

EUROPE AGREEMENT

establishing an Association between the European Communities and their Member States, of the one part, and the Republic of Latvia, 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 on European Union, the Treaty establishing the EUROPEAN COMMUNITY, the Treaty establishing the EUROPEAN COAL AND STEEL COMMUNITY and the Treaty establishing the EUROPEAN ATOMIC ENERGY COMMUNITY,

hereinafter referred to as 'the Member States', and

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

hereinafter referred to as 'the Community',

acting within the framework of the European Union,

of the one part, and

the REPUBLIC OF LATVIA,

hereinafter referred to as 'Latvia',

of the other part,

RECALLING the historical links between the parties and the common values they share;

RECOGNIZING that the Community and Latvia wish to reinforce these links, to establish close and lasting relations on a basis of reciprocity allowing Latvia to participate in the process of European integration, in reinforcing and further developing the relations previously established, in particular via the Agreement on Trade and Commercial and Economic Cooperation and the Agreement on Free Trade and Trade-Related Matters;

CONSIDERING the commitment to the intensification of political and economic liberties which constitute the basis of this Agreement and to further development of Latvia's new economic and political system which respects — in accordance *inter alia* with the undertakings made within the context of the Conference on

Security and Cooperation in Europe (CSCE) and the Organization for Security and Cooperation in Europe (OSCE) — the rule of law and human rights, including the rights of persons belonging to minorities, a multiparty system with free and democratic elections and liberalization aimed at completion of sustainable transition to market economy;

SHARING the understanding that Latvia has made considerable and successful reform efforts in the political and economic fields and that these efforts will be pursued;

CONSIDERING the commitment to the implementation of commitments made in the framework of the CSCE, in particular those set out in the Helsinki Final Act, the concluding documents of the Madrid, Vienna and Copenhagen meetings, those of the Charter of Paris for a New Europe, the conclusions of the CSCE's Bonn Conference, the CSCE Helsinki document 1992, the European Convention on Human Rights, the European Energy Charter Treaty as well as the Ministerial Declaration of the Lucerne Conference of 30 April 1993;

WILLING to promote improved contacts among their citizens as well as the free flow of information and ideas, as agreed by the parties in the framework of the CSCE and the OSCE;

CONSCIOUS of the importance of this Agreement in establishing and enhancing in Europe a system of stability based on cooperation, with the European Union as one of the cornerstones;

RECOGNIZING that there is a need to continue, with the Community's help, Latvia's political and economic reform;

TAKING ACCOUNT of the Community's wishes to contribute to the implementation of the reforms and to assist Latvia in facing the economic and social consequences of structural adjustment;

RECOGNIZING that full implementation of the Agreement is linked to the implementation of a coherent programme of economic and political reform by Latvia;

RECOGNIZING the need for continuing regional cooperation among the Baltic States, taking into account that closer integration between the European Union and the Baltic States, the Baltic States among themselves and also in a wider regional context, should proceed in parallel;

CONSIDERING the commitment to liberalize trade based on the General Agreement on Tariffs and Trade (GATT) and World Trade Organization (WTO) principles;

EXPECTING that this Agreement will create a new climate for economic relations between them and above all for the development of trade and trade-related matters and investment, which are essential to economic restructuring and the renewal of technology;

BEARING in mind that political dialogue on matters of mutual interest has been established by the Joint Declaration of May 1992;

DESIROUS of developing and intensifying regular political dialogue within the multilateral framework established by the Copenhagen European Council of June 1993 and enhanced by the decision of the Council of the European Union of 7 March 1994 and the conclusions of the Essen European Council of December 1994;

RECALLING that Latvia has been an associated partner of the Western European Union (WEU) since May 1994 and that it participates in the North Atlantic Treaty Organization (NATO) Partnership for Peace Programme;

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

TAKING ACCOUNT of the Community's willingness to employ instruments of cooperation and economic, technical and financial assistance on a global and multiannual basis;

BEARING in mind the economic and social disparities between the Community and Latvia and thus recognizing that the objectives of this association should be reached through appropriate provisions of the Agreement;

DESIROUS of establishing cultural cooperation and developing exchanges of information;

WILLING to set up a framework for cooperation aimed at preventing illegal activities;

RECOGNIZING the fact that Latvia's ultimate objective is to become a member of the European Union and that association through this Agreement will, in the view of the Parties, help Latvia to achieve this objective;

TAKING INTO ACCOUNT the accession preparation 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 Latvia, of the other part.
2. The objectives of this association are:
 - to provide an appropriate framework for the political dialogue between the Parties allowing the development of close political relations,
 - to establish gradually a free trade area between the Community and Latvia covering substantially all trade between them,
 - to promote the expansion of trade and the harmonious economic relations between the Parties and so to foster dynamic economic development and prosperity in Latvia,
 - to provide a basis for economic, financial, cultural and social cooperation and cooperation in the prevention of illegal activities, as well as for the Community's assistance to Latvia,
 - to support Latvia's efforts to develop its economy and to complete the sustainable transition into a market economy,
 - to provide an appropriate framework for the gradual integration of Latvia into the European Union. Latvia shall work towards fulfilling the necessary requirements in this respect,
 - to set up institutions suitable to make the association effective.

TITLE I

GENERAL PRINCIPLES

Article 2

1. Respect for democratic principles and human rights, established by the Helsinki Final Act and in the Charter of Paris for a New Europe, as well as the principles of market economy, inspire the domestic and external policies of the Parties and constitute essential elements of this Agreement.

2. The Parties consider that it is essential for the future prosperity and stability of the region that the Baltic States should maintain and develop cooperation among themselves and will make every effort to enhance this process.

Article 3

1. The association includes a transitional period which is referred to in specific Articles hereinafter and which ends at the latest on 31 December 1999.

2. The Association Council referred to in Article 110, bearing in mind that the principles of the market economy are essential to the present association, shall proceed regularly to examine the application of the Agreement and the implementation by Latvia of economic reforms on the basis of the principles referred to in the preamble.

3. The transitional period envisaged under paragraph 1 shall apply neither to Title II nor to Title III.

TITLE II

POLITICAL DIALOGUE

Article 4

The political dialogue between the European Union and Latvia shall be developed and intensified. It shall accompany and consolidate the rapprochement between the European Union and Latvia, support the political and economic changes underway in that country or already realized, 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:

- Latvia's 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 one or the other Party,
- better cooperation in areas covered by the Common Foreign and Security Policy of the European Union,
- security and stability in Europe.

Article 5

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

Article 6

1. At Ministerial level, bilateral 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 Latvia, 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 Latvia 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

At parliamentary level, political dialogue shall take place within the framework of the Parliamentary Committee of the association between the European Communities and their Member States and the Republic of Latvia (hereinafter referred to as the 'Parliamentary Committee').

TITLE III

FREE MOVEMENT OF GOODS

Article 8

1. The Community and Latvia shall gradually establish a free trade area in a transitional period lasting a maximum of four years starting from the entry into force of the Agreement on Free Trade and Trade-Related Matters on 1 January 1995, in accordance with the provisions of this Agreement and in conformity with those of the GATT and the WTO.
2. The combined nomenclature of goods based on the Harmonized System 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 that set out in Annexes II to IV and X, or that actually applied *erga omnes* on 1 January 1995, whichever is the lower.
4. If, after 1 January 1995, 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 duties referred to in paragraph 3 as from the date when such reductions are applied.
5. The Community and Latvia 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 and in Latvia 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 inclusive do not apply to products mentioned in Article 16.
3. Trade between the Parties in items covered by the Treaty establishing the European Atomic Energy Community will be conducted in accordance with the provisions of that Treaty.

Article 10

1. Customs duties on imports applicable in the Community to products originating in Latvia are abolished on 1 January 1995.

2. Quantitative restrictions on imports into the Community and measures having an equivalent effect are abolished on 1 January 1995 with regard to products originating in Latvia.

