one of the parties, or
- serious disturbances in any sector of the economy or difficulties which could bring about serious deterioration in the economic situation of a region,

the Community or Slovenia, whichever is concerned, may take appropriate measures under the conditions and in

accordance with the procedures laid down in Article 34.

Article 32. Shortage Clause

Where compliance with Articles 14 and 26 leads to

- re-export to a third country of a product in respect of which the exporting party maintains quantitative export restrictions, export duties or measures or charges having equivalent effect,

or

- a serious shortage, or threat thereof, of a product essential to the exporting party,

and where the situations described above give rise, or are likely to give rise, to major difficulties for the exporting party, that party may take appropriate measures under the conditions and in accordance with the procedures laid down in Article 34. The measures shall be non-discriminatory and shall be abolished when conditions no longer justify their maintenance.

Article 33. State Monopolies

The Member States and Slovenia shall progressively adjust any State monopolies of a commercial character so as to ensure that, by the end of the fourth year following the entry into force of this Agreement, no discrimination regarding the conditions under which goods are procured and marketed exists between nationals of the Member States and of Slovenia. The Association Council shall be informed about the measures adopted to attain this objective.

Article 34. Procedures

1. In the event of the Community or Slovenia subjecting imports of products liable to give rise to the difficulties referred to in Article 31 to an administrative procedure having as its purpose the rapid provision of information on the trend of trade flows, it shall inform the other party.

2. In the cases specified in Articles 30, 31 and 32, before taking the measures provided for therein or, in cases to which paragraph 3(d) applies, as soon as possible, the Community or Slovenia, as the case may be, shall supply the Association Council with all relevant information, with a view to seeking a solution acceptable to the two parties.

In the selection of measures, priority must be given to those which least disturb the functioning of this Agreement.

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

3. For the implementation of paragraph 2, the following provisions shall apply.

(a) As regards Article 31, the difficulties arising from the situation referred to in that Article shall be referred for examination to the Association Council, which may take any decision needed to put an end to such difficulties.

If the Association Council or the exporting party has not taken a decision putting an end to the difficulties or no other satisfactory solution has been reached within thirty days of the matter being referred, the importing party may adopt the appropriate measures to remedy the problem. These measures must not exceed the scope of what is necessary to remedy the difficulties which have arisen.

(b) As regards Article 30, the Association Council shall be informed of the instance of dumping as soon as the authorities of the importing party have initiated an investigation. Where no end has been put to the dumping within the meaning of Article VI of the GATT 1994 or no other satisfactory solution has been reached within thirty days of the matter being referred to the Association Council, the importing party may adopt the appropriate measures.

(c) As regards Article 32, the difficulties arising from the situations referred to in that Article shall be referred for examination to the Association Council.

The Association Council may take any decision needed to put an end to the difficulties. If it has not taken such a decision within thirty days of the matter being referred to it, the exporting party may apply appropriate measures to the export of the product concerned.

(d) Where exceptional circumstances requiring immediate action make prior information or examination, as the case may

be, impossible, the Community or Slovenia whichever is concerned may, in the situations specified in Articles 30, 31 and 32, apply forthwith the safeguard measures strictly necessary to deal with the situation and inform the Association Council immediately.

Article 35.

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

Article 36. Restrictions Authorised

This Agreement shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security; the protection of health and life of humans, animals or plants; the protection of exhaustible 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 37.

The application of this Agreement shall be without prejudice to Council Regulation (EEC) No 1911/91 of 26 June 1991 on the application of the provisions of Community law to the Canary Islands.

Title IV. MOVEMENT OF WORKERS, ESTABLISHMENT, SUPPLY OF SERVICES

Chapter I. MOVEMENT OF WORKERS

Article 38.

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

- treatment accorded to workers of Slovenian nationality, 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;
- the legally resident spouse and children of a worker legally employed in the territory of a Member State, with the exception of seasonal workers and of workers coming under bilateral agreements within the meaning of Article 42, unless otherwise provided by such agreements, shall have access to the labour market of that Member State, during the period of that worker's authorised stay of employment.

2. Slovenia shall, subject to the conditions and modalities applicable in that country, accord the treatment referred to in paragraph 1 to workers who are nationals of a Member State and are legally employed in its territory as well as to their spouse and children who are legally resident in the said territory.

Article 39.

1. With a view to coordinating social security systems for workers of Slovenian nationality legally employed in the territory of a Member State and for the members of their family, legally resident there, and subject to the conditions and modalities applicable in each Member State:

- all periods of insurance, employment or residence completed by such workers in the various Member States shall be added together for the purpose of pensions and annuities in respect of old age, invalidity and death and for the purpose of medical care for such workers and such family members;
- any pensions or annuities in respect of old age, death, industrial accident or occupational disease, or of invalidity resulting therefrom, with the exception of non-contributory benefits, shall be freely transferable at the rate applied by virtue of the law of the debtor Member State or States;
- the workers in question shall receive family allowances for the members of their family as defined above.

2. Slovenia shall accord to workers who are nationals of a Member State and legally employed in its territory, and to members of their families legally resident there, treatment similar to that specified in the second and third indents of

paragraph 1.

Article 40.

1. The Association Council shall by decision adopt the appropriate provisions to give effect to the objectives set out in Article 39.

2. The Association Council shall by decision adopt detailed rules for administrative cooperation providing the necessary management and control guarantees for the application of the provisions referred to in paragraph 1.

Article 41.

The provisions adopted by the Association Council in accordance with Article 40 shall not affect any rights or obligations arising from bilateral agreements linking Slovenia and the Member States where those agreements provide for more favourable treatment of nationals of Slovenia or of the Member States.

Article 42.

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

- the existing facilities for access to employment for Slovenian workers accorded by Member States under bilateral agreements should be preserved and if possible improved;

- the other Member States shall consider the possibility of concluding similar agreements.

2. The Association Council shall examine the granting of other improvements, including facilities for access to vocational training, in accordance with rules and procedures in force in the Member States, and taking account of the labour market situation in the Member States and in the Community.

Article 43.

During the second stage referred to in Article 3, or earlier if so decided, the Association Council shall examine further ways of improving the movement of workers, taking into account inter alia the social and economic situation in Slovenia and the employment situation in the Community. The Association Council shall make appropriate recommendations.

Article 44.

In the interest of facilitating the redeployment of labour resources resulting from economic restructuring in Slovenia, the Community shall provide technical assistance for the establishment of a suitable social security system in Slovenia as set out in Article 89.

Chapter II. ESTABLISHMENT

Article 45.

1. Slovenia shall, during the transitional period referred to in Article 3, facilitate the setting-up of operations on its territory by Community companies and nationals. To that end, it shall grant, from the entry into force of this Agreement:

(i) as regards the establishment of Community companies treatment no less favourable than that accorded to its own companies or to any third country company, whichever is the better, save for the sectors referred to in Annex IX(a), where such treatment shall be granted at the latest by the end of the transitional period referred to in Article 3 and;

(ii) as regards the operation of subsidiaries and branches of Community companies in Slovenia, once established, treatment no less favourable than that accorded to its own companies and branches or to any Slovenian subsidiary and branch of any third country company, whichever is the better.

2. Slovenia shall not, during the transitional periods referred to in paragraph 1, adopt any new regulations or measures which introduce discrimination as regards the establishment of Community companies or nationals on its territory or in respect of their operation, once established, by comparison with its own companies and nationals.

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

- as regards the establishment of Slovenian companies, treatment no less favourable than that accorded by Member States to their own companies or to any company of any third country, whichever is the better;

- as regards the operation of subsidiaries and branches of Slovenian companies, established in their territory, treatment no less favourable than that accorded by Member States to their own companies and branches, or to any subsidiary and branch of any third country company, established in their territory, whichever is the better.

