

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

RESTRICTED
Spec(93)54
25 October 1993

(93-1788)

DRAFT REPORT OF THE WORKING PARTY ON THE ACCESSION OF SLOVENIA

1. At its meeting on 14 July 1992, the Council agreed to establish a Working Party to examine the application of the Government of Slovenia to accede to the General Agreement under Article XXXIII, and to submit to the Council recommendations which may include a draft Protocol of Accession (document L/7049 /Rev.1).

2. The Working Party met on 22-23 April, 15-16 July, 7, 11 and 13 October [and] 1993 under the chairmanship of H.E. Mr. J. Lacarte-Muró (Uruguay). The terms of reference and the membership of the Working Party are set out in document L/7049/ Rev.1.

3. The Working Party had before it, to serve as a basis for its discussions, a Memorandum on the Foreign Trade Régime of Slovenia (L/7090 and Add.1), and the questions submitted by contracting parties on the foreign trade régime of Slovenia together with the replies of the Slovenian authorities thereto (L/7191 and Add.1, Spec (93)20 and Spec(93)46). In addition the representative of Slovenia made available to the Working Party the following material:
 - Law On Foreign Trade Transactions
 - Law On Foreign Trade
 - Customs Tariff
 - Law on Credit Transactions with Foreign Countries
 - Law on Protection of Competition
 - Law on Commercial Companies
 - Law on Foreign Exchange Business
 - List of import products subject to variable levies
 - List of import products subject to quantity quotas
 - Trade statistics for 1992

4. In an introductory statement, the representative of Slovenia noted that his country was going through a transitional period of complex restructuring of the economy and implementing market economy principles fully compatible with the rules of the General Agreement, with the aim of improving the standard of living and securing adequate employment opportunities of the Slovenian population. The representative of Slovenia outlined economic trends in Slovenia since independence in June 1991. Serious economic dislocations resulting from the break up of the Socialist Federal Republic of Yugoslavia had brought a decline in economic activity and a sharp rise in both inflation and unemployment levels. However, the reorientation of the external trade had permitted it to maintain export levels, safeguard

the balance of payments and increase foreign exchange reserves. On this basis, the process of gradual trade liberalization had been launched, customs duties had been lowered, legal and administrative constraints had been removed and customs procedures had been simplified to conform to GATT principles. Due to the need to restructure its economy and trade and the lack of internal markets, Slovenia needed a transitional period to complete the reform process. At this time, inflation had fallen from a monthly rate of 20 per cent to 1.1 per cent. Some of the most challenging endeavours were in the area of ownership restructuring, effective corporate management, increased efficiency in production and accelerated technological development. Structurally, the economy of Slovenia was gradually approaching the situation in some developed countries. This was reflected in an enlarged services sector, a stable currency with virtually full convertibility and the increasing rôle being played by small and medium sized private companies. Although the previous socially-owned sector of the economy, in which capital ownership and individual companies were independent in their decision-making, still provided the major share of employment and production, Slovenia was pursuing the privatization effort. He recalled that the former SFR of Yugoslavia had been a developing contracting party and a participant in the Uruguay Round and noted that Slovenia was not only prepared to assume the tariff concessions established in the former Yugoslav schedule, but also to widen its scope, reduce some trade restrictions and bring the taxation régime progressively into conformity with the GATT. Slovenia intended to request accession to the MFA and to some of the MTN Codes.

Economic Transition

5. Members of the Working Party welcomed the application of Slovenia for accession to the General Agreement and expressed support for a prompt conclusion of the accession negotiations. Members noted that the information presented by Slovenia demonstrated that Slovenia could abide by its GATT obligations. Members expressed support and encouragement for Slovenia's efforts to reform and liberalize its economy, including privatization, and the hope that accession to GATT would facilitate the country's transition to a market economy.

[6. While supporting a prompt conclusion of the negotiations for the accession of Slovenia, some members stated that the commitments reflected in the report of the Working Party and in the Protocol of Accession should be restricted to the obligations currently embodied in the General Agreement. Additional obligations might be established, in the future, in the framework of the Uruguay Round negotiations. The Working Party noted the statement made by these members that any assurances or commitments given by the Government of Slovenia which constituted obligations additional to those required by the General Agreement or relevant instruments under its auspices, did not constitute a

precedent, either for future accessions or for other GATT negotiations or procedures. Some other members of the Working Party stated that accession working parties had the mandate to examine the foreign trade regime of an acceding government and define the conditions for accession; therefore, the working parties had to address all issues which appeared to be relevant to international trade relations. These members noted that without seeking to interfere with national policies on matters outside the competence of the General Agreement, if a government pursued policies which would have an immediate effect on the market conditions, including access thereof, it seemed reasonable for a working party on accession to seek a high degree of transparency in the implementation of these policies.]

Tariff Negotiations

7. The Working Party noted that in response to the invitation of Slovenia, a number of contracting parties had entered into tariff negotiations relating to accession with Slovenia. As a result of the bilateral negotiations, the Government of Slovenia agreed to bind its tariff for industrial products (HS25-97) at an across the board ceiling level of 27 per cent, except where different rates had been agreed in the course of negotiations. For agricultural products (HS1-24) tariffs would be bound across the board at a ceiling level of 45 per cent, except where different rates had been agreed in the course of negotiations. These concessions would be implemented at the time of accession. The Working Party took note of this commitment. The Working Party also took note of the Slovenian statement that the commitments undertaken in the framework of its accession regarding tariff concessions would constitute the Slovenian contribution to the Uruguay Round market access negotiations.

Characteristics of the Slovenian Economy

8. Some members of the Working Party referred to the special characteristics of the Slovenian economy in its process of transition to a full market economy. It was noted that apparently socially owned firms accounted for a large share of Slovenia's import and export trade, at the end of the year 1992, 75 per cent of the economy was still socially-owned with less than 20 per cent of enterprises in private hands. A list of the socially owned firms and the products traded was requested, together with their trade share, including, in particular, information on the activities of Slovenian agricultural trading enterprises. Information was requested on the rôle played in export and import trade by some firms. Clarification was also requested on the applicability to socially owned firms of Article XVII of the General Agreement and on the issue of State participation in trade in the future, in particular in the agricultural sector. In response, the representative of Slovenia said that the trading activities of the socially owned enterprises were similar to those of private enterprises in any country. These

enterprises were autonomous entities with their own management boards, personnel and financial resources. They were free to trade in any commodities and were be responsible for their own profits and losses without any Government involvement in their operations. These enterprises were not State-owned. These were social-capital companies where the ownership interest belonged to the management and the workforce, thus the socially owned enterprises could be defined as employees' co-operatives operating on a commercial basis pending their formal privatization. They appointed the management and had the right to decide on the distribution of the income, salaries were a part of the enterprises's income and related to its profitability. Therefore, there was no incentive for investments, there was no legal possibility to get a dividend and this situation had led to the maximization of salaries, to spending and the acquisition of non-profitable assets like housing, free-time facilities, social welfare, etc. with extensive employment and little regard for labour productivity. He added that Slovenia had decided to abolish the system of social ownership and to replace it with a system common to other countries. The Law on Ownership Transformation of Enterprises, enacted in December 1992, had begun the privatization process. This Law, together with other legislation, had set the modalities for the transition from social ownership to private ownership and, in some exceptional cases, to State ownership with respect to activities such as railways, electricity generation, postal services, and other utilities.