Article 11

1. Customs duties on imports applicable in Latvia to products originating in the Community other than those listed in Annexes II and III are abolished on 1 January 1995.
2. Customs duties on imports applicable in Latvia to products originating in the Community which are listed in Annex II shall be progressively reduced in accordance with the following timetable:
 - on 1 January 1996, each duty shall be reduced to 50 % of the basic duty,
 - on 1 January 1997, the remaining duties shall be eliminated.
3. Customs duties on imports applicable in Latvia to products originating in the Community which are listed in Annex III shall be progressively reduced in accordance with the following timetable:
 - on 1 January 1997, each duty shall be reduced to 50 % of the basic duty,
 - on 1 January 1999, the remaining duties shall be eliminated.
4. Quantitative restrictions on imports into Latvia of products originating in the Community and measures having an equivalent effect are abolished on 1 January 1995.

Article 12

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

Article 13

Any charges having an effect equivalent to customs duties on imports are abolished on 1 January 1995 in trade between the Community and Latvia.

Article 14

1. Customs duties on exports and charges having equivalent effect are abolished by 1 January 1995 between the Community and Latvia, with the exception of those listed in Annex IV, which shall be abolished by Latvia at the latest at the end of 1998.
2. Quantitative restrictions on exports to Latvia and any measures having equivalent effect are abolished by the Community on 1 January 1995.

3. Quantitative restrictions on exports to the Community and any measures having equivalent effect are abolished by Latvia on 1 January 1995.

Article 15

Each Party declares its readiness to reduce its customs duties in trade with the other Party more rapidly than is provided for in Articles 10 and 11 if its general economic situation and the situation of the economic sector concerned so permit.

The Association Council may make recommendations to this effect.

Article 16

1. The textile products of Latvian origin listed in Annex V to this Agreement shall benefit from a suspension of customs duties on imports into the Community, under the conditions set out in that Annex. The Annex may be revised by decision of the Association Council, in accordance with the procedures set out in Article 112.

2. Protocol 1 lays down the other arrangements applicable to the textiles products referred to therein.

Article 17

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

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

CHAPTER II

AGRICULTURE

Article 18

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

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 Article 22 (2).

Article 19

Protocol 2 lays down the trade arrangements for processed agricultural products which are listed therein.

Article 20

1. As from 1 January 1995 no quantitative restrictions apply to imports into the Community of agricultural products originating in Latvia nor to imports into Latvia of agricultural products originating in the Community.

2. The Community and Latvia shall grant each other the concessions referred to in Annexes VII to XI in accordance with the conditions laid down therein.

3. The concessions referred to in paragraph 2 may be subject to revision by agreement between the Parties within a period lasting until 31 December 1997 and on the basis of the principles and procedures set out in paragraph 4.

4. Taking account of the volume of trade in agricultural products between them, of their particular sensitivity, of the rules of the common agricultural policy of the Community, of the rules of the agricultural policy in Latvia, of the role of agriculture in Latvia's economy, of the production and export potential of its traditional branches and markets, the Community and Latvia shall examine in the Association Council, product by product and on an orderly and reciprocal basis, the possibilities of granting each other further concessions.

Article 21

Notwithstanding other provisions of this Agreement, and in particular Article 30, if, given the particular sensitivity of the agricultural markets, imports of products originating in one Party, which are the subject of concessions granted pursuant to Article 20, cause serious disturbance to the markets in the other Party, both Parties shall enter into consultations immediately to find an appropriate solution. Pending such a solution, the Party concerned may take the measures it deems necessary.

CHAPTER III

FISHERIES

Article 22

1. The provisions of this Chapter shall apply to fishery products originating in the Community and in Latvia.

2. The term 'fishery products' means the products listed in Chapter 3 of the combined nomenclature and product groups covered by the combined nomenclature codes 0511 91 10, 0511 91 90, 1604, 1605, 1902 20 10 and 2301 20 00.

Article 23

1. The Community and Latvia shall grant each other the concessions referred to in Annexes XII and XIII in accordance with the conditions laid down therein.

2. The provisions of Articles 20 (4) and 21 shall apply *mutatis mutandis* to fishery products.

CHAPTER IV

COMMON PROVISIONS

Article 24

The provisions of this Title shall apply to trade in all products originating in both Parties except where otherwise provided herein or in Protocols 1 and 2.

Article 25

1. In trade between the Community and Latvia from 1 January 1995:

- no new customs duties on imports or exports or charges having equivalent effect shall be introduced, nor shall those already applied be increased,
- no new quantitative restrictions on imports or exports or measures having equivalent effect shall be introduced nor shall those existing be made more restrictive.

2. Without prejudice to the concessions granted pursuant to Article 20, the provisions of paragraph 1 of this Article shall not restrict in any way the pursuance of the respective agricultural and fisheries policies of Latvia and the Community or the taking of any measures under such policies.

Article 26

1. The two 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 direct or indirect taxation imposed on them.

Article 27

1. This Agreement shall not preclude the maintenance or establishment of customs unions, free trade areas or arrangements for frontier trade except in so far as they alter the trade arrangements provided for in this Agreement.

2. 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 with 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 can be taken of the mutual interests of the Community and Latvia stated in this Agreement.

Article 28

Exceptional measures of limited duration which derogate from the provisions of Article 11 and Article 25 (1), first indent, may be taken by Latvia 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 important social problems.

Customs duties on imports applicable in Latvia to products originating in the Community introduced by these measures 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 of industrial products from the Community as defined in Chapter I during the last year for which statistics are available.

These measures shall be applied for a period not exceeding three years unless a longer duration is authorized by the Association Council. They shall cease to apply at the latest by 31 December 1998.

No such measures can 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 an equivalent effect concerning that product.

Latvia shall inform the Association Council of any exceptional measures it intends to take 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 applied. When taking such measures Latvia 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

starting at the latest two years after their introduction at equal annual rates. The Association Council may decide on a different schedule.

Article 29

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, it may take appropriate measures against this practice in accordance with the Agreement relating to the application of Article VI of the GATT, with related internal legislation and with the conditions and procedures laid down in Article 33.

Article 30

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

- serious injury to domestic producers of like or directly competitive 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 Latvia, whichever is concerned, may take appropriate measures under the conditions and in accordance with the procedures laid down in Article 33.

Article 31

Where compliance with the provisions of Articles 14 and 25 leads to:

- (i) re-export towards a third country against which the exporting Party maintains, for the product concerned, quantitative export restrictions, export duties or measures having equivalent effect; or
- (ii) a serious shortage, or threat thereof, of a product essential to the exporting Party,

and where the situations referred to above give rise, or are likely to give rise, to major difficulties for the exporting Party, that Party may take appropriate measures under the conditions and in accordance with the procedures laid down in Article 33. The measures shall be non-discriminatory and be eliminated when conditions no longer justify their maintenance.

Article 32

The Member States of the European Union (hereinafter referred to as 'the Member States') and Latvia shall progressively adjust any State monopolies of a commercial character so as to ensure that, by the end of

1998, no discrimination regarding the conditions under which goods are procured and marketed exists between nationals of the Member States and of Latvia. The Association Council will be informed about the measures adopted to implement this objective.

Article 33

1. In the event of the Community or Latvia subjecting imports of products liable to give rise to the difficulties referred to in Article 30 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 29, 30 and 31, before taking the measures provided for therein or, in cases in which paragraph 3 (d) applies, as soon as possible, the Community or Latvia, 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, particularly 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 30, 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 30 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 29, the Association Council shall be informed of the dumping case as soon as the authorities of the importing Party have initiated an investigation. If no end has been put to the dumping or if no other satisfactory solution has been reached within 30 days of the matter being referred to the Association Council, the importing Party may adopt the appropriate measures;

- (c) as regards Article 31, 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 30 days of the matter being referred to it, the exporting Party may apply appropriate measures on the exportation 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 Latvia whichever is concerned may, in the situations specified in Articles 29, 30 and 31, apply forthwith the precautionary measures strictly necessary to deal with the situation.

Article 34

Protocol 3 lays down rules of origin for the application of the tariff preferences provided for in this Agreement as well as the methods of administrative cooperation therewith.

Article 35

This Agreement shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security; the protection of health and life of humans, animals or plants; the protection of national treasures of artistic, historic or archaeological value or the protection of intellectual, industrial and commercial property or rules relating to gold and silver. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between the Parties.