4. The treatment described in paragraphs 1 and 3 shall be applicable for the establishment and operation of nationals as from the end of the transitional period referred to in Article 3.

5. The provisions concerning national treatment for the establishment and operation of Community companies and nationals contained in paragraph 1 of this Article shall not apply to the areas or matters listed in Annex IX(b).

6. The Association Council shall during the transitional period referred to in paragraph 1 (i) examine regularly the possibility of accelerating the granting of national treatment in the sectors referred to in Annex IX(a) and the inclusion of areas or matters listed in Annex IX(b) within the scope of the provisions of paragraphs 1 and 3 of this Article. Amendments may be made to these Annexes by decision of the Association Council.

Following the expiry of the transitional period referred to in paragraph 1(i), the Association Council may exceptionally, at the request of Slovenia, and if the necessity arises, decide to prolong the duration of exclusion of certain areas or matters listed in Annex IX(a) for a limited period of time.

7. Notwithstanding the provisions of this Article:

(a) Community nationals and subsidiaries and branches of Community companies shall have, from the entry into force of this Agreement, the right to use and rent real property in Slovenia;

(b) subsidiaries of Community companies shall also have the right to acquire and sell real property and, as regards natural resources, agricultural land and forestry, the same rights as enjoyed by Slovenian nationals and companies, where these rights are necessary for the conduct of the economic activities for which they are established;

(c) Slovenia shall grant the rights under (b) to Community nationals and branches of Community companies by the end of the first stage of the transitional period.

Article 46.

1. The provisions of this Chapter shall not apply to air transport services, inland waterway transport services and maritime cabotage transport services.

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

Article 47.

For the purposes of this Agreement:

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

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

(b) 'Subsidiary' of a company shall mean a company which is effectively controlled by the first company;

(c) 'Branch' of a company shall mean a place of business not having legal personality which has the appearance of permanency, such as the extension of a parent body, has a management and is materially equipped to negotiate business with third parties so that the latter, although knowing that there will if necessary be a legal link with the parent body, the head office of which is abroad, do not have to deal directly with such parent body but may transact business at the place of business constituting the extension;

(d) 'Establishment` shall mean:

(i) as regards nationals, the right to take up economic activities as self-employed persons, and to set up undertakings, in particular companies, which they effectively control. Self-employment and business undertakings by nationals shall not extend to seeking or taking employment in the labour market or confer a right of access to the labour market of another party. The provisions of this Chapter do not apply to those who are not exclusively self-employed;

(ii) as regards Community or Slovenian companies, the right to take up economic activities by means of the setting up of subsidiaries and branches in Slovenia or in the Community respectively;

(e) 'Operations` shall mean the pursuit of economic activities;

(f) 'Economic activities` shall in principle include activities of an industrial, commercial and professional character and activities of craftsmen;

(g) 'Community national` and 'Slovenian national` shall mean respectively a natural person who is a national of one of the Member States or of Slovenia;

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

(i) 'Financial services` shall mean those activities described in Annex IX(c). The Association Council may extend or modify the scope of that Annex.

Article 48.

1. Subject to the provisions of Article 45, with the exception of financial services described in Annex IX(c), each party may regulate the establishment and operation of companies and nationals on its territory, in so far as these regulations do not discriminate against companies and nationals of the other party in comparison with its own companies and nationals.

2. In respect of financial services, notwithstanding any other provisions of this Agreement, a party shall not be prevented from taking measures for prudential reasons, including for the protection of investors, depositors, policy holders or persons to whom a fiduciary duty is owed by a financial service supplier, or to ensure the integrity and stability of the financial system. Such measures shall not be used as a means of avoiding the party's obligations under the Agreement.

3. Nothing in the Agreement shall be construed to require a party to disclose information relating to the affairs and accounts of individual customers or any confidential or proprietary information in the possession of public entities.

Article 49.

1. The provisions of Articles 45 and 48 do not preclude the application by a party of particular rules concerning the establishment and operation in its territory of branches of companies of another party not incorporated in the territory of the first party, which are justified by legal or technical differences between such branches as compared to branches of companies incorporated in its territory or, as regards financial services, for prudential reasons.

2. The difference in treatment shall not go beyond what is strictly necessary as a result of such legal or technical differences or, as regards financial services, for prudential reasons.

Article 50.

1. A Community company or a Slovenian company established in the territory of Slovenia 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 Slovenia and the Community respectively, employees who are nationals of the Community Member States and Slovenia respectively, provided that such employees are key personnel as defined in paragraph 2 and that they are employed exclusively by companies, subsidiaries or branches.

The residence and work permits of such employees shall only cover the period of such employment.

2. Key personnel of the abovementioned companies herein referred to as 'organisations` are 'intra-corporate transferees` as defined in (c) of this paragraph in the following categories, provided that the organisation is a legal person and that the

persons concerned have been employed by it or have been partners in it (other than as majority shareholders), for at least the year immediately preceding such movement:

(a) Persons working in a senior position with an organisation, who primarily direct the management of the establishment, receiving general supervision or direction principally from the board of directors or stockholders of the business or their equivalent including:

- directing the establishment of a department or sub-division of the establishment;
- supervising and controlling the work of other supervisory, professional or managerial employees;
- having the authority personally to recruit and dismiss or recommend recruiting, dismissing or other personnel actions;

(b) Persons working within an organisation who possess uncommon knowledge essential to the establishment's service, research equipment, techniques or management. The assessment of such knowledge may reflect, apart from knowledge specific to the establishment, a high level of qualification referring to a type of work or trade requiring specific technical knowledge, including membership of an accredited profession;

(c) An 'intra-corporate transferee' is defined as a natural person working within an organisation in the territory of a party, and being temporarily transferred in the context of pursuit of economic activities in the territory of the other party; the organisation concerned must have its principal place of business in the territory of a party and the transfer be to an establishment (branch, subsidiary) of that organisation, effectively pursuing like economic activities in the territory of the other party.

3. The entry into and the temporary presence within the territory of the Community or Slovenia of Slovenian and Community nationals respectively shall be permitted, when these representatives of companies are persons working in a senior position, as defined in paragraph 2(a) above, within a company, and are responsible for the setting up of a Community subsidiary or branch of a Slovenian company or of a Slovenian subsidiary or branch of a Community company in a Community Member State or Slovenia respectively, when:

- those representatives are not engaged in making direct sales or supplying services, and
- the company has its principal place of business outside the Community or Slovenia, respectively, and has no other representative, office, branch or subsidiary in that Community Member State or Slovenia respectively.

Article 51.

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

Article 52.

During the first four years following the date of entry into force of this Agreement, or for the sectors referred to in Annex IX(a), during the transitional period referred to in Article 3, Slovenia may introduce measures which derogate from the provisions of this Chapter as regards the establishment of Community companies and nationals of certain industries:

- are undergoing restructuring, or
- are facing serious difficulties, particularly where these entail serious social problems in Slovenia, or
- face the elimination or a drastic reduction of the total market share held by Slovenian companies or nationals in a given sector or industry in Slovenia, or
- are newly emerging industries in Slovenia.

Such measures:

(i) shall cease to apply at the latest two years after the expiry of the fourth year following the date of entry into force of this Agreement or, for the sectors included in Annex IX(a), upon the expiry of the transitional period referred to in Article 3, and

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

(iii) shall relate only to establishments in Slovenia to be set up after the entry into force of such measures and shall not

introduce discrimination concerning the activities of Community companies or nationals already established in Slovenia at the time of introduction of a given measure, by comparison with Slovenian companies or nationals.

The Association Council may exceptionally, at the request of Slovenia, and if the necessity arises, decide to prolong the periods referred to in (i) above for a given sector for a limited period of time.

