

\* The Secretariat for European Affairs intervened in the text by replacing the reference "former Yugoslav Republic of Macedonia" with the constitutional name "Republic of Macedonia"

## PROTOCOL 2 on steel products

### *Article 1*

This Protocol shall apply to the products listed in Chapters 72 of the Common Customs Tariff. It shall also apply to other finished steel products that may originate in future in the Republic of Macedonia under the above chapter.

### *Article 2*

Customs duties on imports applicable in the Community on steel products originating in the Republic of Macedonia shall be abolished on the date of the entry into force of the Agreement.

### *Article 3*

Customs duties applicable in the Republic of Macedonia on imports of steel products originating in the Community shall be progressively abolished in accordance with the following timetable:

1. each duty shall be reduced to 80 % of the basic duty at the beginning of the first year after the entry into force of the Agreement;
2. further reductions to 60 %, 40 %, 20 % and 0 % of the basic duty shall be made at the beginning of the second, third, fourth and fifth year respectively after the entry into force of the Agreement.

### *Article 4*

1. Quantitative restrictions on imports into the Community of steel products originating in the Republic of Macedonia as well as measures having equivalent effect shall be abolished on the date of entry into force of the Agreement.

2. Quantitative restrictions on imports into the Republic of Macedonia of steel products originating in the Community, as well as measures having equivalent effect, shall be abolished on the date of entry into force of the Agreement.

### *Article 5*

1. In view of the disciplines stipulated by Article 69 of this Agreement, the Parties recognise the need and urgency that each Party addresses promptly any structural weaknesses of its steel sector to ensure the global competitiveness of its industry. The Republic of Macedonia shall therefore establish within two years the necessary restructuring and conversion programme for its steel industry to achieve viability of this sector under normal market conditions. Upon request, the Community shall provide Republic of Macedonia with the appropriate technical advice to achieve this objective.

2. Further to the disciplines stipulated by Article 69 of this Agreement, any practices contrary to that Article shall be assessed on the basis of specific criteria arising from the application of the State aid disciplines of the Community, including its secondary legislation, and including any specific rules on State aid control applicable to the steel sector after the expiry of the ECSC Treaty.

3. For the purposes of applying the provisions of paragraph 1(iii) of Article 69 of this Agreement with regard to steel products, the Community recognises that during five years after the entry into force of this Agreement, the Republic of Macedonia may exceptionally grant State aid for restructuring purposes provided that:

- it leads to the viability of the benefiting firms under normal market conditions at the end of the restructuring period, and
- the amount and intensity of such aid are strictly limited to what is absolutely necessary in order to restore such viability and are progressively reduced, and
- the restructuring programme is linked to a global rationalisation and reduction of capacity in the Republic of Macedonia.

4. Each Party shall ensure full transparency with respect to the implementation of the necessary restructuring and conversion programme by a full and continuous exchange of information to the other Party, including details on the restructuring plan as well as amount, intensity and purpose for any State aid granted on the basis of paragraph 2 and 3 of this Article.

5. The Stabilisation and Association Council shall monitor the implementation of the requirements set out at paragraphs (1) to (4) above.

6. If one of the Parties considers that a particular practice of the other Party is incompatible with the terms of this Article, and if that practice causes or threatens to cause prejudice to the interests of the first Party or material injury to its domestic industry, this Party may take appropriate measures after consultation within the Contact Group referred to in Article 8, or after thirty working days following referral for such consultation.

### *Article 6*

The provisions of Articles 19, 20 and 34 of the Agreement shall apply to trade between the Parties in steel products.

### *Article 7*

1. The Contracting Parties recognise the need for an administrative procedure having as its purpose the rapid provision of information on the trend in trade flows in respect of the trade in steel products originating in the Republic of Macedonia in order to increase transparency and to avoid possible diversions

of trade.

2. The Contracting Parties therefore agree to establish a double-checking system, without quantitative limits, for the import into the Community of steel products originating in the Republic of Macedonia; to exchange statistical information on export and surveillance documents and to hold consultations promptly on any problems arising from the operation of such a system.