Article 36

Protocol 4 lays down the specific provisions to apply to trade between Latvia of the one part and Spain and Portugal of the other part, and it will be valid until 31 December 1995.

TITLE IV

MOVEMENT OF WORKERS, ESTABLISHMENT, SUPPLY OF SERVICES

CHAPTER I

MOVEMENT OF WORKERS

Article 37

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

- the treatment accorded to workers of Latvian 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 in the sense of Article 41, unless otherwise provided by such agreements, shall have access to the labour market of that Member State, during the period of that worker's authorized stay of employment.

2. Latvia 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 their spouse and children who are legally resident in the said territory.

Article 38

1. With a view to coordinating social security systems for workers of Latvian 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. Latvia 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 39

1. The Association Council shall by decision adopt the appropriate provisions to implement the objective set out in Article 38.

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 40

The provisions adopted by the Association Council in accordance with Article 39 shall not affect any rights or obligations arising from bilateral agreements linking Latvia and the Member States where those agreements provide for more favourable treatment of nationals of Latvia or of the Member States.

Article 41

1. Taking into account the labour market situation in the Member State, subject to its legislation and to the respect of rules in force in that Member State in the area of mobility of workers,

- the existing facilities for access to employment for workers of Latvian nationality accorded by Member States under bilateral agreements ought to be preserved and if possible improved,
- the other Member States shall consider favourably the possibility of concluding similar agreements.

2. The Association Council shall examine granting other improvements including facilities of access for professional training, in conformity 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 42

From the end of the transitional period or sooner if socio-economic conditions in Latvia have been largely aligned on those of the Member States and if the employment situation in the Community permits, the

Association Council will consider ways of further improving the movement of workers. The Association Council shall make recommendations to such end.

Article 43

In the interest of facilitating the restructuring of labour resources resulting from the economic restructuring in Latvia, the Community shall provide technical assistance for the establishment of a suitable social security system in Latvia as set out in Article 92 of this Agreement.

CHAPTER II

ESTABLISHMENT

Article 44

1. The Community and its Member States shall grant, except for the sectors included in Annex XIV, from entry into force of this Agreement:

- (i) treatment no less favourable than that accorded by Member States to their own companies or to any third country company, whichever is the better, with regard to the establishment of Latvian companies;
- (ii) to subsidiaries and branches of Latvian companies, established in their territory, treatment no less favourable than that accorded by Member States to their own companies and branches or to subsidiaries and branches of any third country company established in their territory, whichever is the better, in respect of their operation.

2. Latvia shall facilitate the setting up of operations on its territory by Community companies and nationals. To that end, it shall:

- (i) grant, from entry into force of the Agreement, for the establishment of Community companies, treatment no less favourable than that accorded to its own companies or to companies of any third country, whichever is the better, save for the sectors referred to in Annex XV, where national treatment shall be granted at the latest by the end of the transitional period referred to in Article 3;
- (ii) grant, from entry into force of this Agreement, for the operation of branches and subsidiaries of Community companies, established in Latvia, treatment no less favourable than that accorded to its own companies or to subsidiaries and branches of

any third country company established in its territory, whichever is the better.

3. Latvia shall, during the transitional period referred to in paragraph 2 (i) not adopt any measures or actions which introduce discrimination as regards the establishment and operations of Community companies and nationals in its territory in comparison to its own companies and nationals.

4. The Association Council shall during the transitional period referred to in paragraph 2 (i) examine regularly the possibility of accelerating the granting of national treatment in the sectors referred to in Annex XV. Amendments may be made to this Annex by decision of the Association Council.

Following the expiration of the transitional period referred to in Article 3, the Association Council may exceptionally, upon request of Latvia, and if the necessity arises, decide to prolong the duration of exclusion of certain areas or matters listed in Annex XV for a limited period of time.

5. The treatment described in paragraphs 1 and 2 shall be applicable for the establishment and operation of nationals as from the end of the transitional period referred to in Article 3.

Article 45

1. The provisions of this Chapter shall not apply to air transport, inland waterways 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 46

For the purposes of this Agreement:

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

However, should the company, set up in accordance with the laws of a Member State or Latvia respectively, have only its registered office within the Community or in the territory of Latvia respectively, the company shall be considered a Community or Latvian company respectively if its operations possess a real and continuous link with the economy of one of the Member States or Latvia 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 Latvian companies, the right to take up economic activities by means of the setting up of subsidiaries and branches in Latvia or in the Community respectively.

(e) 'Operation' 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 'Latvian national' shall mean respectively a natural person who is a national of one of the Member States or of Latvia.

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

Article 47

1. Subject to the provisions of Article 43, with the exception of financial services described in Annex XVI, 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, policyholders 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 48

1. The provisions of Articles 44 and 47 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 with 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 49

1. A 'Community company' or a 'Latvian company' established in the territory of Latvia 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 Latvia and the Community respectively, employees who are nationals of Community Member States and Latvia respectively,

provided that such employees are key personnel as defined in paragraph 2 of this Article, 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 'organizations' are 'intra-corporate transferees' as defined in (c) of this paragraph in the following categories, provided that the organization is a juridical 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 organization, who primarily direct the management of the establishment, receiving general supervision or direction principally from the board of directors or stockholders of the business or their equivalent, including:

- directing the establishment or a department or 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 organization who possess uncommon knowledge essential to the establishment's service, research equipment, techniques or management. The assessment of such knowledge may reflect, apart from knowledge specific to the establishment, a high level of qualification referring to a type of work or trade requiring specific technical knowledge, including membership of an accredited profession.

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

3. The entry into and the temporary presence within the territory of the Community or Latvia of Latvian 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 Latvian company or of a Latvian subsidiary or branch of a Community company in a Community Member State or Latvia 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 Latvia, respectively, and has no other representative, office, branch or subsidiary in that Community Member State or Latvia respectively.

Article 50

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

Article 51

During the transitional period referred to in Article 3, Latvia may introduce measures which derogate from the provisions of this Chapter as regards the establishment of Community companies and nationals if certain industries:

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

Such measures:

- shall cease to apply at the latest upon the expiration of the transitional period referred to in Article 3, and
- shall be reasonable and necessary in order to remedy the situation, and
- shall only relate to establishments in Latvia to be created after the entry into force of such measures and shall not introduce discrimination concerning the operations of Community companies or nationals

already established in Latvia at the time of introduction of a given measure compared with Latvian companies or nationals.

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

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

Upon expiration of the transitional period referred to in Article 3, Latvia may introduce such measures only with the authorization of the Association Council and under conditions determined by the latter.

CHAPTER III

SUPPLY OF SERVICES

Article 52

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 Latvian 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 56, 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 49 (2), including natural persons who are representatives of a Community or Latvian 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 53

1. The Parties shall not take any measures or actions which render the conditions for the supply of services by Community and Latvian 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 with 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 54

1. 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 arising from the United Nations Code of Conduct for Liner Conferences, as applicable to one or other Party to the present Agreement. Non-conference lines will be free to operate in competition with a conference as long as they adhere to the principle of fair competition on a commercial basis.

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

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

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

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

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

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

Each Party shall grant, *inter alia*, no less favourable treatment for the ships operated by nationals or companies of the other Party than that accorded to a Party's own ships with regard to access to ports open to international trade, the use of infrastructure and auxiliary maritime services of the ports, as well as related fees and charges, customs facilities and the assignment of berths and facilities for loading and unloading.

3. Nationals and companies of the Community providing international maritime transport services shall be free to provide international sea-river services in the inland waterways of Latvia and vice versa.

4. With a view to ensuring the transit of goods through the territory of each Party, the Parties undertake to conclude an agreement as soon as possible and before the end of 1999 on the transit of inter-modal traffic through each other's territory.

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

6. Prior to the conclusion of the agreements referred to in paragraph 5, the Parties shall not take any measures or actions which are more restrictive or discriminatory as compared with the situation existing on the day preceding the day of entry into force of the Agreement.