While devising and applying such measures, Slovenia shall grant preferential treatment wherever possible to Community companies and nationals, and in no case treatment less favourable than that accorded to companies or nationals from any third country.

Prior to the adoption of these measures, Slovenia shall consult the Association Council and shall not put them into effect before a one month period has elapsed following the notification to the Association Council of the concrete measures to be introduced by Slovenia, except where the threat of irreparable damage requires the taking of urgent measures, in which case Slovenia shall consult the Association Council immediately after their adoption.

Upon the expiry of the fourth year following the entry into force of this Agreement or, for the sectors included in Annex IX(a), upon the expiry of the transitional period referred to in Article 3, Slovenia may introduce such measures only with the authorisation of the Association Council and under conditions determined by the latter.

Chapter III. SUPPLY OF SERVICES BETWEEN THE COMMUNITY AND SLOVENIA

Article 53.

1. The parties undertake in accordance with the following provisions to take the necessary steps to allow progressively the supply of services by Community or Slovenian companies or nationals which are established in a party other than that of the person for whom the services are intended.

2. In step with the liberalization process mentioned in paragraph 1, and subject to the provisions of Article 57(1), the parties shall permit the temporary movement of natural persons providing the service or who are employed by the service provider as key personnel as defined in Article 50(2), including natural persons who are representatives of a Community or Slovenian company or national and are seeking temporary entry for the purpose of negotiating for the sale of services or entering into agreements to sell services for that service provider, where those representatives will not be engaged in making direct sales to the general public or in supplying services themselves.

3. At the latest eight years after the entry into force of this Agreement, the Association Council shall take the measures necessary to implement progressively the provisions of paragraph 1. Account shall be taken of the progress achieved by the parties in the approximation of their laws.

Article 54.

1. The parties shall not take any measures or actions which render the conditions for the supply of services by Community and Slovenian nationals or companies which are established in a party other than that of the person for whom the services are intended significantly more restrictive as compared to the situation existing on the day preceding the day of entry into force of the Agreement.

2. If one party is of the view that measures introduced by the other party since the signature of the Agreement result in a situation which is significantly more restrictive in respect of supply of services as compared with the situation existing at the date of signature of the Agreement, such first party may request the other party to enter into consultations.

Article 55.

With regard to supply of transport services between the Community and Slovenia, the following shall apply without prejudice to the provisions of Article 53:

1. With regard to inland transport, the relationship between the parties is governed by the Agreement between the European Economic Community and the Republic of Slovenia in the field of transport, signed on 5 April 1993. The parties confirm the importance they attach to the correct application of this Agreement, and underline the particular importance of the freedom of road transit traffic, as defined in the Agreement, without prejudice to the conditions regulating transit through Austria following Austria's accession to the European Union, of non-discrimination and of harmonisation of the Slovenian transport legislation with that of the Community.

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

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

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

3. In applying the principles of point 2, the parties shall:

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

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

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

4. With a view to ensuring a coordinated development and progressive liberalization of transport between the parties adapted to their reciprocal commercial needs, the conditions of mutual market access in air transport shall be dealt with by special agreement to be negotiated between the parties after the entry into force of this Agreement.

5. Prior to the conclusion of the agreement referred to in point 4, the parties shall not take any measures or actions which are more restrictive or discriminatory as compared with the situation existing prior to the entry into force of this Agreement.

6. During the transitional period, Slovenia shall progressively adapt its legislation, including administrative, technical and other rules, to that of the Community existing at any time in the field of air and inland transport in so far as it serves liberalization purposes and mutual access to markets of the parties and facilitates the movement of passengers and of goods.

7. In step with the common progress in the achievement of the objectives of this Chapter, the Association Council shall examine ways of creating the conditions necessary for improving freedom to provide air and inland transport services.

Chapter IV. GENERAL PROVISIONS

Article 56.

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

Article 57.

1. For the purpose of this Title, nothing in this Agreement shall prevent the parties from applying their laws and regulations regarding entry and stay, employment, working conditions, establishment of natural persons and supply of services, provided that, in so doing, they do not apply them in such a manner as to nullify or impair the benefits accruing to any party under the terms of a specific provision of this Agreement. This provision shall be without prejudice to the application of Article 56.

2. The exclusion of Community companies and nationals established in Slovenia in accordance with the provisions of Chapter II from public aid granted by Slovenia in the areas of public education services, health-related and social services and cultural services shall, for the duration of the transitional period referred to in Article 3, be deemed compatible with the provisions of this title and with the competition rules referred to in Title V.

Article 58.

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

Article 59.

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 designed to avoid double taxation or other tax arrangements.
2. None of the provisions of this Title shall be construed to prevent the adoption or enforcement by the parties of any measure aimed at preventing the avoidance or evasion of taxes pursuant to the tax provisions of agreements to avoid double taxation and other tax arrangements or domestic fiscal legislation.
3. None of the provisions of this Title shall be construed to prevent Member States or Slovenia in applying the relevant provisions of their fiscal legislation, from distinguishing between taxpayers who are not in identical situations, in particular as regards their place of residence.

Article 60.

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

Article 61.

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

Title V. PAYMENTS, CAPITAL, COMPETITION AND OTHER ECONOMIC PROVISIONS, APPROXIMATION OF LAWS

Chapter I. CURRENT PAYMENTS AND MOVEMENT OF CAPITAL

Article 62.

The parties undertake to authorise, in freely convertible currency, any payments on the current account of balance of payments to the extent that the transactions underlying the payments concern movements of goods, services or persons between the parties which have been liberalised pursuant to this Agreement.

Article 63.

1. With regard to transactions on the capital account of balance of payments from the entry into force of this Agreement, the Member States and Slovenia respectively shall ensure the free movement of capital relating to direct investments made in companies formed in accordance with the laws of the host country and investments made in accordance with the provisions of Chapter II of Title IV, and the liquidation or repatriation of the product of those investments and of any profit stemming therefrom.

Notwithstanding the above provision, such free movement, liquidation and repatriation shall be ensured by the end of the fourth year following the entry into force of this Agreement for all investments linked to establishment of Community nationals pursuing an activity in Slovenia as self-employed persons pursuant to Chapter II of Title IV.

With regard to acquisition of more than 25 % of shares providing voting rights issued under the Law on the Ownership Transformation of Enterprises in a company with a nominal share capital exceeding ECU 5 million, Slovenian government authorisation is required for a period of three years after the entry into force of this Agreement. Thereafter this restriction will be removed.

2. With regard to transactions on the capital account of balance of payments, from entry into force of this Agreement, the Member States and Slovenia respectively shall ensure free movement of capital relating to credits related to commercial transactions or to the provision of services in which a resident of one of the parties is participating, and to financial loans.

They shall also ensure from the fourth year after the entry into force of this Agreement free movement of capital relating to

portfolio investment.

Without prejudice to Articles 62 and 63, where, in exceptional circumstances, movements of capital between the residents of the Community and Slovenia cause, or threaten to cause, serious difficulties for the operation of exchange rate policy or monetary policy in the Community or Slovenia, the Community and Slovenia, respectively, may take safeguard measures with regard to movements of capital between the Community and Slovenia for a period not exceeding six months if such measures are strictly necessary.

3. Without prejudice to paragraph 1, the Member States and Slovenia, as from the entry into force of this Agreement, shall not introduce any new foreign exchange restrictions on the movement of capital and current payments connected therewith between residents of the Community and Slovenia and shall not make the existing arrangements more restrictive.

4. The parties shall consult each other with a view to facilitating the movement of capital between the Community and Slovenia in order to promote the objectives of this Agreement.

Article 64.

1. During the four years following the date of entry into force of this Agreement, the parties shall take measures permitting the creation of the necessary conditions for the further gradual application of Community rules on the free movement of capital.

