

## 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 Croatia under the above chapter.

### Article 2

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

### Article 3

1. Customs duties applicable in Croatia on imports of steel products originating in the Community other than those listed in Annex I shall be abolished at the entry into force of the Agreement.

2. Customs duties applicable in Croatia on imports of steel products listed in Annex I, shall be progressively abolished in accordance with the following timetable:

- on the date of entry into force of the Agreement, duty shall be reduced to 65 % of the basic duty
- on 1 January 2003, duty shall be reduced to 50 % of the basic duty
- on 1 January 2004, duty shall be reduced to 35 % of the basic duty
- on 1 January 2005, duty shall be reduced to 20 % of the basic duty
- on 1 January 2006, the remaining duties shall be abolished.

### Article 4

1. Quantitative restrictions on imports into the Community of steel products originating in Croatia 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 Croatia 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 70 of the 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. Croatia 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 Croatia with the appropriate technical advice to achieve this objective.

2. Further to the disciplines stipulated by Article 70 of the Agreement, any practices contrary to this Article shall be assessed on the basis of specific criteria arising from the application of the State aid disciplines of the Community, including 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 70 of the Agreement with regard to steel products, the Community recognises that during five years after the entry into force of the Agreement Croatia 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 Croatia.

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 paragraphs 2 and 3 of this Article.

5. The Stabilisation and Association Council shall monitor the implementation of the requirements set out in 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 7 or after thirty working days following referral for such consultation.

*Article 6*

The provisions of Articles 19, 20 and 21 of the Agreement shall apply to trade between the Parties in steel products.

*Article 7*

The Parties agree that for the purpose of following and reviewing the proper implementation of this Protocol, a Contact Group shall be created in accordance with Article 115 of the Agreement.

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## ANNEX I

HS 6+	Description
72.13	Bars and rods, hot-rolled, in irregularly wound coils, or iron or non-alloy steel
7213.10	– Containing indentations, ribs, grooves or other deformations produced during the rolling process
7213.101	– – Of a diameter measuring 8 mm and more, but not exceeding 14 mm
7213.109	– – – Other
7213.9	– Other:
7213.91	– – Of circular cross-section measuring less than 14 mm in diameter
7213.912	– – – Other, of a diameter measuring 8 mm and more
72.14	Other bars and rods of iron or non-alloy steel, not further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling
7214.20	– Containing indentations, ribs, grooves or other deformations produced during the rolling process or twisted after rolling
7214.201	– – Of a diameter measuring 8 mm and more, but not exceeding 25 mm
7214.9	– Other
7214.99	– – Other
7214.991	– – – Of circular cross-section with a diameter measuring 8 mm and more, but not exceeding 25 mm
72.17	Wire of iron or non-alloy steel
7217.10	– Not plated or coated, whether or not polished
7217.109	– – – Other