7. During the transitional period, Latvia shall progressively adapt its legislation including administrative, technical and other rules to that of the Community legislation existing at any time in the field of road, rail, inland waterway and air 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.

8. 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 road, rail, inland waterway and air transport services.

CHAPTER IV

Article 58

GENERAL PROVISIONS

Article 55

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 56

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

Article 57

Companies which are controlled and exclusively owned by Latvian companies or nationals and Community companies or nationals jointly shall also be beneficiaries of the provisions of Chapters II, III and IV of this Title.

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

2. Nothing in this Title shall be construed to prevent the adoption or enforcement by the Parties of any measure aimed at preventing the avoidance or evasion of taxes pursuant to the tax provisions of agreements to avoid double taxation and other tax arrangements, or domestic fiscal legislation.

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

Article 59

The provisions of this Title shall be progressively adjusted by the Parties. In formulating recommendations to this effect, the Association Council shall take into account the respective obligations of the Parties under the General Agreement on Trade in Services (GATS), and in particular of its Article V.

Article 60

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

Article 62

CURRENT PAYMENTS AND MOVEMENT OF CAPITAL

Article 61

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

1. With regard to transactions on the capital account of balance of payments, from entry into force of the Agreement, the Member States and Latvia 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 these investments and of any profit stemming therefrom.

Without prejudice to Article 44, last paragraph, complete free movement of capital relating to establishment and operations of self-employed persons, including the liquidation and repatriation of such investments, shall be ensured from entry into force of this Agreement.

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

3. Without prejudice to paragraph 1, the Member States and Latvia shall not introduce any new restrictions on the movement of capital and current payments connected therewith between residents of the Community and Latvia 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 Latvia in order to promote the objective of the present Agreement.

Article 63

1. 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. 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 64

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

- (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 Latvia 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 the production of certain goods.

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 or, for products covered by the ECSC Treaty, on the basis of corresponding rules of the ECSC Treaty including secondary legislation.

3. The Association Council shall, by 31 December 1997, adopt by decision the necessary rules for the implementation of paragraphs 1 and 2.

Until these rules are adopted, the provisions of the Agreement on interpretation and application of Articles VI, XVI and XXIII of the GATT shall be applied as the rules for the implementation of paragraph 1 point (iii) and related parts of paragraph 2.

4. (a) For the purposes of applying the provisions of paragraph 1 point (iii), the Parties recognize that until 31 December 1999, any public aid granted by Latvia shall be assessed taking into account the fact that Latvia 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 Latvia, decide whether that period should be extended by further periods of five 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:

- the provision of paragraph 1 point (iii) does not apply,

- any practices contrary to paragraph 1 point (i) should 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 Latvia considers that a particular practice is incompatible with the terms of the first paragraph of this Article, 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 prejudice 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 30 working days following referral for such consultation.

In the case of practices incompatible with paragraph 1 point (iii) of this Article, such appropriate measures may, where the GATT applies thereto, only be adopted in conformity with the procedures and under the conditions laid down by the GATT and any other relevant instrument negotiated under its auspices which are applicable between the Parties.

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

Article 65

1. The Parties shall endeavour to avoid the imposition of restrictive measures including measures relating to imports for balance of payments purposes. In the event of their introduction, the Party having introduced the same shall present to the other Party, as soon as possible, a time schedule for their removal.

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

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

Article 66

With regard to public undertakings, and undertakings to which special or exclusive rights have been granted, the

Association Council shall ensure that as from 1 January 1998, the principles of the Treaty establishing the European Community, notably Article 90, and the relevant CSCE principles, in particular entrepreneurs' freedom of decision, are upheld.

Article 67

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

2. Latvia shall continue to improve the protection of intellectual, industrial and commercial property rights in order to provide, by the end of the transitional period referred to in Article 3 of this Agreement, for a level of protection similar to that existing in the Community, including effective means of enforcing such rights.

3. By the end of the transition period referred to in Article 3, Latvia shall accede to the multilateral conventions on intellectual, industrial and commercial property rights referred to in paragraph 1 of Annex XVII to which Member States of the Community are parties or which are *de facto* applied by Member States according to the relevant provisions contained in these conventions.

4. If problems in the area of intellectual, industrial and commercial property affecting trading conditions were to occur, urgent consultations will be undertaken, at the request of either Party, with a view to reaching mutually satisfactory solutions.

Article 68

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 GATT and WTO context, to be a desirable objective.

2. The Latvian companies as defined in Article 46 of this Agreement, shall be granted access to contract award procedures in the Community pursuant to Community procurement rules under a treatment no less favourable than that accorded to Community companies as of the entry into force of this Agreement.

Community companies in the sense of Article 46 of this Agreement shall be granted access to contract award procedures in Latvia under a treatment no less favourable than that accorded to Latvian companies at the latest by the end of the transitional period referred to in Article 3.

Community companies established in Latvia under the provisions of Chapter II of Title IV in the form of subsidiaries as described in Article 46 and in the forms described in Article 57 shall have upon entry into force of this Agreement access to contract award procedures under a treatment no less favourable than that accorded to Latvian companies. Community companies established in Latvia in the form of branches and agencies as described in Article 46 shall be granted such treatment at the latest by the end of the transitional period referred to in Article 3.

The provisions in this paragraph shall also apply to public contracts covered by Directive 93/38/EEC of 14 June 1993 once Latvia has introduced the appropriate legislation.

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

3. As regards establishment, operations, supply of services between the Community and Latvia, as well as employment and movement of labour linked to the fulfilment of public contracts, the provisions of Articles 37 to 60 of this Agreement are applicable.

CHAPTER III

APPROXIMATION OF LAWS

Article 69

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

TITLE VI

ECONOMIC COOPERATION

Article 72

1. The Community and Latvia shall further develop economic cooperation aimed at contributing to Latvia'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 shall be designed to bring about the economic and social development of Latvia and will be guided by the principle of sustainable development. These policies should ensure that

Article 70

The approximation of laws shall extend to the following areas in particular: customs law, company law, banking law, company accounts and taxation, intellectual property, financial services, rules on competition, protection of health and life of humans, animals and plants, protection of workers including health and safety at work, consumer protection, indirect taxation, technical rules and standards, nuclear law and regulation, transport, telecommunications, environment, public procurement, statistics, product liability, labour law and entrepreneurial law.

Within these areas rapid progress in the approximation of laws should in particular be made in the fields of the internal market, competition, protection of workers, environmental protection and consumer protection.

Article 71

The Community shall provide Latvia 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,
- organization of seminars,
- training activities,
- aid for the translation of legislation in the relevant sectors,
- aid for improving customs procedures and statistics,
- aid for legislation in the context of approximation of Latvia's legislation to European Union laws.

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, investment, agriculture and the agro-industrial sector, energy, transport, regional development and tourism.

4. Special attention shall be devoted to measures capable of fostering cooperation between the three Baltic countries, and with the other countries of central and

eastern Europe as well as the other countries bordering the Baltic Sea with a view to an integrated development of the region.

Article 73

Industrial cooperation

1. Cooperation shall seek to promote the following in particular:

- industrial cooperation between the economic operators of the two Parties, with the particular aim of strengthening the private sector in Latvia,
- Community participation in Latvia's efforts in both public and private sectors to modernize and restructure its industry, which will effect the transition to a market economy under conditions which ensure that the environment is protected,
- the restructuring of individual sectors,
- the establishment of new undertakings in areas offering potential for growth, particularly in branches of light industry, consumer goods and market services.

2. Industrial cooperation initiatives shall take into account priorities determined by Latvia. The initiatives should seek in particular to establish a suitable framework for undertakings, to improve management know-how and to promote transparency as regards markets and conditions for undertakings. Technical assistance will be included where appropriate.

Article 74

Investment promotion and protection

1. Cooperation shall aim at maintaining and, if necessary, improving a legal framework and a favourable climate for private investment and its protection, both domestic and foreign, which is essential to economic and industrial reconstruction and development in Latvia. The cooperation shall also aim to encourage and promote foreign investment and privatization in Latvia.

2. The particular aims of cooperation shall be:

- for Latvia 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 proceed with deregulation and to improve economic infrastructure,

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

Assistance from the Community could be granted in the initial stage to agencies which promote inward investment.