9. In response to requests for information on the operations of the socially owned enterprises, the representative of Slovenia said that, pursuant to the Law on the Protection of Competition of 1993, the socially owned enterprises had no exclusive rights or privileges and competed both inside and outside Slovenia. A company like Metalka, which was primarily engaged in trade in metal goods and operated supermarkets as well as a chain of shops had to compete with companies such as Mercator, Emona, etc. and with privately owned companies. In the same manner as private companies, the socially owned companies traded in consumer goods, motor vehicles, wood products, textiles and yarns and fibres, electronics and electrical products, etc. At the present time, no single socially owned enterprise had more than a 50 per cent share of trade in any commodity. Trade in agricultural commodities was similar to that in other commodities. All agricultural trading enterprises would be subject to the Law of Ownership Transformation. The management of the socially owned enterprises had been appointed by the Workers' Council, composed of the elected representatives of the work force, or in the case of joint stock companies by the Assembly of Shareholders, representing the owners, which in most cases were other socially owned firms. The Workers' Councils did not exist any more. They had been replaced by single management, in the case of small companies, and by management boards. The decision-making power was at the management level and policy decisions were adopted by the shareholders, by majority vote.

10. In response to questions concerning the privatization of the socially owned companies, the representative of Slovenia said that the reasons for the privatization of the socially owned firms were not related to their position in domestic and international markets, nor to the issue of direct Government intervention in their operations, but rather to pragmatic considerations related to deficiencies concerning investments, new business units, accountability of the management, and organizational structure, competitiveness, etc. Pursuant to the Law on Ownership Transformation of Enterprises, passed by the Parliament in December 1992, all business entities would be privatized with the exception of public utilities and some enterprises engaged in activities defined by law, including enterprises owned by cooperatives, banks and insurance companies, enterprises under legal bankruptcy procedures and forestry enterprises. This Law had far reaching application. The transformation under the Law was a process that ended when the social capital got an identifiable owner, be it a private physical or legal person, a fund established in compliance with legal provisions, or in some exceptional cases, the Government owned Development Fund. The Law provided that the ownership transformation would be completed by late 1994. Enterprises that failed to comply with these provisions would be transferred to the Development Fund. Therefore, the responsibility to prepare and carry out the privatization programme within the above time limits rested with the enterprise. The prevailing privatization was a combination of free share distribution and payable privatization. All citizens of Slovenia, alive on the day of the entry into force of the law had, in principle, equal rights to participate in the free distribution of capital but adjustments would be made for years of service. The right to free distribution would be materialized in the enterprise itself or through special investment funds, which would issue ownership certificates in values from SIT 100,000 up to SIT 400,000, depending on the age of the citizen. The starting point of the transformation was the opening balance. Each enterprise had to prepare and declare its social capital, subject to ownership transformation. The Agency for Privatization and Restructuring was the main supervisory body that would monitor the transformation process from the legal point of view. The Development Fund would administer the proceeds from sales of the socially owned enterprises and under certain conditions were also entitled to sell enterprises. Enterprises could choose the following methods of ownership transformation: transfer of shares to the funds (10 per cent of the social capital to the Pension Fund, 10 per cent to the Compensation Fund and 20 per cent to the Development Fund for Special Investment Funds); internal distribution of shares (up to 20 per cent of shares could be freely distributed to the employees of the company); internal buy out of shares (up to 40 per cent of shares could be offered for sale to the employees and ex-employees of the enterprise; this sale had to be completed in four years time, i.e. in five instalments of 20 per cent of the value of the social capital, adjusted for inflation); sale of shares by open bidding, public sale of shares or auction; sale of assets (with the same methods as for the sale of shares); increase of the company's capital (if the company's capital was increased by more than 30 per cent, the investor could acquire ownership rights

in the process of ownership transformation); transfer of shares to the Development Fund. Enterprises might transfer the shares not allocated according to the above methods to the Development Fund for privatization. The rôle of the Fund was to restructure the company, supervise its operation and privatise it if the company achieved economic viability, by direct sale or by other means, such as sale of stocks. If a company should prove economically not viable and unmarketable, the Fund had the mandate to liquidate the assets of the company. At the present time, it was estimated that the Development Fund had a limited participation in some 100 firms which accounted for 10 per cent of the work force and 8 per cent of the GDP of Slovenia, approximately.

State-owned Enterprises and Privatization

[11. The representative of Slovenia stated that under the terms of the Law on Ownership Transformation of Enterprises, his Government would progressively privatize firms currently subject to State or social ownership. In this regard, it was intended that this process would be substantially completed by 31 December 1995, in line with the plans, procedures and objectives of the Law on Ownership Transformation of Enterprises and as described in paragraphs 8-10 above.

He also stated, that in order to [contribute to the multilateral transparency of this process] [keep the contracting parties informed of Slovenia's progress towards these goals], the Government of Slovenia would report annually on the status of its privatization efforts. [Such reports would include [adequate] information on the international trade operations of State and socially owned enterprises that remained unprivatized, and on the "special forms of transactions in foreign trade" provided for in the Foreign Trade Law that authorized barter trade and import/export balancing under long term cooperation contracts.] If any contracting party requested it, a working party would be established to review the information contained in the report and other matters considered relevant to the privatization programme of the Government of Slovenia. The Working Party took note of this assurance.]

[11bis. The second sub-paragraph in paragraph 11 should be replaced with the following:

He also stated that the Government of Slovenia constantly monitored the privatization process. Information concerning the international trade operations of non-privatized and State-owned enterprises would be made available on request. Information concerning the "special forms of transactions in foreign trade" provided for in the Foreign Trade Law that authorized barter trade would be provided within the framework of the Trade Policy Review Mechanism. Such information would include data relevant for assessment of conformity with Article XVII of the General Agreement. The Working Party took note of these assurances.]

[12. Some members of the Working Party stated that there was no provision in the General Agreement in its present form that would require contracting parties to privatize economic activities to any particular degree. They also noted that barter trade was not inconsistent with the current provisions of the General Agreement. As far as a review of developments in the trade policy regime was concerned, in their view, the Trade Policy Review Mechanism was the competent body to carry out these activities. Therefore, these members could not accept the imposition of the commitments reflected in paragraph 11 above.]