3. The details of the double-checking system are contained in Annex I to this Protocol. The continuing need for this system shall be regularly reviewed. The Annex may subse-

quently be amended or the double-checking system abolished by means of a Decision of the Stabilisation and Association Council.

*Article 8*

The Parties agree that one of the special bodies established by the Stabilisation and Association Council shall be a contact group, which will discuss the implementation of this Protocol.

*ANNEX I***concerning the introduction of a double-checking system for the export of certain steel products from the Republic of Macedonia to the European Communities***Article 1*

1. From the date of entry into force of the Stabilisation and Association Agreement between the European Community and the Republic of Macedonia (hereinafter referred to as respectively 'the Agreement' and 'the Community'), imports into the Community of the products listed in Appendix I originating in the Republic of Macedonia shall be subject to the presentation of a surveillance document conforming to the model shown in Appendix II issued by the authorities in the Community.
2. The classification of the products covered by this Protocol is based on the tariff and statistical nomenclature of the Community (hereinafter called the 'Combined nomenclature', or in abbreviated form 'CN'). The origin of the products covered by this Protocol shall be determined in accordance with the rules in force in the Community.
3. The competent authorities of the Community undertake to inform the Republic of Macedonia of any changes in the combined nomenclature (CN) in respect of products covered by the double-checking system before the date of their entry into force in the Community.
4. Imports into the Community of the iron and steel products listed in Appendix I and which originate in the Republic of Macedonia shall, in addition, be subject to the issue of an export document by the competent authorities of the Republic of Macedonia. In order to avoid problems at the end of a year, presentation by the importer of the original of the export document must be effected not later than 31 March of the year following that in which in the goods covered by the document were shipped.
5. An export document will not be required for goods already shipped before the date of entry into force of the Agreement, provided that the destination of such products is not changed from a non-Community destination and that those products which, under the prior surveillance regime applicable in 1996, could be imported only on presentation of a surveillance document are in fact accompanied by such a document.
6. Shipment is considered to have taken place on the date of loading onto the exporting means of transport.
7. The export document shall conform to the model shown at Appendix III. It shall be valid for exports throughout the customs territory of the Community.
8. The Republic of Macedonia shall notify the Commission of the European Communities of the names and addresses of the appropriate governmental authorities of the Republic of Macedonia which are authorised to issue and to verify export documents together with specimens of the stamps and signatures they use. The Republic of Macedonia shall also notify the Commission of any change in these particulars.
9. Certain technical provisions on the implementation of the double-checking system are set out in Appendix IV.

*Article 2*

1. The Republic of Macedonia undertakes to supply the Community with precise statistical information on the export documents issued by the authorities of the Republic of Macedonia pursuant to Article 1.

Such information shall be transmitted to the Community by the end of the month following the month to which the statistics relate.

2. The Community undertakes to supply the authorities of the Republic of Macedonia with precise statistical information on surveillance documents issued by Member States in respect of the products listed in Appendix I. Such information shall be transmitted to the authorities of the Republic of Macedonia by the end of the month following the month to which the statistics relate.

*Article 3*

If necessary, at the request of either of the Parties, consultations shall be held on any problems arising from the operation of the double-checking system. Such consultations shall be held promptly. Any consultations held under this Article shall be approached by both Parties in a spirit of co-operation and with a desire to reconcile the difference between them.

*Article 4*

Any notices to be given hereunder shall be given:

- in respect of the Community, to the Commission of the European Communities (DG Trade E/2 and DG Enterprise C/2),
- in respect of the Republic of Macedonia, to its Mission to the European Communities, the Ministry of Foreign Affairs and the Ministry of Economy.

*APPENDIX I TO ANNEX I*

## LIST OF PRODUCTS SUBJECT TO DOUBLE-CHECKING

Complete CN heading 7208

Complete CN heading 7209

Complete CN heading 7210

Complete CN heading 7211

Complete CN heading 7212

The remaining technical annexes will be added at a later stage and will reflect the technical annexes currently in force.