3. Latvia shall honour the rules on Trade-Related Aspects of Investment Measures (TRIMs).

Article 75

Small and medium-sized enterprises

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

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

- improving, where appropriate, the legal, administrative, technical, tax and financial conditions necessary for the setting-up and expansion of SMEs and for cross-border cooperation,
- the provision of the specialized 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 via European business cooperation networks, in order to improve the flow of information to SMEs and to promote cross-border cooperation.

3. The cooperation shall include the supply of technical assistance, in particular for the establishment of appropriate institutional back-up for SMEs at both national and regional level, regarding financial, training, advisory, technological and marketing services.

Article 76

Agricultural and industrial standards and conformity assessment

1. The cooperation between the Parties shall aim in particular to reduce differences in standards, technical regulations and conformity assessment procedures, with Community technical assistance where necessary.

2. To this end, the cooperation shall seek:

- to promote the use of Community technical regulations and European standards and conformity assessment procedures, recognizing that, to reach

Latvia's objectives of environmental quality, the country is free to develop and implement special (higher) standards if necessary,

- where appropriate, to conclude agreements on mutual recognition in these fields,
- to encourage Latvia's active and regular participation in the work of specialized organizations (CEN, Cenelec, ETSI, EOTC, Euromet).

3. Where appropriate, the Community shall provide Latvia with technical assistance, in particular in training programmes for Latvian experts in the fields of standardization, metrology, certification and quality systems in European countries.

Article 77

Cooperation in science and technology

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

- the exchange of information on each other's science and technology policies,
- the organization 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 the intellectual property of results of research,
- Latvia's participation in Community research 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. Cooperation shall aim at a harmonious development of human resources and at raising the level

of general education and professional qualifications in Latvia, both in the public and private sectors, taking into consideration the priorities of Latvia. Institutional frameworks and plans of cooperation will be established under the auspices of the European Training Foundation, the Tempus programme and the Eurofaculty. Participation of Latvia in other Community programmes shall also be considered in this context.

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

- reform of the education and training system in Latvia,
- initial training, in-service training and retraining, including the training of public and private sector executives and senior civil servants, particularly in priority areas to be determined,
- in-service training for teachers,
- cooperation between universities, cooperation between universities and firms, mobility for teachers, students, administrators and young people,
- promoting teaching in the field of European studies within the appropriate institutions,
- mutual recognition of periods of studies and diplomas,
- promoting language training in Latvia, in particular for resident persons belonging to minorities,
- teaching of Community languages, training of translators and interpreters and promotion of the use of Community standards and terminology,
- development of distance education and new training technologies,
- provision of training materials and equipment.

Article 79

Agriculture and the agro-industrial sector

1. Cooperation in this field shall aim at modernizing, restructuring and privatizing agriculture, fresh water (inland) fisheries and the agro-industrial sector as well as forestry. Such cooperation will promote the protection and sustainable use of natural landscapes and non-polluted soils.

To this end cooperation shall endeavour notably to:

- develop private farms and distribution channels, methods of storage, marketing etc.,

- modernize the rural infrastructure (transport, water supply, telecommunications),
- improve land-use planning, including construction and town planning,
- develop criteria for areas for extensive and intensive agriculture, forestry and fresh water (inland) fisheries in accordance with national and regional development plans and programmes,
- establish and promote effective cooperation on agricultural information systems,
- improve productivity and quality by using appropriate methods and products; provide training and monitoring in the use of anti-pollution methods connected with inputs,
- promote development of organic agriculture, processing, marketing of production,
- promote implementation of Community food standards,
- restructure, develop, modernize and decentralize food-processing firms and their marketing techniques,
- promote complementarity in agriculture,
- promote industrial cooperation in agriculture and the exchange of know-how, particularly between the private sectors in the Community and Latvia,
- develop cooperation on animal and plant health with the aim of bringing about gradual harmonization with Community standards through assistance for training and the organization of checks,
- promote exchange of information in respect of agricultural policy and legislation,
- promote joint ventures, particularly for cooperation on the markets of third countries.

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

Article 80

Fisheries

1. The Parties shall develop their cooperation on fisheries in accordance with the Agreement on Fisheries Relations between the European Economic Community and the Republic of Latvia.

2. The cooperation shall in particular take into account:

- the establishment of sustainable fishing in the world's oceans and the Baltic Sea,
- traditional cooperation on fisheries,
- the necessity of developing fishing control systems, catch statistics and information systems,
- the development of scientific potential for the study of fishery resources in the Baltic Sea and mutual action for the conservation and renewal of fish stocks (especially salmon and cod) and the introduction of modern technologies in this field,
- the gradual modernization of Latvia's fishing fleet and fish-processing industry, through the establishment of joint ventures,
- the development of private enterprises in this field and the necessity of obtaining EC experience in marketing techniques,
- the development of industrial cooperation in fisheries and exchange of know-how,
- the introduction in Latvia of EC production quality and health standards for fish farming (including feed),
- the exchange of information on fisheries policy and legislation and on the establishment of a market for fishery products,
- cooperation in international fishery organizations.

Article 81

Energy

1. Within 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 the energy markets in Europe.

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

- formulation and planning of energy policy, including its long term aspects,
- management and training in the energy sector,
- promotion of energy saving and energy efficiency,
- development of energy resources,
- improvement of distribution as well as improvement and diversification of supply,
- environmental impact of energy production and consumption,

- the nuclear energy sector, in particular nuclear safety,
 - opening up the energy market to a greater degree, including facilitating transit of gas and electricity,
 - the electricity and gas sectors, including consideration of the possibility of the inter-connection of European supply networks,
 - modernization of energy infrastructures,
 - formulation of framework conditions for cooperation between undertakings in this sector,
 - transfer of technology and know-how,
 - cooperation on pricing and taxation policies in the energy sector,
 - regional cooperation in the energy sector among the Baltic States, particularly as an important contribution to security of energy supply in the region.
3. Technical assistance shall be provided where appropriate.

Article 82

Nuclear safety

1. The aim of cooperation is to provide for a safer use of nuclear energy.
2. Cooperation in the nuclear field shall mainly cover the following topics:
 - upgrading of staff training,
 - upgrading of Latvia's laws and regulations on nuclear safety and strengthening of the supervisory authorities and their resources,
 - nuclear safety, preparation for nuclear emergencies and accident management,
 - radiation protection, including environmental radiation monitoring,
 - fuel cycle problems, safeguarding and physical protection of nuclear materials,
 - radioactive waste management,
 - decommissioning and dismantling of nuclear installations,
 - decontamination,
 - establishment of uniform safety standards to protect the health of workers, the general public and the environment and ensuring that they are applied.
3. Cooperation will include the exchange of information and experience and R&D activities in accordance with the provisions on science and technology.

4. The Parties agree on the necessity of making efforts to cooperate, within the framework of their respective powers and competences, in order to combat nuclear smuggling. Cooperation in this area should include exchange of information, technical support for analysing and identifying the material, and administrative and technical assistance for the installation of efficient customs controls. Further cooperation in this field could be identified as need arises.

Article 83

Environment

1. The Parties shall develop and strengthen their cooperation on environment and human health.
2. Cooperation shall concern in particular:
 - effective monitoring of pollution levels,
 - combating local, regional and cross-border air and water pollution,
 - efficient, sustainable and clean energy production and consumption; safety of industrial plants (including nuclear power stations),
 - classification and safe handling of chemicals,
 - water quality, particularly in cross-border waterways (protection of the Baltic Sea against pollution from ships, artificial islands, platforms and other sources),
 - reduction, recycling and safe disposal of waste and implementation of the Basle Convention,
 - sustainable use of non-renewable natural resources,
 - the environmental impact of agriculture, soil erosion and pollution by agricultural chemicals, water eutrophication,
 - protection of forests and flora and fauna,
 - conservation of biodiversity,
 - protected areas,
 - land-use planning, including construction and town planning,
 - improvement of public transport, especially in cities,
 - use of economic and fiscal instruments,

- management of the coastline and prevention of marine pollution,
- global climate change,
- rehabilitation of contaminated areas,
- protecting human health against environmental hazards.