Tariff Régime

13. Members of the Working Party raised a number of questions concerning the legal basis for tariffs and surcharges, the uniform application of tariffs, average levels, and the distribution of Slovenia's tariff rates, average trade weighted tariffs, preferential rates, etc. The representative of Slovenia said that the Government of Slovenia had no legal authority for increasing tariff levels and/or rates. Tariff rates were part of the Law on Customs Tariff, which could only be changed by Parliament. On the basis of that Law, the Government could temporarily reduce tariff rates for certain goods through customs quotas, which were used at the moment. The Government could only impose or change import duties in the form of equalization tax on the basis of the Law on Application of Special Equalization Tax on Imported Goods, which had been taken over by the Republic of Slovenia. On the basis of the Law on special import levies on imports of agricultural products and foodstuffs which had also been taken over by the Republic of Slovenia, the Government of Slovenia could stipulate the products on which special import levies would be paid in the amount of the difference between guaranteed domestic prices and import entry prices. The representative of Slovenia added that the uniform customs tariff did not apply to goods for which an exemption of customs duty had been authorized and for goods which could be brought into the country duty-free, according to the Customs Law. A uniform customs tariff was applied in individual import instances, if the value of the goods did not exceed 150,000 SIT. This value had recently been increased to 200,000 SIT. The representative of Slovenia stated that the uniform rate applied to all individuals, regardless of nationality and regardless of the origin of goods. It was used in order to simplify and shorten customs procedures for individual passengers. However, an individual could request that a normal customs procedure be applied and the customs tariff used, which might result in a different rate of duty. Imports of equipment not produced in Slovenia to which 80 per cent lower tariff rates were applied had reached US\$145 million in 1992. During the same period, imports of raw materials not produced in Slovenia to which 50 per cent lower tariff rates were applied had amounted to US\$245 million.

14. The representative of Slovenia added that the average weighted tariff applied to MFN trade was 13.76 per cent. Taking into consideration reliefs and exemptions, average collected rates in 1992 were 4.8 per cent and/or 6.2 per cent (excluding the States on the territory of the former SFR of Yugoslavia, because of the different structure of imports). The tariff levels applied to imports were as follows: 5 per cent or less - 30.5 per cent of items; from 6 per cent up to 10 per cent - 18.8 per cent; from 11 per cent up to 15 per cent - 24.2 per cent; from 16 per cent up to 20 per cent - 13.9 per cent; from 21 per cent up to 25 per cent - 4.3 per cent; and higher than 25 per cent - none.

Customs Régime

15. With regard to customs valuation and related matters, the representative of Slovenia said that the customs value of goods was determined by the Customs Office at the time of import of goods based on the provisions of the Customs Law and the decrees issued on the basis of the law. A complaint relating to the classification of goods and customs valuation could be submitted by the importer to the Customs Office at which the customs procedure was carried out, but the matter was decided by the Customs Administration. Complaints procedures followed the general regulations on complaints in administrative procedures. He added that the valuation practices followed by the authorities in Slovenia were consistent with Article VII of the GATT. Normally, the customs value of the goods was the agreed transaction value, i.e. the price actually paid, specified in the invoice, provided that the agreed price incorporated all costs and other expenses related to the sale and purchase of the goods before the Slovenian Customs. These included costs related to transport, insurance, packaging, agents commissions, loading and reloading; proportionate shares of the value of raw materials, semi-manufactures and parts purchased abroad; proportionate shares of the value of other goods, models, tools, master copies, etc., supplied to the buyer free of charge or at reduced prices; compensation and costs related to rights deriving from the use of patents, prototypes, trademarks, etc.; shares in the resale, transfer or use of imported goods payable to the seller; and proportionate shares of the value of services performed abroad which were paid separately by the buyer and which were necessary for production; and excluded all expenses, taxes and duties levied in the customs territory of the Republic of Slovenia.

Application of Article X

16. In response to questions concerning the review of customs decisions, the representative of Slovenia said that decisions made by the customs authorities could be appealed to the Customs Authority which was competent for the second stage appeal procedure. The next stage - administrative dispute

settlement - was submitted to the Supreme Court. He added that Slovenia would observe the provisions of Article X of the General Agreement. The Working Party took note of this commitment.

Variable Levies

17. In response to questions concerning the use of variable levies to protect certain sensitive economic sectors, the representative of Slovenia said that regulations pertaining to the application of variable levies to agricultural products had been adopted by the Government recently. The basis for determining variable levies were the threshold and import prices. The threshold price was determined for domestically produced products, taking into account economic and agricultural policies and development needs. The criteria for the determination of import prices were average domestic prices in the EEC and price information for Austria, Hungary and Croatia, the prevailing or established domestic market prices, the current costs of production, calculated on a monthly basis, for specific agricultural products, and the supply and demand situation in the domestic market and current production trends. The import price was the lowest purchase price in foreign markets, increased by the customs duty, import costs, import charges. Variable levies were determined as a price difference between the import and threshold price for the basic products. Variable levies, in all cases, took into account price fluctuations, especially if commodities had been purchased from stocks at reduced prices. The following products were subject to variable levies: livestock and meat, milk and milk products, butter, cheese, eggs, sausages, processed meat, sugar and related products. Slovenia regarded variable levies as a transitional measure. It was intended that they would be abolished through tariffication. Furthermore, the representative of Slovenia declared that his Government had replaced import quotas on agricultural products with the imposition of variable import levies. The representative of Slovenia stated that his Government would fully abide by the outcome of the Uruguay Round concerning market access in agriculture in the same way and at the same pace as would all contracting parties. The Working Party took note of this assurance.

[18. The representative of Slovenia stated that the variable levies currently applied to agricultural products listed in Annex 1 to document Spec(93)46 would be eliminated within three years of the date of accession. The application of the variable levies in this transitional period would at no time exceed the rates bound for the products concerned in the schedule of Slovenia. When the variable levies were eliminated, the tariffs on the products concerned would be rebound at the applied tariff rate, if the products concerned had been bound at a rate lower than the ceiling binding; or at a rate that would not accede the ceiling binding, if the product was bound at the ceiling rate. The Working Party took note of this commitment.]

[18bis. The representative of Slovenia confirmed that all variable levies currently applied in respect of the products listed in Annex 1 of document Spec(93)46, would be abolished within two years of Slovenia's accession to the General Agreement and that no similar measures would be applied thereafter. The abolition of variable levies would be implemented by annual phased reductions. During this two-year transitional period, no variable levies would be applied in excess of the rates bound in Slovenia's GATT schedule. From the end of the transitional period, tariffs on the products referred to above would be bound at the ceiling rates specified in the GATT schedule of Slovenia or at the rates that have been negotiated on particular items in Slovenia's schedule. The Working Party took note of these commitments.]

Import Surcharges

19. Members of the Working Party questioned the GATT consistency of the 7.5 per cent import surcharge on imported beverages, cigarettes and used cars and parts, and asked whether there were any plans for its elimination or its extension on an equal basis to similar domestic products. The representative of Slovenia explained that the 7.5 per cent tax on imported alcoholic beverages and tobacco products was not an internal tax in the sense of Article III of the GATT. It was one of three taxes inherited from the former SFR of Yugoslavia. For purely fiscal reasons, the Government of Slovenia in 1993 had increased the percentage of this tax to 15 per cent and extended the tax also to imports of used cars. In the future, the import of alcohol and cigarettes would be regulated by higher customs duties. The representative of Slovenia assured the Working Party that the surcharges would not be extended to other products and would be eliminated within a period of three years. The Working Party took note of this assurance.

Formality Tax

20. With regard to the 1 per cent formality tax for customs clearance inherited from the former SFR of Yugoslavia, the representative of Slovenia said that his Government considered that this tax was not in compliance with the provisions of Article VIII of the GATT. Therefore, this tax would be tariffied in the Slovenian Schedule annexed to its Protocol of Accession.