2. By the end of the fourth year from the entry into force of this Agreement, the Association Council shall examine ways of enabling Community rules on the movement of capital to be applied in full.

Chapter II. COMPETITION AND OTHER ECONOMIC PROVISIONS

Article 65.

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

(i) all agreements between undertakings, decisions by associations of undertakings and concerted practices between undertakings which have as their object or effect the prevention, restriction or distortion of competition;

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

(iii) any public aid which distorts or threatens to distort competition by favouring certain undertakings or certain products.

2. Any practices contrary to this Article shall be assessed on the basis of criteria arising from the application of the rules of Articles 85, 86 and 92 of the Treaty establishing the European Community.

3. The Association Council shall, within three years of the entry into force of this Agreement, adopt the necessary rules for the implementation of paragraphs 1 and 2. Until the implementing rules are adopted, practices incompatible with paragraph 1 shall be dealt with by the parties on their respective territories according to their respective legislation. This shall be without prejudice to paragraph 6.

4. (a) For the purposes of applying the provisions of paragraph 1(iii), the parties recognise that during the first four years after the entry into force of this Agreement, any public aid granted by Slovenia shall be assessed taking into account the fact that Slovenia shall be regarded as an area identical to those areas of the Community described in Article 92(3)(a) of the Treaty establishing the European Community. The Association Council shall, taking into account the economic situation of Slovenia, decide whether that period should be extended by further periods of four years.

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

5. With regard to products referred to in Chapters II and III of Title III:

- paragraph 1(iii) shall not apply;

- any practices contrary to paragraph 1(i) shall be assessed according to the criteria established by the Community on the basis of Articles 42 and 43 of the Treaty establishing the European Community and in particular of those established in

Council Regulation No 26/1962.

6. If the Community or Slovenia considers that a particular practice is incompatible with the terms of paragraph 1, and:

- is not adequately dealt with under the implementing rules referred to in paragraph 3, or

- in the absence of such rules, and if such practice causes or threatens to cause serious injury to the interests of the other party or material injury to its domestic industry, including its services industry,

it may take appropriate measures after consultation within the Association Council or after thirty working days following referral for such consultation.

In the case of practices incompatible with paragraph 1(iii), such appropriate measures may, where the WTO Agreement applies thereto, only be adopted in accordance with the procedures and under the conditions laid down thereby and any other relevant instrument negotiated under its auspices which are applicable between the parties.

7. Notwithstanding any provisions to the contrary adopted in accordance with paragraph 3, the parties shall exchange information taking into account the limitations imposed by the requirements of professional and business confidentiality.

8. This Article shall not apply to the products covered by the Treaty establishing the European Coal and Steel Community which are the subject of Protocol 2.

Article 66.

1. The parties shall endeavour wherever possible to avoid the imposition of restrictive measures, including measures relating to imports, for balance of payments purposes. A party adopting such measures shall present as soon as possible to the other party a timetable for their removal.

2. Where one or more Member States or Slovenia is in serious balance of payments difficulties, or under imminent threat thereof, the Community or Slovenia, as the case may be, may, in accordance with the conditions established under the WTO Agreement, adopt restrictive measures, including measures relating to imports, which shall be of limited duration and may not go beyond what is strictly necessary to remedy the balance of payments situation. The Community or Slovenia, as the case may be, shall inform the other party forthwith.

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

Article 67.

With regard to public undertakings, and undertakings to which special or exclusive rights have been granted, the Association Council shall ensure that as from the third year following the date of entry into force of this Agreement, the principles of the Treaty establishing the European Community, in particular Article 90 thereof, are upheld.

Article 68.

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

2. From the entry into force of the Agreement, Slovenia shall protect intellectual, industrial and commercial property rights at a level of protection similar to that existing in the Community, including effective means of enforcing such rights.

3. Before the entry into force of the Agreement, Slovenia shall accede to the multilateral conventions on intellectual, industrial and commercial property rights referred to in paragraph 1 of Annex X.

4. If problems in the area of intellectual, industrial and commercial property affecting trading conditions were to occur, they shall be referred urgently to the Association Council, at the request of either party, with a view to reaching mutually satisfactory solutions.

Article 69.

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

2. Slovenian companies, shall be granted access to contract award procedures in the Community pursuant to Community procurement rules under treatment no less favourable than that accorded to Community companies as from the entry into force of this Agreement, except for contracts covered by Directive 93/38/EEC.

The above provisions would also apply to contracts covered by Directive 93/38/EEC immediately the Slovenian government introduced the appropriate legislation. The Community shall examine periodically whether Slovenia has indeed introduced such legislation.

Community companies shall be granted access to contract award procedures in Slovenia under treatment no less favourable than that accorded to Slovenian companies at the latest by the end of the transitional period referred to in Article 3.

Community companies established in Slovenia under the provisions of Chapter II of Title IV shall have upon entry into force of this Agreement access to contract award procedures under treatment no less favourable than that accorded to Slovenian companies.

The Association Council shall periodically examine the possibility for Slovenia to introduce access to award procedures in Slovenia for all Community companies prior to the end of the transitional period.

3. As regards establishment, operations, supply of services between the Community and Slovenia, and also employment and movement of labour linked to the fulfilment of public contracts, the provisions of Articles 38 to 61 are applicable.

Chapter III. APPROXIMATION OF LAWS

Article 70.

The parties recognise that the major precondition for Slovenia's economic integration into the Community is the approximation of Slovenia's existing and future laws to that of the Community. Slovenia shall endeavour to ensure that its laws will be gradually made compatible with that of the Community.

Article 71.

1. The approximation of laws shall extend to the following areas in particular: customs law, company law, banking law, insurance law, company accounts and taxation, financial services, rules on competition, rules on public contracts and public procurement, protection of health and life of humans, animals and plants, indirect taxation, technical rules and standards, nuclear law and regulation, transport and telecommunications.

2. The parties also consider it particularly important to make rapid progress in the approximation of laws in the field of the internal market, competition, protection of workers, consumers' rights and the environment.

Article 72.

The Community shall provide Slovenia with technical assistance for the implementation of these measures, which may include inter alia:

- the exchange of experts;
- the provision of early information, especially on relevant legislation;
- organisation of seminars;
- training activities;
- aid for the translation of Community and Slovenian legislation in the relevant sectors.

Title VI. ECONOMIC COOPERATION

Article 73.

1. The Community and Slovenia shall establish economic cooperation aimed at contributing to Slovenia's development and growth potential. Such cooperation shall strengthen existing economic links on the widest possible foundation, to the benefit of both parties.

2. Policies and other measures will be designed to bring about the economic and social development of Slovenia and will be guided by the principle of sustainable development. These policies should ensure that environmental considerations are also fully incorporated from the outset and that they are linked to the requirements of harmonious social development.
3. To this end the cooperation should focus in particular on policies and measures related to industry including the mining sector, investment, agriculture, energy, transport, regional development and tourism.
4. Special attention must be devoted to measures capable of fostering cooperation between Slovenia and the countries of Central and Eastern Europe.

Article 74. Industrial Cooperation

1. Cooperation shall be aimed at promoting the modernisation and restructuring of Slovenian industry in both public and private sectors as well as industrial cooperation between economic operators of both sides, with the particular objective of strengthening the private sector, while respecting the environment.
2. In particular cooperation shall promote:
 - the restructuring of individual sectors; in this context, the Association Council will examine in particular the problems affecting the coal and steel sectors;
 - the establishment of new undertakings in areas offering potential for growth.
3. Industrial cooperation initiatives shall take into account priorities determined by Slovenia. The initiatives should seek in particular to establish a suitable framework for undertakings, to improve management know-how, to promote markets, market transparency and the business environment, and will include technical assistance where appropriate.