3. Cooperation shall take place notably through:

- exchange of information and experts, especially in the field of the transfer of clean technologies and the safe use of environmentally-friendly biotechnologies,
- institution-building and training programmes,
- transfer of technology and know-how,
- approximation of laws (Community standards),
- cooperation at regional level (including cooperation between the three Baltic States and in the framework of the European Environment Agency) and at international level,
- development of strategies, particularly with regard to global and climatic issues,
- education and information on environmental issues,
- environmental impact studies.

Article 84

Transport

1. The Parties shall develop and step up their cooperation in the field of transport in order to enable Latvia to:

- restructure and modernize transport,
- improve the movement of passengers and goods and the access to transport markets by removing administrative, technical and other obstacles,
- facilitate Community transit through Latvia by road, rail, inland waterway and combined transport,
- achieve operating standards comparable to those in the Community.

2. The cooperation shall cover the following in particular:

- economic, legal and technical training programmes and the preparation of the legislative and institutional

framework for policy development and implementation, including privatization of the transport sector,

- the provision of technical assistance and advice, and the exchange of information (conferences and seminars),
- support for the development of infrastructure in Latvia.

3. Priority areas of cooperation will be:

- the construction and modernization, on recognized trans-European corridors and major routes of common interest, of road, rail, inland waterway, port and airport infrastructures,
- the improvement of conditions, the reduction of waiting times and the easing of transit at the border crossings on the Latvian stretch of the multimodal Crete corridor no 1, on the basis of norms set by international agreements of the European Union to secure interoperability,
- the management of railways, ports and airports, including cooperation between the appropriate national authorities,
- land-use planning, including construction and urban planning,
- the upgrading of technical equipment to meet Community standards; particularly in the fields of road-rail transport, containerization and trans-shipment,
- contributing to the development of transport policies compatible with those in the Community,
- the promotion of short-sea shipping as an alternative to overland transport and as a transport mode particularly suited to the Baltic Sea region,
- the promotion of joint research and development programmes,
- concrete projects in a tri- or multilateral (CBSS — Council of the Baltic Sea States) context of regional cooperation, such as Via Baltica.

Article 85

Telecommunications, postal services and broadcasting

1. The Parties shall endeavour to expand and strengthen cooperation in these areas. This shall involve:

- exchange of information on telecommunications policies, postal services and broadcasting policies,

- establishment of a stable and consistent regulatory framework for telecommunications, postal services and broadcasting,
- exchange of technical and other information and the organization of seminars, workshops and conferences for experts of both sides,
- training and advisory operations,
- transfer of technology,
- joint execution of projects by competent bodies from both sides,
- promotion of European standards and certification systems,
- promotion of new communication facilities, services and installations, particularly those with commercial applications.

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

- development and application of a sectoral market policy in telecommunications, postal services and broadcasting in Latvia, of legal acts and procedures,
- modernization of Latvia's telecommunications network and its integration into European and world networks,
- cooperation within European standardization structures,
- integration of trans-European systems,
- legal aspects of telecommunications,
- management of telecommunications in the new European business environment: organizational structures, strategy and planning, purchasing principles, tariffs structure in voice telephony,
- land-use planning, construction and town planning,
- upgrading of the data network and development of data-based information services,
- modernization of Latvia's postal services and broadcasting.

Article 86

Information infrastructure

The Parties shall endeavour to expand and strengthen cooperation, with a view to setting up a global information infrastructure. This shall involve:

- exchange of information on policies and programmes aimed at setting up the information infrastructure and the corresponding services,

- close cooperation between institutions managing current information networks (academic and/or government agencies),
- exchange of information on technologies, market needs and other information, organization of seminars, workshops and conferences for experts and industrialists from both sides,
- training and advisory operations,
- joint execution of projects,
- promotion and agreement of standards, certification and testing,
- promotion of an appropriate regulatory framework,
- action to promote the growth of information services and infrastructure.

Article 87

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 a banking, insurance and financial services sector in Latvia.

2. The cooperation shall focus on:

- the improvement of efficient accounting and audit systems in Latvia based on international rules and European Community standards,
- the strengthening and restructuring of the banking and financial systems,
- the improvement and harmonization of supervision and regulation systems of banking and financial services,
- the preparation of glossaries of terminology,
- the exchange of information in particular in respect of laws in force or being drafted,
- the preparation and translation of Community and Latvian legislation.

3. To this end, the cooperation shall include the provision of technical assistance and training.

Article 88

Audit and financial control cooperation

1. The Parties shall cooperate with the aim of developing efficient financial control and audit systems in

the Latvian administration following standard Community methods and proceedings.

2. Cooperation shall focus on:

- the exchange of relevant information on audit systems,
- the uniformization of audit documentation,
- training and advisory operations.

3. To this end, technical assistance shall be provided by the Community as appropriate.

Article 89

Monetary policy

At the request of the Latvian authorities, the Community shall provide technical assistance designed to support Latvia's efforts towards the gradual alignment of its policies on those of the European Monetary System. At the request of Latvia, it will organize informal exchange of information concerning the principles and the functioning of the European Monetary System.

Article 90

Money laundering

1. The Parties agree on the necessity of making strenuous efforts and cooperating in order to prevent the use of their financial systems for the laundering of proceeds from criminal activities in general and drug offences in particular.

2. Cooperation in this area shall include administrative and technical assistance with the purpose of establishing suitable standards to combat money laundering, equivalent to those adopted by the Community and other international bodies in this field, in particular the Financial Action Task Force (FATF).

Article 91

Regional development

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

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

- exchange of information by national, regional or local authorities on regional and land-use planning policy, and, where appropriate, the provision of assistance to Latvia for the formulation of such policy,

— joint action by regional and local authorities in the field of economic development,

— study of a joint approach towards the development of inter-regional cooperation with Baltic Sea regions in the Community,

— exchange of visits to explore cooperation and assistance opportunities,

— exchange of civil servants or experts,

— provision of technical assistance with special emphasis on the development of disadvantaged regions,

— establishment of programmes for the exchange of information and experience, by methods including seminars.

Article 92

Social cooperation

1. With regard to health and safety at work and public health, 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 companies,

— information and training operations,

— cooperation on public health.

2. With regard to employment, cooperation between the Parties shall focus in particular on:

— organization of the labour market,

— modernization of job-finding and careers advice services,

— planning and implementation of regional restructuring programmes,

— encouragement of local employment development.

Cooperation in these fields shall be realized through actions such as the performance of studies, provision of the services of experts and information and training.

3. With regard to social security, cooperation between the Parties shall seek to adapt the Latvian social security system to the new economic and social situation, primarily by providing the services of experts and information and training.

*Article 93***Tourism**

The Parties shall increase and develop cooperation between them in the field of tourism, which will be aimed in particular at:

- facilitating the tourist trade,
- strengthening the flow of information through international networks, databases, etc.,
- transferring know-how through training, exchanges, seminars,
- enhancing regional cooperation projects,
- studying the opportunities for joint operations (cross-border projects, town twinning, etc.),
- introducing computerized booking and information systems (preferably common to all three Baltic States) and consumer protection standards for tourists.

*Article 94***Information and communication**

1. With regard to information and communication, the Community and Latvia 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 European Union and specific circles in Latvia with more specialized information, including, where possible, access to Community databases.

2. The Parties shall coordinate and, where appropriate, harmonize 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 95***Consumer protection**

1. The Parties shall cooperate with the aim of achieving full compatibility between the systems of consumer protection in Latvia and the Community. Effective consumer protection is needed to ensure that the market economy functions properly.

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

- a policy of active consumer protection, in accordance with Community law and any relevant UN guidelines on consumer protection,
- the approximation of legislation and the alignment of consumer protection in Latvia with that of the Community,
- effective legal protection for consumers in order to improve the quality of consumer goods and maintain appropriate safety standards.