Sales Tax

21. In reply to some questions, the representative of Slovenia said that, according to the sales tax legislation in force, the same tax rates applied to domestic and imported products. Slovenia had four

internal tax rates: 5 per cent, 10 per cent, 20 per cent (general rate) and 32 per cent, for products; and 0.1 per cent, 3 per cent, 5 per cent (general rate) and 20 per cent, for services.

Equalization Tax

22. Some members of the Working Party stated that the equalization tax was a direct tax imposed on imported goods which should be eliminated. In response to questions concerning the import equalization tax, the representative of Slovenia said that the equalization tax was of a fiscal nature and was applied also in order to equalize the indirect taxes imposed on domestic goods in comparison with the like imported goods. Domestic goods were indirectly imposed with the tax on corporate income and with obligatory contributions for Social Insurance, Unemployment Fund and Pension Fund. Such indirect taxation of domestic goods on the average exceeded the comparable taxation imposed on imported goods. From this standpoint, the Government of Slovenia considered that the equalization tax in the amount applied at the beginning of 1992 was consistent with the provisions of paragraph 2 of Article III of the GATT. The tax was of a temporary nature and was applied for a period of one year, pursuant to paragraph 2, Article I, of the Law on application of the special equalization tax on imported goods taken over by the Republic of Slovenia. Since 1980, it had been extended every year by Decree of the Government. The tax would be abolished completely with the introduction of the new customs tariff, i.e. it would be tariffed. A 1992 Decree on the amendment of the decree on equalization tax related to imported goods had reduced the equalization tax from 8.5 per cent to 1 per cent ad valorem of the customs value of the imported goods. The equalization tax did not apply to: (1) goods exempt from customs duties according to international conventions and agreements; (2) goods imported and originating from the Republic of Bosnia Herzegovina and the Former Yugoslav Republic of Macedonia, if the preferential tariff rate duty free applied.

Taxes and Tariff Surcharges on Imports and Customs Charges

23. The representative of Slovenia stated that his Government would apply its taxes and charges applied to imports referred to in paragraphs 19-22 of this report, in accordance with the provisions of the General Agreement, in particular Articles III and VIII. In addition, import surcharges in place on the date of accession, such as those listed in Spec(93)20, page 9, would not be applied in excess of the bound concessions in Slovenia's GATT Schedule, and would be eliminated or incorporated directly into Slovenia's applied tariff rates by 31 December 1995. In addition, Slovenia would bring its customs formality fee into conformity with Article VIII by 31 December 1995. If this was not accomplished, the issue would be reviewed by the CONTRACTING PARTIES. He added that charges on imports,

other than tariffs or customs charges associated with the cost of services rendered, would not be applied in excess of the bound rates of duty established in Slovenia's tariff schedule, unless such application could be justified under the appropriate GATT Articles. The Working Party took note of this commitment.

Foreign Trade Law and Law on Foreign Trade Transactions

24. In response to some members of the Working Party who asked for a description of provisions of the Law on Foreign Trade Transactions or other existing legislation or regulations that restricted imports, e.g. licensing restrictions, quotas, sanitary or phytosanitary requirements and their justification under GATT, the representative of Slovenia said that as specified in the document L/7090, according to international convention certain goods such as drugs, arms, precious metals, works of art and items of historical value were subject to a permit regime. For the import of seed and animals for breeding purposes and insemination material, consent from the Ministry of Agriculture and Forestry was required. The Ministry of Agriculture and Forestry issued certificates of consent on the basis of the Law on Standardization; the Law on Protection of Plants against diseases and pests, which were threatening the whole country; the Law on Quality Control of Agricultural Products and Food in Foreign Trade Exchange; and other regulations based on the above laws. All these regulations were officially published in the Official Gazette. In the view of Slovenia, all these restrictions or requirements and their application were fully consistent with GATT Articles XX and XXI. A quota regime had been applied to some agricultural products which were not protected by variable levies. The import of certain textiles products was also regulated by quantity quotas. The list of products under quantity quotas regime had been annexed to document L/7191. In this period of transition to market economy, quotas for some agricultural and textile products had helped managing and preserving the use of economic factors while pursuing the restructuring process. Accordingly, Slovenia would need some time to comply fully with the requirements of General Agreement.

25. With regard to the Law of Foreign Trade Transactions questions were raised on the long-term industrial production cooperation agreements; specific restrictions applied to firms wishing to engage in foreign trade and whether these requirements applied to private or foreign-owned firms as well as to State-owned or mixed firms. The representative of Slovenia said that in the field of foreign trade transactions, Slovenian legislation put on an equal footing companies established in Slovenia by foreigners and private, State-owned and mixed firms. In response to further questions, the representative of Slovenia said that a new Foreign Trade Law had come into force on 27 March 1993, replacing and liberalising the former SFR of Yugoslavia Law on Foreign Trade Transactions, but retaining certain

sections of the latter which dealt with the long-term production cooperation contracts. As described in Article 2 of the Law on Foreign Trade Transactions, these contracts had been intended to circumvent payments and currency restrictions, which did not exist now. In the legal system of the Republic of Slovenia, for the time being, long-term cooperation agreements were treated as a specific form of trade operation, which was rapidly losing significance. This was still necessary because of existing contracts with foreign partners. Some contracts were executed through current accounts, which meant in fact long-term barter trade. The Law allowed the previously contractual relations to continue while contracts remained in force. These contracts included payment through a current account arrangement. Because of the internal convertibility of the domestic currency, this aspect had lost any particular advantage. It was now possible to finance production by way of revolving commodity credits from foreign partners. There was no specific registration requirement for these contracts. The Ministry of Economic Relations and Development kept evidence of valid contracts related to production activities. Therefore, the long-term production co-operation was an optional form to carry out foreign trade for enterprises, which had been transferred into Slovenian Law from the legislation of the former SFR of Yugoslavia. This was a voluntary arrangement in the field of industry and applied mainly to the export or import of assembly parts and components in exchange for the export or import of finished or semi-finished products. The Bank of Slovenia supervised the application of the contracts from a financial and statistical aspect. There was no legal connection between foreign investments and trading or production co-operation. Sectors and products covered by long-term co-operation contracts still valid were found in the assembly industry, such as the production of motor vehicles, automotive parts, household appliances, electronics, machinery, and other industrial components and parts. The total number of valid contracts at the present time was 718. The value of exports of goods in 1992 based on these contracts, was US\$1,249 million. The value of imports based on the same contracts was US\$1,251 million. Long-term production co-operation contracts had been concluded with companies in twenty-eight countries. It was expected that the long-term production co-operation would be legally abolished before the expiration of most of the currently valid contracts. The current validity of contracts on average extended to three years. The Government of Slovenia confirmed that all goods traded under the long term production cooperation arrangements were subject to the full range of border charges, taxes, tariffs, and non-tariff measures applied to other imports.

26. The representative of Slovenia confirmed that his Government would eliminate the relevant provisions on long term production cooperation in the Foreign Trade Law within the three years from the date of accession. The Working Party took note of this commitment.