Article 75. Investment Promotion and Protection

1. Cooperation between the parties shall be aimed at establishing a favourable climate for private investment, both domestic and foreign, which is essential to economic and industrial reconstruction in Slovenia.
2. The particular aims of cooperation shall be:
 - for Slovenia to establish a legal framework which favours and protects investment;
 - the conclusion, where appropriate, with Member States of bilateral agreements for the promotion and protection of investment;
 - to conclude, where appropriate, agreements between Member States and Slovenia to avoid double taxation;
 - to implement suitable arrangements for the transfer of capital;
 - to proceed with deregulation;
 - to improve economic infrastructure;
 - to exchange information on investment opportunities through trade fairs, exhibitions, trade weeks and other events.

Article 76. Standards and Conformity Assessment

1. The parties shall cooperate with the aim of achieving Slovenia's full conformity with Community technical regulations and European standardisation and conformity assessment procedures.
2. To this end, the cooperation shall seek:
 - to promote the use of Community technical regulations and European standards and conformity assessment procedures;
 - where appropriate, to negotiate agreements on mutual recognition in these fields;
 - to encourage participation by relevant Slovenian bodies in the work of specialised European organisations (CEN, CENELEC, ETSI, EOTC).
3. The Community will provide Slovenia with technical assistance where appropriate.

Article 77. Cooperation In Science and Technology

1. The parties shall promote cooperation in research and technological development. They shall devote special attention to the following:

- the exchange of information on each other's science and technology policies;
- the organisation of joint scientific meetings (seminars and workshops);
- joint R& D activities aimed at encouraging scientific progress and the transfer of technology and know-how;
- training activities and mobility programmes for researchers and specialists from both sides;
- the development of an environment conducive to research and the application of new technologies and adequate protection of intellectual property rights in respect of research findings;
- participation of Slovenia in the Community programmes in accordance with paragraph 3.

Technical assistance shall be provided where appropriate.

2. The Association Council shall determine the appropriate procedures for developing cooperation.

3. Cooperation under the Community's framework programme in the field of research and technological development shall be implemented according to specific arrangements to be negotiated and concluded in accordance with the legal procedures of each party.

Article 78. Education and Training

1. The parties shall cooperate with the aim of raising the level of general education and vocational qualifications in Slovenia, taking into consideration the priorities of Slovenia. Institutional frameworks and plans of cooperation will be established on the basis of the European Training Foundation and the TEMPUS programme. Participation of Slovenia in Community programmes in the field of education, training and youth shall be considered in the context of Article 106.

2. The cooperation shall focus in particular on the following areas and according to detailed arrangements to be determined jointly by the parties:

- the development of education and training system in Slovenia;
- initial training, in-service training and retraining, including the training of public and private sector business executives and senior civil servants, particularly in priority areas to be determined;
- cooperation between universities or other higher education institutions, cooperation between universities or other higher education institutions and firms, and mobility for teachers, young scientists, students and administrators (TEMPUS);
- promoting teaching in the field of European studies within the appropriate institutions;
- promotion of initiatives to foster mutual recognition of periods of study and diplomas;
- promotion of training of trainers.

3. In the field of translation, cooperation will focus on training of translators and interpreters and promotion of Community linguistic standards and terminology.

Article 79. Agriculture and the Agro-industrial Sector

1. Cooperation in this area shall have as its aim the modernisation of agriculture and the agro-industrial sector. It shall endeavour in particular to:

- develop and modernise processing businesses and their methods of storage, marketing, etc.;
- modernise the rural infrastructure (transport, water supply, telecommunications);
- improve land use planning, including construction and urban planning;
- improve productivity and quality through the use of appropriate methods and products; provide training and monitoring in

the use of anti-pollution methods connected with inputs;

- promote complementarity in agriculture;
- promote technological cooperation in agriculture and the exchange of know-how, particularly between the private sectors in the Community and Slovenia;
- develop cooperation on animal health and plant health with the aim of bringing about gradual harmonisation with Community standards through assistance for training and the organisation of checks.

2. To these ends, technical assistance shall be provided by the Community as appropriate.

Article 80. Energy

1. In line with the principles of the market economy and of the Treaty on the European Energy Charter, the parties shall cooperate to develop the progressive integration of Europe's energy markets.

2. The cooperation shall include technical assistance where appropriate in the following areas:

- formulation and planning of energy policy both at national and regional level, including long-term aspects;
- opening up the energy market to a greater degree, including facilitating transit of gas and electricity;
- study of the modernisation of energy infrastructure;
- improvement of distribution as well as improvement and diversification of supply;
- management and training for the energy sector;
- the development of energy resources;
- the promotion of energy saving and energy efficiency;
- the environmental impact of energy production and consumption;
- the nuclear energy sector;
- the electricity and gas sectors, including consideration of the possibility of the interconnection of the supply networks;
- the formulation of framework conditions for cooperation between undertakings in this sector, which could include the encouragement of joint ventures;
- the transfer of technology and know-how, which may include if appropriate the promotion and commercialisation of efficient energy technologies;
- use and support for the new and renewable energy sources.

Article 81. Nuclear Safety

1. The aim of cooperation on nuclear safety shall be to provide for a high level of nuclear safety.

2. Cooperation, as appropriate to the Slovenian specific situation, shall cover the following:

- nuclear safety including both regulatory and operational aspects and serious accident management;
- protection against radiation, including monitoring of radiation in the environment;
- fuel cycle problems and safeguarding of nuclear materials, including measures against nuclear smuggling;
- radioactive waste management;
- early exchange of information in case of radiological emergencies;
- decommissioning of nuclear facilities;
- nuclear third party liability.

3. Cooperation shall include the exchange of information and experience and R& D activities in accordance with Article 77.

Article 82. Environment and Protection Against Natural Disasters

1. The parties shall develop and strengthen their cooperation in the area of combating environmental degradation.

2. Cooperation shall concern the following priority areas:

- effective monitoring of pollution levels; systems of information on the state of the environment;
- combating local, regional and transboundary pollution (pollution of air and water, including drinking water);
- sustainable, efficient and environmentally effective production and use of energy; safety of industrial plants, including nuclear installations;
- classification and safe handling of chemicals;
- effective prevention and reduction of water pollution, especially of transboundary watercourses;
- reduction, recycling and safe disposal of waste (including radioactive waste) and implementation of the Basel Convention;
- the environmental impact of agriculture; soil erosion and pollution through the chemical products used in agriculture;
- protection of forests, flora and fauna and the conservation of biodiversity;
- restoring ecological stability in the countryside;
- land management, including construction and town planning;
- use of economic and fiscal instruments;
- global climate change and its prevention;
- management of coastal areas and the prevention of marine pollution;
- international conventions in the area of environment;
- improvement of environmental standards of cars;
- environmental impact assessment of concepts and infrastructural projects concerning traffic/transport;
- correct assessment of costs and internalisation of external costs.

3. Cooperation shall comprise:

- exchange of information and experts, including information and experts concerned with the transfer of clean technologies and the safe use of environmentally sound biotechnologies;
- training programmes and courses;
- joint research activities;
- approximation of laws (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;
- environmental education and awareness of environmental issues;
- environmental impact assessments.

4. In the field of protection against natural disasters, the aim of cooperation is to assure protection of people, animals, property and environment against natural and man-made disasters.

To this end, the cooperation shall include the following areas:

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

- mutual and early notification on hazards disasters and their consequences;
- rescue and relief assistance systems in cases of disasters;
- exchange of experience in rehabilitation and reconstruction after a disaster;
- education and training for protection against natural and man-made disasters;
- rescue and relief exercise.