3. Cooperation may include:

- the exchange of information on dangerous products,
- the training of consumer protection specialists for the government and NGOs,
- help with the development of independent organizations intended to increase consumer awareness, particularly by providing information,
- the establishment of information and advisory centres for the settlement of disputes and the provision of legal and other advice to consumers; provision will be made for cooperation between Latvia's centres and those in the Community,
- access to Community data banks,
- the development of exchanges between consumer representatives.

4. Technical assistance shall be provided by the Community as appropriate.

*Article 96***Customs**

1. The aim of cooperation in the customs field shall be to guarantee compliance with all the provisions scheduled for adoption in the area of trade and to achieve the approximation of Latvia's customs system to that of the Community, thereby 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-border infrastructure,

- the introduction of the single administrative document and the interconnection between the transit systems of the Community and Latvia,
- the simplification of inspections and formalities in respect of the carriage of goods,
- the organization of seminars and placements,
- support in the introduction of modern customs information systems.

Technical assistance shall be provided where appropriate.

3. Without prejudice to further cooperation foreseen in this Agreement, and in particular Article 100 and Title VII, the mutual assistance between administrative authorities in customs matters of the Parties shall take place in accordance with the provisions of Protocol 5.

Article 97

Statistical cooperation

1. Cooperation in this area 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 support and monitor the process of economic reform and contribute to the development of private enterprise in Latvia.

2. The Parties shall cooperate in particular to:

- strengthen Latvia's statistical apparatus,
- bring about harmonization with international (and particularly Community) methods, standards and classifications,
- provide the data needed to support and monitor economic reform,
- provide private sector economic operators with the appropriate macroeconomic and microeconomic data,
- guarantee the confidentiality of data,
- exchange statistical information.

3. Technical assistance shall be provided by the Community as appropriate.

Article 98

Economics

1. The Community and Latvia shall facilitate the process of economic reforms and integration by cooperating to improve understanding of the fundamentals of their respective economies and the formulation and implementation of economic policy in market economies.

2. To these ends, the Community and Latvia shall:

- 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 (ACE) in particular, encourage extensive cooperation between economists and managers in the Community and Latvia in order to expedite the transfer of know-how for the drafting of economic policies, and provide for wide dissemination of the results of policy-relevant research.

Article 99

Public administration

The Parties shall promote cooperation between their public administration authorities, including the setting up of exchange programmes, in order to improve mutual knowledge of the structure and functioning of their respective systems.

Article 100

Drugs

1. Within the scope of their respective powers and competences, the Parties shall cooperate in increasing the effectiveness and efficiency of policies and measures to counter the illicit production, supply and traffic of narcotic drugs and psychotropic substances, including the prevention of diversion of precursor chemicals, as well as in promoting drug demand prevention and reduction.

2. The Parties shall agree on the necessary methods of cooperation to attain these objectives, including the modalities of the implementation of common actions.

3. The cooperation in this area shall be based on mutual consultation and close cooperation between the Parties over the objectives and measures in the fields targeted in paragraph 1 and shall, *inter alia*, include where available technical assistance from the Community.

Cooperation aimed at preventing the illicit traffic of narcotic drugs and psychotropic substances will comprise technical and administrative assistance including:

- drafting and implementation of national legislation,
 - creation or strengthening of institutions and information centres and of social health centres,
 - increasing the efficiency of the institutions engaged in combating illicit drug trafficking,
 - training of personnel and research,
- prevention of diversion of precursors and other essential chemicals used for the purpose of illicit manufacture of narcotic drugs or psychotropic substances, by establishing suitable standards equivalent to those adopted by the Community and relevant international bodies, in particular the Chemical Action Task Force (CATF).
- The Parties may agree to include other areas.

TITLE VII

COOPERATION IN THE PREVENTION OF ILLEGAL ACTIVITIES

Article 101

1. The Parties shall cooperate, within the scope of their powers and competences, with the aim of preventing the following illegal activities in particular:

- illegal immigration and the illegal presence of their nationals on the other's territory, while taking account of the principles and the practice of readmission,
- corruption,
- illegal transactions involving industrial waste and counterfeit products,
- illegal trafficking in drugs and psychotropic substances,
- illegal trade of radioactive and nuclear materials,
- illegal transfer of motor vehicles,
- organized crime.

2. Cooperation in the matters referred to in paragraph 1 shall be based on mutual consultations and close coordination between the Parties and should include technical and administrative assistance for:

- the drafting of national legislation,
- the establishment of information centres,
- enhancing the efficiency of the institutions charged to prevent illegal activities,
- staff training and the development of investigative facilities,
- the formulation of mutually acceptable measures to prevent illegal activities.

The Parties may agree to include other areas.

TITLE VIII

CULTURAL COOPERATION

Article 102

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

This cooperation may cover in particular:

- literary translations,
- exchange of non-commercial works of art and artists,
- conservation and restoration of monuments and sites (architectural and cultural heritage),
- training,
- cultural events (e.g. song festivals),
- publicizing significant cultural events,
- cooperation between libraries.

2. The Parties may cooperate in the promotion of the audiovisual industry in Europe. In particular, the audiovisual sector in Latvia 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 Council Decision of 21 December 1990 setting up that programme.

The Parties shall coordinate and, where appropriate, harmonize their policies on the regulation of cross-border broadcasting, paying particular attention to matters relating to the acquisition of intellectual property rights for programmes broadcast by satellite or cable, technical standards in the audiovisual field and the promotion of European audiovisual technology.

Cooperation could include *inter alia* the exchange of programmes, bursaries and facilities for the training of journalists and other media professionals.

TITLE IX

FINANCIAL COOPERATION

Article 103

In order to achieve the objectives of this Agreement and in accordance with Articles 104, 105, 106 and 107, without prejudice to Article 107, Latvia shall benefit from temporary financial assistance from the Community in the form of grants and loans, including loans from the European Investment Bank (EIB) according to the provisions of Article 18 of the Statute of the Bank to accelerate the economic transformation of Latvia.

Article 104

This financial assistance shall be covered:

- either within the framework of an indicative multiannual programme through Phare foreseen in Council Regulation EEC No 3906/89, as amended, or within a new multiannual financial framework established by the Community following consultations with Latvia and taking into account the considerations set out in Articles 105 and 106,

- by loan(s) provided by the European Investment Bank within a ceiling and during a period of availability to be established, following consultations with Latvia in application of the relevant provisions of the Treaty on European Union.

Article 105

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 106

1. The Community shall, in case of special need, taking into account the availability of all financial resources, on request of Latvia and in coordination with international financial institutions, in the context of the G24, examine the possibility of granting temporary financial assistance

- to support measures with the aim of maintaining the convertibility of the Latvian currency,
- to support medium-term stabilization and structural adjustment efforts, including balance of payments assistance.

2. This financial assistance is subject to Latvia's presentation of IMF supported programmes in the context of the G24, as appropriate, for convertibility and/or for restructuring its economy, to the Community's acceptance thereof, to Latvia'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 of the respect of the obligations undertaken by Latvia concerning such assistance.

Article 107

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

Article 108

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 G24, 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 109

Latvia shall participate in framework programmes, specific programmes, projects or other actions of the Community in the fields laid down in Annex XVIII. Without prejudice to the existing participation of Latvia in the activities referred to in Annex XVIII, the Association Council shall decide the terms and conditions for the participation of Latvia in these activities. The financial contribution of Latvia to the activities referred to in Annex XVIII shall be based on the principle that Latvia shall meet the costs resulting from its participation itself. 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 Latvia's contribution.

TITLE X

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 the 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 appointed by the Government of Latvia, 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 presided in turn by a member of the Council of the European Union and a member of the Government of Latvia, in accordance with the provisions to be laid down in its rules of procedure.

5. Where appropriate, the EIB will 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 the 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 of this Article, 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' decisions 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 Latvia 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 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

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

Article 117

1. The Parliamentary Committee shall consist of members of the European Parliament, on the one hand, and of members of the Parliament of Latvia, on the other.
2. The Parliamentary Committee shall establish its rules of procedure.
3. The Parliamentary Committee shall be presided in turn by each European Parliament and the Parliament of Latvia, in accordance with the provisions to be laid down in its rules of procedure.