27. The representative of Slovenia said that, apart from the section on long-term production co-operation, the new Foreign Trade Law had retained the following elements from the previous legislation: leasing of equipment, i.e. exports and imports of equipment, based on a leasing contract for a defined period of time; cross border or frontier trade, i.e. trade between the Republic of Slovenia and Italy originating in the border areas of both countries, on the basis of a bilateral agreement; duty-free shops; régimes of imports and exports of goods; import of capital goods after termination of capital projects abroad; imports and export of goods into and out of customs free zones; temporary exports and imports of goods; articles pertaining to technical standards of goods, dates and documentation concerning customs clearance, conditions of exports and imports free of charges; the rights of physical persons concerning exports and imports of goods for personal use; the promotion of exports of goods and services; the basis for duty drawbacks and rebates of taxes and charges. The chapter of the Law dealing with services was completely new and meant a novelty in the legal system of the Republic of Slovenia. Quantitative restrictions were authorized in Article 8 of the Foreign Trade Law in the chapter on Special Export and Import Provisions, under the heading of "Export and Import Régimes for Goods and Services".

Foreign Exchange Régime

28. In response to questions concerning the foreign exchange régime and the retention of foreign exchange by Slovenian firms, the representative of Slovenia said that total liberalization had been introduced in the foreign exchange régime. No foreign exchange restrictions were imposed for transfers abroad. Foreign currency could be freely purchased and sold on the foreign exchange market and there was no prescribed obligation for repatriation. If claims from current transactions were not paid within a one-year period, the entity was obliged to register such claims as credit arrangement. A permit was necessary to export capital abroad but at present there were no special restrictions with regard to the issuing of these permits.

29. In response to questions concerning the remaining trade clearing arrangements with former CMEA countries, the representatives of Slovenia said that Slovenia had no clearing payment arrangements with any of the former CMEA countries. The Trade Agreement between Slovenia and the Russian Federation included an indicative list of goods which would be traded. But this list was not obligatory and trade was paid in convertible currency. In the Agreement on Payments between Slovenia and the Former Yugoslav Republic of Macedonia, a possible way of payment, besides convertible currency, was through a clearing account opened by a commercial bank in Slovenia and by the Central Bank of the Former Yugoslav Republic of Macedonia.

Agricultural Sector

30. Members of the Working Party requested information concerning the organization and ownership structure of the agricultural sector, the internal distribution system of agricultural products and the rôle of socially-owned or co-operative firms in the internal and external trade in these products. Reference was also made to the Slovenian foreign trade organizations which had a dominant rôle in trade on major agricultural commodities and the plans for the privatization of the trading organizations, the food processing and marketing system and the operations of the Directorate of National Reserves. The representative of Slovenia said since 1946 about 85 per cent of the land was private property, while 15 per cent was cultivated by socially-owned firms. Co-operatives had a similar status as the socially-owned firms. The proportions of private production of the marketable surplus varied from product to product. It was estimated that the entire milk production was in private hands and so was 90 per cent of beef, 40 per cent of pork, 85 per cent of cereals, 70 per cent of sugar beet and 95 per cent of wine grapes. The processing and marketing was done by socially-owned and co-operative firms, by the farmers or through some private intermediaries. The international trade was handled by the socially-owned firms and some newly established private traders. In this sector there were no monopolies and the prices were free. Only in the cases of wheat, sugar beet, and milk, the Government determined the minimum prices, to safeguard the interest of the farmers. In some cases, binding agreements between the enterprises and the farmers guaranteeing the prices were made for a certain season and/or crop. Minimum price policies were determined by a Government decree for each year, depending on current farm support programmes. The minimum price could be contracted only if the parties, i.e. the producer and the buyer agreed. If the price was too high, the buyer had the option to directly import a commodity at prices more suitable to his needs. He could also buy from National Reserves, if there was a market intervention scheme to reduce domestic commodity prices. Some enterprises had their own distribution networks, others relied on other socially or privately owned companies or shops. All socially-owned enterprises operating in the agricultural sector would be transformed into private companies. The representative of Slovenia provided the following list of companies predominantly engaged in trade in agricultural and food products:

- ABC Pomurka, business group, general trade in agricultural products and production
- Agraria Brezice, production and trade of crops and fruits
- Adria Commerce, general trade, including agriculture
- Agrokombinat Maribor, wine, fruit, fish
- Agromerkur Murska Sobota, poultry, animal feed, transport services
- Gruda, business group, general foreign trade in agricultural products
- Dana, fruit juices

- Delamaris, export-import and production of a wide variety of foodstuffs and fish products
- Droga, foreign trade in a wide variety of foodstuffs and agricultural products and fish
- Emona, business group
- Emona Obala
- Emona Merkur, foreign trade, distribution
- Fructal, production and trade, fruit and juices
- HP Medex, honey and honey products
- Hmezad, business group, hops, dairy products, agricultural produce, fisheries, fruits
- HP, business group, variety of processed foods
- HP Univit, foreign trade, animal feed, cereals
- Intertrade, general trade, including agricultural products
- Interexport, general trade, including agriculture trade
- Jata, poultry products
- KK Vipava, wine
- KZ Goriska brda, wine
- Mercator, business group, production and trade in agricultural and other food processing
- Mlin-Intes, wheat, processing
- Mlinotest, cereals, processing
- Primex, general trade including agricultural products
- Semenarna, seeds
- Slovenijavino, wines and juices
- Zito, general trade in cereals and processing, production of foodstuffs

The representative of Slovenia said that Slovenia would privatize the entire food processing and marketing system. He confirmed that the Law on Ownership Transformation of Enterprises applied to all the processing industry and to trade in general.

31. In response to the questions concerning the National Reserves, the representative of Slovenia said the rôle of the National Reserves had changed from market intervention towards strategic reserves. Due to a policy to stimulate domestic production, the State guaranteed a minimum price to domestic producers above the average world market price. In 1993 the rôle of National Reserves with respect to market intervention and assistance had decreased considerably. For example, the total domestic wheat and rape seed production had been bought by individual milling companies. Its future rôle would be limited to a system of strategic National Reserves. The portion of indirect imports of agricultural products by the National Reserves depended on the specific item, market conditions and needs in cases of shortages. National Reserves were not engaged in direct or indirect exports of agricultural products. National Reserves imported and purchased products through commercial companies on the basis of public tenders. Finally, the representative of Slovenia said that imports of all basic commodities had been liberalized.