Article 83. Transport

1. The parties shall develop and step up cooperation in order to enable Slovenia to:

- restructure and modernise transport;
- improve movement of passengers and goods and access to the transport market by removing administrative, technical and other barriers;
- achieve operating standards comparable to those in the Community;
- develop a transport system that is compatible and aligned with the Community system.

2. The cooperation shall include the following in particular:

- economic, legal and technical training programmes;
- technical assistance, advice, and exchanges of information.

3. The cooperation shall include the following priority areas:

- road transport, including taxation and social and environmental aspects;
- combined rail and road transport;
- the management of railways and airports, including cooperation between the relevant national authorities;
- the development of road, rail, port and airport infrastructure on major routes of common interest and trans-European links;
- the harmonisation of international transport statistics;
- the renovation of technical transport equipment in line with Community standards, particularly as regards road-rail transport, multimodal transport and trans-shipment;
- the promotion of joint technological and research programmes in accordance with established procedures;
- the adoption of coordinated transport policies that are compatible with those applied in the Community.

Article 84. Post and Telecommunications

1. The parties shall expand and strengthen cooperation in the area of post and telecommunications and shall to this end in particular:

- exchange information on telecommunications and postal services policies;
- exchange technical and other information and organise seminars, workshops and conferences for experts of both sides;
- conduct training and advisory operations;
- carry out transfers of technology;
- have the appropriate bodies from both sides carry out joint projects;
- promote European standards, systems of certification and regulatory approaches;
- promote new communications facilities, particularly those with commercial applications.

2. These activities shall focus on the following priority areas:

- the modernisation of Slovenia's telecommunications network and postal services and their integration into European and world networks;
- cooperation within the structures of European standardisation;
- the integration of trans-European systems; the legal and regulatory aspects of telecommunications;
- the management of telecommunications in the new economic environment: organisational structures, strategy and planning, purchasing principles;
- land use planning, including construction and urban planning.

Article 85. Banking, Insurance and other Financial Services

1. The parties shall cooperate with the aim of establishing and developing a suitable framework for the encouragement of banking, insurance and financial services sector in Slovenia.

(a) The cooperation shall focus on:

- the adoption of a common accounting system compatible with European standards;
- the strengthening and restructuring of the banking, insurance and other financial sectors;
- the improvement of supervision and regulation of banking and other financial services, and technical assistance to the establishment and the operations of an insurance supervision body in Slovenia;
- the preparation of translations of Community and Slovenian legislation;
- the preparation of terminology glossaries;
- the exchange of information in particular in respect of proposed legislation.

(b) To this end, the cooperation shall include the provision of technical assistance and training.

2. The parties shall cooperate with the aim of developing efficient audit systems in Slovenia following the harmonised Community methods and procedures.

(a) Cooperation shall focus on:

- technical assistance to the court of auditors in Slovenia;
- the establishment of internal audit units in official agencies;
- the exchange of information with regard to auditing systems;
- the standardisation of audit documentation;
- training and advisory operations.

(b) To this end, technical assistance shall be provided by the Community as appropriate.

Article 86. Monetary Policy

At the request of Slovenian authorities, the Community shall provide assistance designed to support the efforts of Slovenia towards the introduction of full convertibility of the tolar and the gradual approximation of its policies to those of the European Monetary System. Cooperation in this area will include informal exchange of information concerning the principles and the functioning of the European Monetary System, the European Monetary Institute and the European system of Central Banks.

Article 87. Prevention of Money Laundering

1. The parties agree on the necessity of making every effort 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 to develop the implementation of regulations and efficient functioning of the suitable standards and mechanisms to combat money laundering equivalent to those adopted by the Community and international fora in this field, in particular the Financial Action Task Force (FATF).

Article 88. Regional Development

1. The parties shall strengthen cooperation between them on regional development and land use.

2. To this end, any of the following measures may be undertaken:

- the exchange of information by national, regional or local authorities on regional and land use planning policy;
- the provision of assistance to Slovenia for the formulation of such policy;
- joint action by regional and local authorities in the area of economic development;
- the study of coordinated approaches for the development of border areas between the Community and Slovenia and other areas of Slovenia with severe regional disparities;
- exchange visits to explore the opportunities for cooperation and assistance;
- the exchange of civil servants or experts;
- the provision of technical assistance;
- the establishment of programmes for the exchange of information and experience, by methods including seminars.

Article 89. Social Cooperation

1. With regard to health and safety at work, the parties shall develop cooperation between them with the aim of improving the level of protection of the health and safety of workers, taking as a reference the level of protection existing in the Community. Cooperation shall comprise the following in particular:

- the provision of technical assistance;
- the exchange of experts;
- cooperation between firms;
- the exchange of information and administrative and other relevant assistance to firms; training operations.

2. With regard to employment, cooperation between the parties shall focus notably on upgrading job-finding and careers advice services, providing back-up measures and promoting local development to assist industrial restructuring.

It shall also include measures such as studies, the secondment of experts and information and training operations.

3. With regard to social security, cooperation between the parties shall seek to adapt the Slovenian social security system to the new economic and social requirements, notably by providing the services of experts and organising information and training activities.

Article 90. Tourism

The parties shall increase and develop cooperation between them with a view to:

- encouraging tourism;
- increasing the flow of information through international networks, data banks, etc.;
- transferring know-how by organising training, exchanges and seminars;
- executing regional tourist projects such as cross-frontier projects, town-twinning, etc.;
- exchanging views and providing for appropriate exchanges of information on major issues of mutual interest affecting the tourism sector;

- encouraging the development of infrastructure conducive to investment in the tourism sector;
- introducing a computerised reservation and information system in Slovenia, together with rules for the protection of tourists as consumers.

Article 91. Small and Medium-sized Enterprises

1. The parties shall aim to develop and strengthen private sector small and medium-sized enterprises (SMEs) and cooperation between SMEs in the Community and Slovenia.

2. They shall encourage the exchange of information and know-how in the following areas:

- bringing about the legal, administrative, technical, tax and financial conditions necessary to the establishment and expansion of SMEs and for cross-border cooperation;
- the provision of the specialised services required by SMEs (management training, accounting, marketing, quality control, etc.) and the strengthening of agencies providing such services;
- the establishment of appropriate links with Community operators with the aim of improving the flow of information to SMEs and promoting cross-border cooperation, (for example, through the Business Cooperation Network (BC-NET), Euro-Info Centres, conferences, etc.).

3. The cooperation will include:

- the provision of technical assistance, in particular for the establishment of appropriate institutional support for SMEs, at national and regional level, in respect of financial, technological and commercial services;
- training and advisory services.

Article 92. Information Communication

1. The Community and Slovenia shall take appropriate steps to stimulate effective mutual exchange of information. Priority shall be given to programmes aimed at providing the general public with basic information about the Community and Slovenia, and at supplying Slovenian business circles with more specialised information, including, where possible, access to Community databases.

2. The parties shall coordinate and, where appropriate, harmonise their policies regarding the regulation of cross-border broadcasts, technical standards and the promotion of European audiovisual technology.

3. Cooperation may include providing for exchange programmes, scholarships, training facilities for journalists and experts in the sectors of the media as appropriate.

Article 93. Consumer Protection

1. The parties shall cooperate with the aim of achieving compatibility between the consumer protection systems of Slovenia and the Community. Effective consumer protection should be sought as a prerequisite for an efficient market economy.

2. To this end, in view of their shared interests, the parties shall promote and provide:

- active consumer protection policies, in line with Community legislation and, where appropriate, United Nations guidelines;
- harmonisation of legislation and alignment of Slovenian consumer protection laws with those applied in the Community;
- effective legal protection of consumers in order to improve quality and guarantee adequate safety standards for consumer goods.