Article 118

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

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

The 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 Contracting 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, ammunition or war materials or to research, development or production indispensable for defence purposes, provided that such measures do not impair

the conditions of competition in respect of products not intended for specifically military purposes;

- (c) which it considers essential to its own security in the event of serious internal disturbances affecting the maintenance of law and order, in time of war or serious international tension constituting threat of war or in order to carry out obligations it has accepted for the purpose of maintaining peace and international security;
- (d) which it considers necessary to respect its international obligations and commitments on the control of dual use industrial goods and technologies.

Article 121

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

- the arrangements applied by Latvia in respect of the Community shall not give rise to any discrimination between the Member States, their nationals, or their companies or branches,
- the arrangements applied by the Community in respect of Latvia shall not give rise to any discrimination between Latvian nationals or its companies or branches.

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

Article 122

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

The treatment granted to Latvia 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

The present Agreement shall not, until equivalent rights for individuals and economic operators have been achieved under the present Agreement, affect rights assured to them through agreements binding one or more Member States, on the one hand, and Latvia, on the other, except for sectors of Community competence and without prejudice of Member States' obligations resulting from this Agreement in sectors of their competence.

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 Latvia, of the other part.

Article 126

Protocols 1 to 5 and Annexes Nos I to XVIII 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 will cease to apply six months after the date of such notification.

Article 128

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

Article 129

This Agreement shall apply, on the one hand, to the territories in which the Treaties establishing the European Community, the European Atomic Energy Community

and the European Coal and Steel Community are applied and under the conditions laid down in those Treaties and, on the other hand, to the territory of the Republic of Latvia.

Article 130

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

Article 131

This Agreement will be approved by the Parties in accordance with their own procedures.

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

Upon its entry into force, this Agreement shall replace the Agreement between the European Economic Community

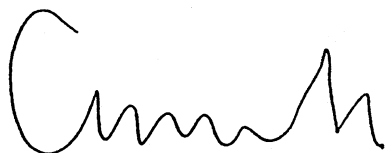
and the Republic of Latvia on trade and economic and commercial cooperation signed in Brussels on 11 May 1992.

The present Agreement is partly based on, further develops and incorporates the essential provisions of the Agreement between the European Community, the European Atomic Energy Community and the European Coal and Steel Community and the Republic of Latvia on Free Trade and Trade-Related Matters signed on 18 July 1994. Upon its entry into force, this Agreement shall replace the Agreement on Free Trade and Trade-Related Matters.

The decisions of the Joint Committee established by the Agreement on trade and economic and commercial cooperation and which performs also the duties assigned by the Agreement on Free Trade and Trade-Related Matters shall continue to apply until repealed by decisions of the Association Council.

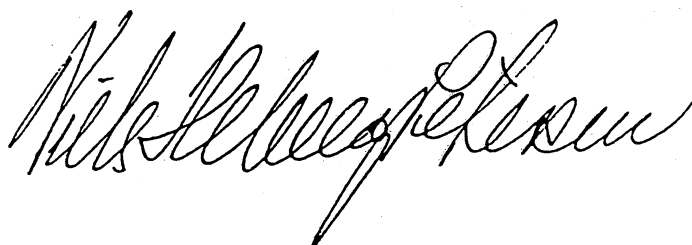
The Association Council shall adopt at its first meeting all the modifications to this Agreement — in particular to the Protocols and Annexes — necessary to align it with changes to the Agreement on Free Trade and Trade-Related Matters decided by the Joint Committee between the signature and the entry into force of this Agreement.

Pour le royaume de Belgique
Voor het Koninkrijk België
Für das Königreich Belgien



Deze handtekening verbindt eveneens de Vlaamse Gemeenschap, de Franse Gemeenschap,
de Duitstalige Gemeenschap, het Vlaamse Gewest en het Brusselse Hoofdstedelijke Gewest.

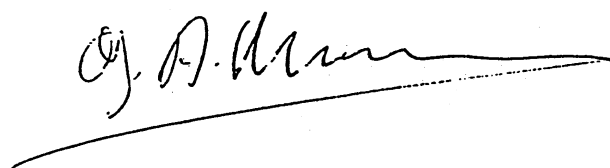
På Kongeriget Danmarks vegne



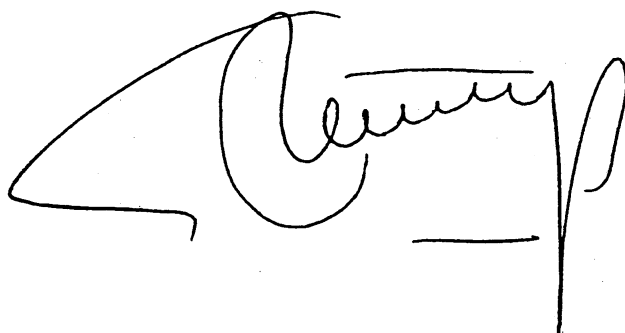
Für die Bundesrepublik Deutschland



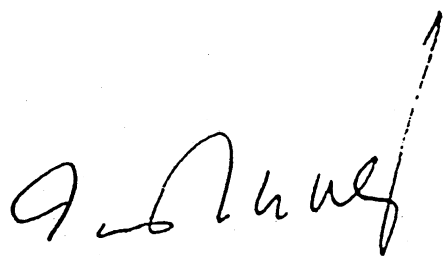
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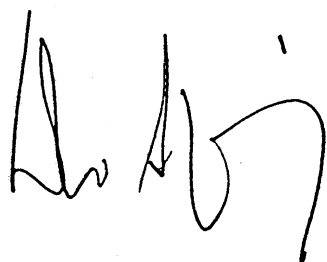
Por el Reino de España



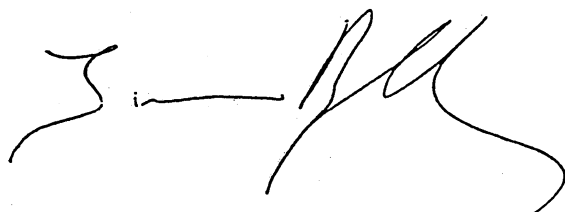
Pour la République française



Thar ceann na hÉireann
For Ireland



Per la Repubblica italiana



Pour le grand-duché de Luxembourg



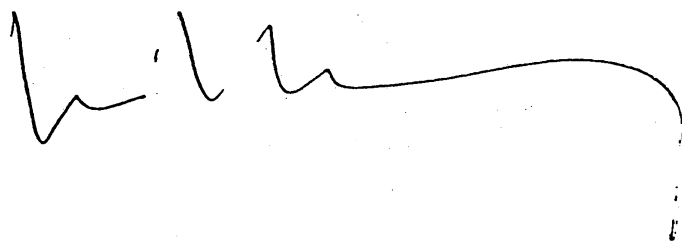
Voor het Koninkrijk der Nederlanden



Für die Republik Österreich



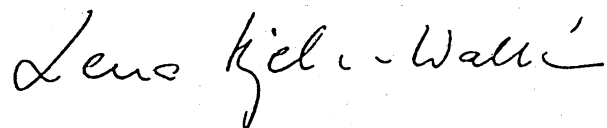
Pela República Portuguesa



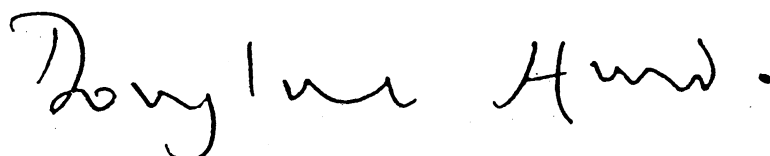
Suomen tasavallan puolesta



För Konungariket Sverige



For the United Kingdom of Great Britain and Northern Ireland



Por las Comunidades Europeas

For de Europæiske Fællesskaber

Für die Europäischen Gemeinschaften

Για τις Ευρωπαϊκές Κοινότητες

For the European Communities

Pour les Communautés européennes

Per le Comunità europee

Voor de Europese Gemeenschappen

Pelas Comunidades Europeias

Euroopan yhteisöjen puolesta

På Europeiska gemenskapernas vägnar

Latvijas Republikas vārdā