State-Trading Activities

32. Questions were asked about the rôle of certain socially-owned firms such as Emona, Mercator, Slovenijales and Metalka in import and export trade and Slovenia's intention to comply with the provisions of Article XVII of the General Agreement in regard to their activities. In response the representative of Slovenia stated that these trading firms were groups or holding companies which included trading companies, domestic wholesale and retail companies, production companies, service companies, etc. The trading companies within the group, of which there could be more than one, were mostly general merchandising companies in the area of exports and imports. These companies traded in a variety of commodities on the bases of current market and economic conditions. The commodities included consumer goods, motor vehicles, wood products, textiles and yarns and fibres, electronics and electrical products, metals and non-metal commodities. The groups also included agents for foreign firms, travel agents, engineering and other service companies. Because of the current restructuring process, companies within one group might compete among themselves. Most of these groups' companies had been reorganised and privatized, recently. He added that Slovenia did not have State trading enterprises as defined in Article XVII of the GATT. Although most of the companies were socially owned, their management was completely independent of the State in their decision-making and business operations. These companies functioned like any other privately owned company, the only difference being that they had no identifiable individual owner to whom the management would be directly accountable. The State did not appoint the management or board of directors and was therefore not responsible for the company's business performance. Should these companies operate in the red, the law on bankruptcy would be applied, the same as is the case in the private sector. Finally, he added that none of the above mentioned companies had a monopolistic or dominant market position in any commodity.

Directorate of National Reserves

33. The representative of Slovenia added that, as it had been explained in reply to question 17 in document L/7191, only the Directorate of National Reserves, in its partial rôle as a State commercial enterprise, had so far carried out business transactions relevant to the provisions of Article XVII. This entity would comply in the future with the provisions of Article XVII. He recalled that, as explained in the section of this report on the agricultural sector, the rôle of the Directorate was basically to import,

not directly, but on the basis of a public tender or invitations to bid. In this way importers were selected and imported in their own name and for the account of the Directorate. Thereby, the general principle of non-discriminatory treatment was observed and purchases were entirely in accordance with commercial considerations, including price, quality, availability, marketability, transport, etc. Companies from all countries were given the opportunity to compete for participation in such purchases as provided for in Article XVII. With regard to paragraph 4 of Article XVII, he stressed that there was no authorized monopoly in Slovenia for the importation of any product.

34. A member of the Working Party stated that the application of the provisions of Article XVII did not require State ownership or a monopoly trading position. This member sought the co-operation of the Government of Slovenia in addressing the issue of State participation in trade through the socially-owned firms. The representative of Slovenia said that there was no State participation in trade through these firms. In Slovenia non-private firms did not have any privileged positions. The Law on the Protection of Competition, prohibited according any exclusive or privileged position to any company, regardless of the legal form of ownership, which would contradict or curtail free competition. He confirmed that Slovenia was ready to comply with the provisions of Article XVII of the GATT. The Working Party took note of this assurance.

35. The representative of Slovenia stated that his Government would apply the laws and regulations governing the trading activities of the National State Reserves and the enterprises owned or managed by the National Development Fund described in paragraphs 30 - 33 in conformity with the provisions of Article XVII, including provisions for notification and periodic reporting, non-discrimination, the application of commercial criteria for trade transactions, notification and other procedures. Slovenia did not consider purchases by these agencies for the manufacturing process or for resale to be government procurement under the General Agreement. The Working Party took note of this commitment.

Non-Tariff Measures

36. Members of the Working Party requested information on Slovenia's régimes of quantity quotas and import permits, their rationale, legal basis and plans for their eliminations. The representative of Slovenia said that, as indicated in Annex 1 to document L/7191, Slovenia had had quotas in existence due to the difficult economic situation arising from the break up of the former SFR of Yugoslavia. Import quotas were allocated, within the framework of the Chamber of Economy of Slovenia, to importers or users, according to mutual agreement, within thirty days following the issuance of quota

regulations. All companies established in Slovenia had the same right to participate in the allocation of quotas. Having regard to the positive results of the economic reforms implemented since independence, Slovenia had recently abolished all quantity quotas for agricultural products. At present, quantity quotas only remained for textile products and these would be brought into conformity with the provisions of the Arrangement Regarding International Trade in Textiles, upon the accession of Slovenia to the Arrangement. Import licenses were only applied in respect of goods which were subject to special controls due to the need to implement international conventions or to protect human, animal and plant life and health. The Ministry of the Interior issued permits for the import of arms and ammunition. The Ministry of Health issued permits for the import of pharmaceutical products which contain drugs, or chemicals harmful to the ozone layer. The Ministry of Economic Affairs and Development issued permits for the import of precious metals and the Ministry of Culture for the export of antiques. The recently adopted Law on Protection of Competition authorized the Government to take specified measures concerning imports or exports in cases of major market disruption. These were exceptional measures to be taken only if no other measures to avoid serious injury to domestic producers were available. The Government's intention was not the protection of the domestic industry, but to rationalize the market and distribution of goods. Other legal authority for the Government's intervention in international trade was found in the Law on Foreign Exchange Transactions which allowed the Government to take temporary measures if the balance-of-payments situation of the country was affected, and in the Customs Law. The latter gave to the Government or to the Minister of Finance of the Republic of Slovenia the authority to impose extra duties on imports of certain products in specified cases. The representative of Slovenia added that once Slovenia became a contracting party, the introduction of such measures would comply with the provisions of Articles XII, XVIII and XIX of the General Agreement. He confirmed that, at this time, Slovenia did not envisage the need to resort to the application of trade measures due to balance of payments difficulties. However, should such a need arise in the future, Slovenia would comply with the procedures established under the General Agreement and enter into appropriate consultations with the CONTRACTING PARTIES. The Working Party took note of these assurances.

Quantitative and Other Import Restrictions

[37. The representative of Slovenia declared that, [in June 1993,] his Government had eliminated the [remaining] quantitative restrictions on imports that were not consistent with the provisions of the General Agreement and did not intend to use import prohibitions, restrictive licensing requirements, or such measure to regulate or restrict trade. [Quantity quotas only remained for textile products as

indicated in paragraph 36 above]. As well, where import licensing permits were required, there were no quantitative restrictions attached and the licenses were granted automatically. He confirmed that his Government would continue to eliminate such measures in all sectors on a gradual basis, fully eliminating their use prior to 31 December 1995. Additional such measures would only be applied as provided for in the Articles of the General Agreement. By 31 December 1995, Slovenia would provide a list of all such restrictions remaining for the contracting parties; it would include justification for the continued application under specific provisions of the General Agreement. If this were not accomplished, the issue would be reviewed by the CONTRACTING PARTIES. In addition, Slovenia would ensure that such restrictions in place after the date of accession would be applied in a way consistent with Article XIII of the General Agreement and would apply all restrictions in accordance with the principle of non-discrimination. The representative of Slovenia further confirmed that his Government would, if requested, consult with the contracting parties concerning the effect of these measures on their trade.]

Balance-of-Payments Restrictions

[38. The representative of Slovenia declared that his Government believed that trade restrictions were an inefficient means to maintain or restore balance-of-payments equilibrium. [The representative of Slovenia noted that trade restrictions are generally inefficient means to maintain or restore balance-of-payments equilibrium.] As a consequence, he could assure the contracting parties that the Government of Slovenia would [seek to] avoid recourse to trade restrictions of any kind to address balance-of-payments problems.

[In the event of serious balance-of-payments problems that made imposition of trade restrictions unavoidable, the Government of Slovenia would impose only price-based measures, such as tariff or import surcharges, that would be removed within a fixed, publicly announced time schedule. If quantitative restrictions were applied on specific products to foster the development of domestic productive capacity or output, these restrictions would not be justified by Slovenia on balance-of-payments grounds. Such measures as were applied in order to protect the balance-of-payments would be applied as uniformly as possible across all imports, to ensure that the balance-of-payments measures would not have the effect of protecting particular industries or sectors.]