3. Cooperation in this field may include:

- exchanges of information on dangerous products;
- training of government and NGO experts in the field of consumer protection;
- assistance with the development of independent organisations whose goal is to improve information to consumers, particularly through awareness campaigns;

- the establishment of information and advice centres to settle disputes and provide legal and other advice to consumers; cooperation between Slovenia and Community centres;
- access to Community databases;
- development of exchanges between representatives of consumers' interests.

Article 94. Customs

1. The aim of cooperation shall be to guarantee compliance with all the provisions scheduled for adoption in connection in the area of trade and to achieve the approximation of Slovenia's customs system to that of the Community, thus helping to pave the way for liberalization measures planned under this Agreement.

2. Cooperation shall include the following in particular:

- the exchange of information including on the methods of investigation;
- the development of cross-frontier infrastructure between the parties;
- the interconnection between the transit systems of the Community and Slovenia;
- the simplification of inspections and formalities in respect of the carriage of goods;
- the organisation of seminars and placements.

Technical assistance shall be provided where appropriate.

3. Without prejudice to further cooperation provided for in this Agreement, and in particular Article 97, the mutual assistance between administrative authorities in customs matters of the parties shall take place in accordance with the provisions of Protocol 5.

Article 95. Statistical Cooperation

1. Cooperation in the area of statistics shall have as its aim the development of an efficient statistical system to provide, in a rapid and timely fashion, the reliable statistics needed to plan and monitor the process of reform and to contribute to the development of private enterprise in Slovenia.

2. To this end the parties shall cooperate in particular:

- to promote the development of an efficient statistical service in Slovenia with the requisite institutional framework;
- to bring about harmonisation with international (and particularly Community) methods, standards and classifications;
- to provide the data needed to maintain and monitor economic reform;
- to provide private sector economic operators with the appropriate macroeconomic and microeconomic data;
- to guarantee the confidentiality of individual data;
- to enable Slovenia to adopt the principles and standards of the Community statistical system.

3. Cooperation in this field shall include:

- providing information on methods;
- organising a programme of technical assistance comprising:
 - seminars, placements and technical consultations;
 - training activities;
 - pilot surveys;
 - participation in selected Eurostat working groups;
- exchange of statistical data.

Article 96. Economic Policy

1. The Community and Slovenia shall facilitate the process of economic reform and integration by cooperating to improve understanding of the fundamentals of their respective economies and of implementing economic policy in market economies.

2. To these ends the Community and Slovenia shall cooperate to:

- exchange information on macroeconomic performance and prospects and on strategies for development;
- analyse jointly economic issues of mutual interest, including the framing of economic policy and the instruments for implementing it;
- through the programme of Action for Cooperation in Economics in particular, encourage extensive cooperation among economists and managers in the Community and Slovenia, in order to speed the transfer of know-how for the drafting of economic policies, and provide for wide dissemination of the results of policy-relevant research.

Article 97. Combating Drug Abuse

1. Within the scope of their respective powers and competences, the parties shall cooperate in increasing the efficiency of policies and measures to counter the illicit supply and traffic of narcotics and psychotropic substances and reducing abuse of these products.

2. The parties shall agree on the necessary methods of cooperation to attain these objectives, including the detailed arrangements for the implementation of common actions. Their actions will be based on consultation on and close coordination of the objectives and the policy measures in the fields targeted in paragraph 1.

3. The cooperation between the parties shall comprise technical and administrative assistance which could deal in particular with the following areas: the drafting and implementation of national legislation; the establishment of institutions and information centres and of social and health centres; the training of personnel and research; the prevention of diversion of precursors used for the purpose of illicit manufacture of narcotic drugs of psychotropic substances. The parties may agree to include other areas.

Title VII. PREVENTION OF ILLEGAL ACTIVITIES

Article 98.

1. The parties shall, within the scope of their respective powers and competences, establish a framework for cooperation designed to prevent illegal activities such as:

- clandestine immigration and the illegal presence of either party's nationals on the other's territory, with due allowance for the principles and practices of readmission;
- illegal economic activities, notably corruption;
- illegal transactions involving merchandise such as industrial waste and counterfeit goods;
- illegal trafficking in drugs and psychotropic substances;
- illegal transfer of motor vehicles;
- organised crime;
- theft or an illegal trade in radioactive and nuclear material.

2. Cooperation in the areas referred to in paragraph 1 shall be the subject of mutual consultations and close coordination. This cooperation should include technical and administrative assistance in:

- the drafting of national legislation for the prevention of illegal activities;
- the establishment of information centres;
- improving the efficiency of institutions responsible for preventing illegal activities;

- staff training and development of investigative facilities;
- drawing up mutually acceptable measures for the prevention of illegal activities.

Title VIII. CULTURAL COOPERATION

Article 99.

1. The parties undertake to promote cultural cooperation. Where appropriate, the Community's cultural cooperation programmes, or those of one or more Member States, may be extended to Slovenia and further activities of interest to both sides developed.

This cooperation may cover in particular:

- literary translation;
- non-commercial exchanges of works of art and artists;
- conservation and restoration of monuments and sites (architectural and cultural heritage);
- training for those dealing with cultural affairs;
- the organisation of cultural events with a European emphasis;
- dissemination of information on major cultural works.

2. The parties may cooperate in the promotion of the audiovisual industry in Europe. In particular, the Slovenian audiovisual sector could apply to take part in activities set up by the Community in the framework of the MEDIA programme, in accordance with the procedures laid down by the bodies responsible for the various activities and the provisions of Council Decision 90/685/EEC which established the programme.

The parties shall coordinate and, where appropriate, harmonise their policies governing cross-border broadcasts, paying particular attention to the acquisition of intellectual property rights for satellite and cable broadcasts, audiovisual technical standards and the promotion of European audiovisual technology.

Cooperation in this area might also include exchanges of programmes, scholarships and equipment with a view to the training of journalists and other media professionals.

Title IX. FINANCIAL COOPERATION

Article 100.

In order to achieve the objectives of this Agreement and in accordance with Articles 101, 102 and 104, without prejudice to Article 103, Slovenia shall receive temporary financial assistance from the Community in the form of grants and loans, including loans from the European Investment Bank according to the provisions of Article 18 of the Statute of the Bank.

Article 101.

This financial assistance shall be covered by:

- the Operation PHARE measures provided for in Council Regulation (EEC) No 3906/89, as amended, on a multiannual basis, or within a new multiannual financial framework established by the Community following consultations with Slovenia and taking into account the considerations set out in Articles 104 and 105 of this Agreement;
- loans provided by the European Investment Bank until the expiry date of the availability thereof. Following consultations with Slovenia the Community shall fix the maximum amount and period of availability of loans from the European Investment Bank for Slovenia for subsequent years.

Article 102.

The objectives and the areas of the Community's financial assistance shall be laid down in an indicative programme to be agreed between the two parties. The parties shall inform the Association Council.

Article 103.

1. The Community shall, in case of special need, taking into account the availability of all financial resources, at the request of Slovenia and in coordination with international financial institutions, in the context of the G-24, examine the possibility of granting temporary financial assistance:

- to support, as appropriate, measures with the aim of ensuring the viability of Slovenia's external accounts and maintaining the convertibility of its currency;

- to support medium-term structural adjustment efforts in the Slovenian economy, including balance of payments assistance.

2. This financial assistance shall be subject to the presentation by Slovenia of stabilisation programmes for its economy, approved by the IMF, to the Community's acceptance thereof, to Slovenia's continued adherence to these programmes and, as an ultimate objective, to rapid transition to reliance on finance from private sources.

3. The Association Council will be informed of the conditions under which this assistance will be provided and regarding compliance with the obligations undertaken by Slovenia concerning such assistance.

Article 104.

The Community financial assistance shall be evaluated in the light of the needs which arise and of Slovenia's development level, and taking into account established priorities and the absorption capacity of Slovenia's economy, the ability to repay loans and introduction of a market economy system and restructuring in Slovenia.

Article 105.

In order to permit optimum use of the resources available, the parties shall ensure that Community contributions are made in close coordination with those from other sources such as the Member States, other countries, including the G-24, and international financial institutions, such as the International Monetary Fund, the International Bank for Reconstruction and Development and the European Bank for Reconstruction and Development.

Article 106.

Slovenia shall participate in framework programmes, specific programmes, projects or other actions of the Community in the fields laid down in Annex XI. Without prejudice to the existing participation of Slovenia in the activities referred to in Annex XI, the Association Council shall decide the terms and conditions for the participation of Slovenia in these activities. The financial contribution of Slovenia to the activities referred to in Annex XI shall be based on the principle that Slovenia shall meet the costs resulting from its participation. If necessary the Community may decide, on a case-by-case basis, and pursuant to the rules applicable to the general budget of the European Communities, to pay a supplement to Slovenia's contribution.

Title X. PROVISIONS RELATING TO THE OSIMO AGREEMENTS AND CONCERNING ECONOMIC COOPERATION BETWEEN SLOVENIA AND ITALY

Article 107.

In order to promote regional cooperation, the Community and Slovenia shall give particular attention, as part of the implementation of their cooperation, to activities which come within the scope of the Agreements signed at Osimo on 10 November 1975 by the Italian Republic and the Socialist Federal Republic of Yugoslavia and to the transfrontier cooperation initiatives which form part of the general framework of economic cooperation between Italy and Slovenia.

In particular, the parties shall take account of their mutual interest in attaining the objectives referred to in the first subparagraph in the selection of projects that are to receive financial assistance in the context of cooperation.

Article 108.

Without prejudice to Article 31, the Community, within the framework of Community provisions governing free zones, and Slovenia shall grant free access to their markets to products that have obtained originating status, within the meaning of the Protocol on originating products, in the free frontier zones which could be created by agreement between the Italian

Republic and Republic of Slovenia within the meaning of the Agreement on the promotion of economic cooperation, signed in Osimo in 1975.

Article 109.

For the purposes of the implementation of Articles 107 and 108, the Community and Slovenia shall cooperate in accordance with the cooperation objectives referred to in Article 107.

XI. INSTITUTIONAL, GENERAL AND FINAL PROVISIONS

Article 110.

An Association Council is hereby established which shall supervise the implementation of this Agreement. It shall meet at Ministerial level once a year and when circumstances require. It shall examine any major issues arising within the framework of this Agreement and any other bilateral or international issues of mutual interest.

Article 111.

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

Article 112.

The Association Council shall, for the purpose of attaining the objectives of this Agreement, have the power to take decisions in the cases provided for therein. The decisions taken shall be binding on the parties, which shall take the measures necessary to implement the decisions taken. The Association Council may also make appropriate recommendations.

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

Article 113.

1. Each of the two parties may refer to the Association Council any dispute relating to the application or interpretation of this Agreement.
2. The Association Council may settle the dispute by means of a decision.
3. Each party shall be bound to take the measures involved in carrying out the decision referred to in paragraph 2.
4. In the event of it not being possible to settle the dispute in accordance with paragraph 2, either party may notify the other of the appointment of an arbitrator; the other party must then appoint a second arbitrator 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 Association Council shall appoint a third arbitrator.

The arbitrators' decision shall be taken by majority vote.

Each party to the dispute must take the steps required to implement the decision of the arbitrators.

Article 114.

1. The Association Council shall be assisted in the performance of its duties by an Association 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 Slovenia, on the other, normally at senior civil servant level.

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

2. The Association Council may delegate to the Association Committee any of its powers. In this event the Association Committee shall take its decisions in accordance with the conditions laid down in Article 112.

Article 115.

The Association Council may decide to set up any other special committee or body that can assist it in carrying out its duties.

In its rules of procedure, the Association Council shall determine the composition and duties of such committees or bodies and how they shall function.

Article 116.

An Association Parliamentary Committee is hereby established. It shall be a forum for Members of the Slovenian Parliament and the European Parliament to meet and exchange views. It shall meet at intervals which it shall itself determine.

Article 117.

1. The Association Parliamentary Committee shall consist of members of the European Parliament, on the one hand, and of Members of the Slovenian Parliament, on the other.

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

3. The Association Parliamentary Committee shall be chaired in turn by the European Parliament and the Slovenian Parliament, in accordance with the provisions to be laid down in its rules of procedure.

Article 118.

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

The Association Parliamentary Committee shall be informed of the decisions of the Association Council.

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

Article 119.

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.

Article 120.

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

(a) which it considers necessary to prevent the disclosure of information contrary to its essential security interests;

(b) which relate to the production of, or trade in, arms, munitions or war materials or to research, development or production indispensable for defence purposes, provided that such measures do not impair the conditions of competition in respect of products not intended for specifically military purposes;

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

Article 121.

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

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

2. The provisions of paragraph 1 shall be without prejudice to the right of the parties to apply the relevant provisions of their fiscal legislation to taxpayers who are not in identical situations as regards their place of residence.

Article 122.

Products originating in Slovenia shall not receive more favourable treatment when imported into the Community than that applied by Member States among themselves.

The treatment granted to Slovenia under Title IV and Chapter I of Title V shall not be more favourable than that accorded by Member States among themselves.

Article 123.

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 Association Council with all relevant information required for a thorough examination of the situation with a view to seeking a solution acceptable to the parties.

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

Article 124.

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

Article 125.

For the purposes of this Agreement, the term 'parties' shall mean the Community, or its Member States, or the Community and its Member States, in accordance with their respective powers, of the one part, and Slovenia, of the other part.

Article 126.

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

Article 127.

This Agreement is concluded for an unlimited period.

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

Article 128.

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

Article 129.

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

Article 130.

This Agreement is drawn up in duplicate in the Danish, Dutch, English, Finnish, French, German, Greek, Italian, Portuguese, Spanish, Swedish and Slovenian languages, each of these texts being equally authentic.

Article 131.

This Agreement shall 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 each other that the procedures referred to in the first paragraph have been completed.

Upon its entry into force, this Agreement shall replace the Cooperation Agreement between the European Economic Community and the Republic of Slovenia signed in Luxembourg on 5 April 1993, and the Agreement between the Member States of the European Coal and Steel Community and the European Coal and Steel Community, of the one part, and the Republic of Slovenia, of the other part, signed in Luxembourg on 5 April 1993.

Article 132.

In the event that, pending the completion of the procedures necessary for the entry into force of this Agreement, the provisions of certain parts of this Agreement, in particular those relating to goods, are put into effect in 1996 by means of an Interim Agreement between the Community and Slovenia, the parties agree that, in such circumstances for the purposes of Title III, Articles 65, 67 and 68 of this Agreement and Protocols 1 to 6 hereto, the terms 'date of entry into force of this Agreement` shall mean:

- the date of entry into force of the Interim Agreement in relation to obligations taking effect on that date, and
- 1 January 1996 in relation to obligations taking effect after the date of entry into force by reference to the date of entry into force.

Done at Luxembourg on the tenth day of June in the year one thousand nine hundred and ninety-six.

For the Kingdom of Belgium

For the Kingdom of Denmark

For the Federal Republic of Germany

For the Hellenic Republic

For the Kingdom of Spain

For the French Republic

For Ireland

For the Italian Republic

For the Grand Duchy of Luxembourg

For the Kingdom of Netherlands

For the Republic of Austria

For the Portuguese Republic

For the United Kingdom of Great Britain and Northern Ireland

For the European Communities

For the Republic of Slovenia