The representative of Slovenia confirmed that his Government intended to notify any restrictions taken for balance-of-payments purposes to the Balance-of-Payments Committee, and would consult with the CONTRACTING PARTIES according to the relevant provisions of Article[s] [XII] [and] XVIII and other GATT instruments. The Working Party took note of these assurances [commitments].]

Unfair Trade Practices

39. In response to questions concerning measures against unfair trade practices as well as safeguard measures, the representative of Slovenia said that, on 25 March 1993, the Slovenian Parliament had adopted the Law on Fair Competition. In conformity with Article VI of the General Agreement, the Law had introduced into the legal system of Slovenia the concepts of dumping and subsidized exports as forms of unfair competition. Procedural matters had been left pending, while specific legislation currently under development was enacted. This legislation would, *inter alia*, specify procedures for the imposition of anti-dumping and countervailing measures, and would be in full conformity with the provisions of the General Agreement. The legislation would also address the question of appeals against contested rulings of the competent authorities. An Office for Fair Competition would be established. The representative of Slovenia assured the Working Party that his Government intended to adhere to the Anti-Dumping Code at the time of accession to GATT. The position of Slovenia with regard to acceptance to the other MTN Agreements is described in paragraph 47 below.

40. Some members of the Working Party requested up-to-date information on Slovenia's programme of subsidies, especially in the agricultural sector. These members asked if Slovenia intended to comply with the notification obligations and what would be the position of Slovenia with regard to the possible acceptance of the texts being negotiated in the Uruguay Round. The representative of Slovenia said that, according to the 1993 Budget, support and transfers to the economic sector had been reduced by one-third, due to the expiration, at the end of 1992, of the Decree on Refund of Customs, Fiscal and Other Taxes for the Encouragement of Exports. He stressed that Slovenia currently did not make any use of export subsidies. Furthermore, according to the estimates of the Ministry of Finance, the support given to the agricultural sector would be reduced by 5 per cent in 1993, thus amounting to 0.5 per cent of GDP. The support granted through State Reserves and State interventions for certain food products would be reduced by 5 per cent in 1993 and their share would only amount to 0.2 per cent of GDP. As a member of the GATT, Slovenia would be prepared to accept the Agreements negotiated in the context of the Uruguay Round and would observe the commitments contained in the Agreement on Agriculture in respect of subsidies. The Working Party took note of these assurances.

Articles VI and XIX Concerning Measures Taken in the Context of Anti-Dumping, Countervailing Duty, and Safeguard Cases

41. The representative of Slovenia noted that the national legislation on antidumping and countervailing duties currently under preparation was expected to come into force within six months after the accession of Slovenia to the General Agreement. He confirmed that this legislation would be in full conformity with Articles VI and XVI of the General Agreement. He also confirmed that Slovenia would abide by the provisions of Articles XIX of the General Agreement, including the serious injury test when applying safeguard measures. The Working Party took note of these assurances [commitments].

GATT-consistent Use of Existing Authority

[42. The representative of Slovenia stated that, without prejudice to the commitments reflected elsewhere in this report, the authority of his Government described in paragraphs [24, 36, 38 and 39] of this report and contained in [Articles ... of] the Slovenian Customs Law, the Law on Fair Competition, and the Foreign Trade Law to levy taxes and surcharges on imports and exports, and to suspend imports and exports would, within three years from the date of accession, be applied in conformity with the provisions of the General Agreement, in particular Articles III, VI, VIII, XI, XII, XIX, XX, and XXI. If this were not accomplished, the issue would be reviewed by the CONTRACTING PARTIES. The Working Party took note of this assurance.]

Technical Regulations, Standards, Certification, and Labelling Requirements

43. The representative of Slovenia stated that his Government applied the same controls and rules regarding technical regulations, standards, certification, and labelling requirements to imported and domestic goods, and did not consider the use of such regulations to restrict imports as being in its best commercial interests. In this regard, he stated that Slovenia would ensure that its technical regulations, standards, certification, and labelling requirements would not be applied to imports in an arbitrary manner, in a way that discriminated between supplier countries where the same conditions applied, or as a disguised restriction on international trade. He stated that his Government would also ensure that certification requirements would be administered in a transparent and expeditious manner. The representative of Slovenia confirmed that his Government would, if requested, review with contracting

parties the effect of these requirements on their trade with a view to resolving specific problems. The Working Party took note of these assurances.

Treatment of Exports From Free-Trade Zones

44. The representative of Slovenia confirmed that his Government would apply all taxes, import restrictions and customs and tariff charges that were normally applied to imports into Slovenian customs territory to the imported component of goods produced in these free-trade zones when they are exported into the national customs territory. The Working Party took note of this assurance.

Trade Preferences

45. In response to questions concerning the participation of the Republic of Slovenia in certain preferential trading arrangements, the representative of Slovenia said that his country had assumed responsibilities under the GSTP multilateral agreement which granted preferential treatment for imports of goods originating in the member countries. Participation in this Agreement had been inherited from the former SFR of Yugoslavia. On the basis of the Decree on Preferential Customs Tariffs for Import of Certain Goods From Developing Countries which had been taken over from the former Yugoslav legislation, the Republic of Slovenia accorded preferential customs tariffs for imports of goods from Bangladesh, Brazil, Egypt, Pakistan, Peru, Romania, Tunisia, Turkey, Uruguay, Former Yugoslav Republic of Macedonia, and Bosnia-Herzegovina, provided that the goods actually originated in these countries. Slovenia temporarily granted GSTP status and preferential status to the Former Yugoslav Republic of Macedonia and to Bosnia-Herzegovina. Moreover, in 1992, a free-trade agreement had been signed with the Former Yugoslav Republic of Macedonia. The other trade agreements that Slovenia had concluded did not include tariff concessions nor established a free-trade area nor a customs union. However, Slovenia was engaged in negotiations with a view to concluding a free-trade agreement with Hungary, the Czech Republic, the Slovak Republic and with Poland. The representative of Slovenia gave the assurance that Slovenia had no intention to depart from Article I of the General Agreement without complying with the provisions of Article XXIV. He confirmed that after accession to the General Agreement, Slovenia would comply with the notification obligations in Article XXIV of the General Agreement. The Working Party took note of these assurances.

46. The representative of Slovenia stated that his Government granted unilateral exemptions from tariffs, surcharges, taxes, and quantitative restrictions to imports from the territories of the former

Republics of the SFRY. He emphasized that these preferences were provisional, until free-trade areas could be established, as had already been accomplished with the Former Yugoslav Republic of Macedonia. In this regard, he indicated that Slovenia would continue to offer the possibility of such preferences for two years from the date of accession, at which time, if they were not eliminated or incorporated into a free-trade area, Slovenia would seek approval from the CONTRACTING PARTIES for their extension. In addition, he stated that Slovenia would notify all free-trade agreements of which it would be a member in accordance with Article XXIV, including the current arrangement with the Former Yugoslav Republic of Macedonia. The Working Party took note of these commitments.

MTN Agreements

47. Some members of the Working Party suggested that Slovenia should consider acceding to the following MTN Agreements upon accession to the General Agreement: Customs Valuation, Subsidies, Anti-Dumping, Import Licensing Procedures and Technical Barriers to Trade. It was also suggested that Slovenia should consider acceding to the Agreement on Government Procurement in the course of 1994. A member added that if domestic capacity to manufacture civil aircraft or parts for civil aircraft was developed, Slovenia should also consider acceding to the Agreement on Trade in Civil Aircraft. The representative of Slovenia declared that his Government would accede to the Customs Valuation Agreement, the Anti-Dumping Agreement, the Agreement on Technical Barriers to Trade and the Agreement on Import Licensing Procedures, at the time of its accession to the General Agreement. The Working Party took note of these commitments. He also noted that his Government would consider acceding to the Agreements on Subsidies and Government Procurement as soon as national legislation dealing with these subjects had been enacted. The Working Party took note of these assurances.

Conclusions

48. The Working Party took note of the explanations and statements of Slovenia concerning its foreign trade régime, as reflected in this report. The Working Party took note of the assurances given by Slovenia in relation to certain specific matters which are reproduced in paragraphs [7 - [12] - 16 - [18] -23 - 26 - 35 -[38] -[41] -46 - 47 -] of this report and noted that these commitments had been incorporated in paragraph 2(a) of the Protocol of Accession.

49. Having carried out the examination of the foreign trade régime of Slovenia and in the light of the explanations and assurances given by the Slovenian representative, the Working Party reached

the conclusion that, subject to the satisfactory conclusion of the relevant tariff negotiations, Slovenia be invited to accede to the General Agreement under the provisions of Article XXXIII. For this purpose the Working Party has prepared the draft Decision and Protocol of Accession reproduced in the Appendix to this report. It is proposed that these texts be approved by the Council when it adopts the report. When the tariff negotiations between Slovenia and contracting parties in connection with accession have been concluded, the resulting Schedule of Slovenia and any concessions granted by contracting parties as a result of negotiations with Slovenia would be annexed to the Protocol. The Decision would then be submitted to a vote by contracting parties in accordance with Article XXXIII. When the Decision is adopted, the Protocol of Accession would be open for acceptance and Slovenia would become a contracting party thirty days after it accepts the said Protocol.

APPENDIX

ACCESSION OF SLOVENIA

Draft Decision

The CONTRACTING PARTIES,

Having regard to the results of the negotiations directed towards the accession of the Government of Slovenia to the General Agreement on Tariffs and Trade and having prepared a Protocol for the accession of Slovenia,

Decide, in accordance with Article XXXIII of the General Agreement, that the Government of Slovenia may accede to the General Agreement on the terms set out in the said Protocol.

DRAFT PROTOCOL FOR THE ACCESSION OF SLOVENIA
TO THE GENERAL AGREEMENT ON TARIFFS AND TRADE

The Governments which are contracting parties to the General Agreement on Tariffs and Trade (hereinafter referred to as "contracting parties" and the "General Agreement", respectively), the European Economic Community and the Government of Slovenia (hereinafter referred to as "Slovenia"),

Having regard to the results of the negotiations directed towards the accession of Slovenia to the General Agreement,

Have through their representatives agreed as follows:

PART I - GENERAL

1. Slovenia shall, upon entry into force of this Protocol pursuant to paragraph 6, become a contracting party to the General Agreement, as defined in Article XXXII thereof, and shall apply to contracting parties provisionally and subject to this Protocol:

- (a) Parts I, III and IV of the General Agreement, and
- (b) Part II of the General Agreement to the fullest extent not inconsistent with its legislation existing on the date of this Protocol.

The obligations incorporated in paragraph 1 of Article I by reference to Article III and those incorporated in paragraph 2(b) of Article II by reference to Article VI of the General Agreement shall be considered as falling within Part II for the purpose of this paragraph.

2. (a) The provisions of the General Agreement to be applied to contracting parties by Slovenia shall, except as otherwise provided in this Protocol and in the commitments listed in paragraph 48 of the Report of the Working Party on the Accession of Slovenia (document L/.... dated 1993), be the provisions contained in the text annexed to the Final Act of the second session of the Preparatory Committee of the United Nations Conference on Trade and Employment, as rectified, amended or otherwise modified by such instruments as may have become effective on the day on which Slovenia becomes a contracting party.

(b) In each case in which paragraph 6 of Article V, sub-paragraph 4(d) of Article VII, and sub-paragraph 3(c) of Article X of the General Agreement refer to the date of that Agreement, the applicable date in respect of Slovenia shall be the date of this Protocol.

PART II - SCHEDULE

3. The schedule in the Annex shall, upon the entry into force of this Protocol, become a schedule to the General Agreement relating to Slovenia.

4. (a) In each case in which paragraph 1 of Article II of the General Agreement refers to the date of that Agreement, the applicable date in respect of each product which is the subject of a concession provided for in the Schedule annexed to this Protocol shall be the date of this Protocol.

(b) For the purpose of the reference in paragraph 6(a) of Article II of the General Agreement to the date of that Agreement, the applicable date in respect of the Schedule annexed to this Protocol shall be the date of this Protocol.

PART III - FINAL PROVISIONS

5. This Protocol shall be deposited with the Director-General to the CONTRACTING PARTIES. It shall be open for acceptance, by signature or otherwise, by Slovenia until [date to be inserted] 1994. It shall also be open for acceptance by contracting parties and by the European Economic Community.

6. This Protocol shall enter into force on the thirtieth day following the day upon which it shall have been accepted by Slovenia.

7. Slovenia, having become a contracting party to the General Agreement pursuant to paragraph 1 of this Protocol, may accede to the General Agreement upon the applicable terms of this Protocol by deposit of an instrument of accession with the Director-General. Such accession shall take effect on the day on which the General Agreement enters into force pursuant to Article XXVI or on the thirtieth day following the day of the deposit of the instrument of accession, whichever is the later. Accession to the General Agreement pursuant to this paragraph shall, for the purposes of paragraph 2 of Article

XXXII of that Agreement, be regarded as acceptance of the Agreement pursuant to paragraph 4 of Article XXVI thereof.

8. Slovenia may withdraw its provisional application of the General Agreement prior to its accession thereto pursuant to paragraph 7 and such withdrawal shall take effect on the sixtieth day following the day on which written notice thereof is received by the Director-General.

9. The Director-General shall promptly furnish a certified copy of this Protocol and a notification of each acceptance thereof pursuant to paragraph 5 to each contracting party, to the European Economic Community, to Slovenia and to each government which shall have acceded provisionally to the General Agreement.

10. This Protocol shall be registered in accordance with the provisions of Article 102 of the Charter of the United Nations.

DONE at Geneva this ... day of one thousand nine hundred and ninety-three, in a single copy, in the English, French and Spanish languages, except as otherwise specified with respect to the Schedule annexed hereto, each text being authentic.

ANNEX

SCHEDULE XCVI

[To be circulated shortly.]