

Preferential Trade Agreement between the Syrian Arab Republic and the Islamic Republic of Iran

PREAMBLE

The Government of the Syrian Arab Republic and the Government of the Islamic Republic of Iran, hereinafter referred to as the "Contracting Parties",

CONCIOUS of the friendship between their nations;

BEARING in mind the desire to promote mutually beneficial bilateral trade;

EXPECTING that the Preferential Trade Agreement between the Syrian Arab Republic and the Islamic Republic of Iran, hereinafter referred to as the "Agreement", will create a new climate for economic and regional relations between them;

RECOGNIZING that strengthening of their closer economic partnership will bring economic and social benefits and improve the living standards of their peoples;

BEARING in mind that the expansion of mutual trade and economic relations will foster further interaction between the Contracting Parties thus promoting regional peace and stability;

CONCIOUS that such mutual trade arrangements will contribute to the promotion of closer links with other economies in the region;

BELIEVING that this contractual framework could promote gradually and could also extend to new areas of mutual interests;

HAVING REGARD TO the need to support Syria's and Iran's efforts in accession to the World Trade Organization;

STRESSING the need for the diversification of traded products with a view to fostering further development of their respective economies;

CONSIDERING that the expansion of their domestic markets through commercial cooperation, is an important prerequisite for accelerating their processes of economic development; and

RECOGNIZING that progressive reduction and elimination of obstacles to trade through this Agreement will contribute to the expansion of bilateral as well as world trade,

agree as follows:

ARTICLE 1: OBJECTIVES

The objectives of the Contracting Parties in concluding this Agreement are:

- to strengthen the economic relationship between the Contracting Parties;
- to increase the volume of trade in goods between the Contracting Parties;
- to create a more predictable and secure environment for the sustainable growth of trade between the Contracting Parties;
- to reinforce and gradually promote this Preferential Trading Arrangement, and upgrade it to a free trade agreement that could be considered at a future time;
- to expand mutual trade through exploring newer areas of cooperation;
- to facilitate diversification of traded products between the Contracting Parties;

- to encourage further competition amongst their enterprises; and
- to contribute by the removal of barriers to trade, to the harmonious development and expansion of bilateral as well as world trade.

ARTICLE 2: DEFINITIONS

For the purpose of this Agreement:

- 1- “Tariffs” means customs duties included in the national tariff schedules of the Contracting Parties.
- 2- “Para-tariffs” means border charges and fees other than tariffs on foreign trade transactions of a tariff-like effect, which are levied solely on imports but not those indirect taxes and charges which are levied in the same manner on like domestic products. Import charges corresponding to specific services rendered, are not considered as para-tariffs.
- 3- “Non-tariff barriers” means any measure, regulation, or practice, other than tariffs and Para-tariffs, the effect of which is to restrict imports and to significantly distort trade between the Contracting Parties.
- 4- “Products” means all industrial and agricultural goods in their raw, semi-processed and processed forms.
- 5- “Preferential treatment” means any privilege granted under this Agreement by a Contracting Party through the reduction of tariffs and elimination of non-tariff barriers on the movement of goods.
- 6- “The Committee” means the Joint Trade Committee referred to in Article 16.
- 7- “Serious injury” means significant damage to domestic producers of like or similar products resulting from a substantial increase of preferential imports in situations which cause substantial losses in terms of earnings, production or employment, unsustainable in the short term. The examination of the impact on the domestic industry concerned shall also include an evaluation of other relevant economic factors and indices having a bearing on the state of the domestic industry of that product.
- 8- “Threat of serious injury” means a situation in which a substantial increase of preferential imports is of a nature so as to cause serious injury to domestic products and that such injury, although not yet existing, is clearly imminent. A determination of threat of serious injury shall be based on facts and not on mere allegation, conjecture, or remote or hypothetical possibility.
- 9- “Critical circumstances” means the emergence of an exceptional situation, where massive preferential imports are causing or threatening to cause “serious injury” difficult to repair and which calls for immediate action.
- 10- “Dumping “ means the introduction of a product into the commerce of the other Contracting Party at less than its normal value which is the comparable price in the ordinary course of trade for the like product destined for consumption in the exporting country , or in the absence of such domestic price, is either the highest comparable price for the like product for export to any third country in the ordinary course of trade, or the cost of production of the product in the country of origin plus a reasonable addition for selling cost and profit.

ARTICLE 3: SCOPE AND COVERAGE

This Agreement and all provisions therein apply to trade between the Contracting Parties relating to the products specified in Annexes A and B to this Agreement, with due regard to the arrangements provided for in those Annexes and taking into account the Rules of Origin as set out in Annex C to this Agreement.

ARTICLE 4: TARIFFS, PARA-TARIFFS AND NON-TARIFF BARRIERS

- 1-The Contracting Parties hereby establish a Preferential Trade Arrangement through this Agreement, in accordance with the provisions of Annexes A and B.
- 2-The Contracting Parties shall grant each other tariff concessions on the basis of Margins of Preference, which shall be based on their National Tariff Schedules.
- 3-The Contracting Parties further agree to eliminate from the date this Agreement enters into force, all non-tariff barriers and any other equivalent measures on the movement of goods, other than those imposed in accordance with Article 8 of this Agreement.
- 4- Having exchanged their respective lists of para-tariffs, the Contracting Parties also agree not to make any increase in the existing para-tariffs, or introduce new or additional para-tariffs without mutual consent.
- 5-In the implementation of this Agreement, the Contracting Parties shall pay due regard to the principle of reciprocity.
- 6-The Contracting Parties shall consider further liberalization of their bilateral trade through future consultations.

ARTICLE 5: MOST FAVORED NATIONS TREATMENT

The Contracting Parties shall unconditionally accord each other treatment, which is no less favorable than that accorded to any third country with regard to all rules, regulations, procedures and formalities applicable to trade including customs valuation procedures as well as methods of international transfer of payments for imports. However, unless there is a specific mutual agreement between the Contracting Parties, they shall not be eligible to benefit from tariff rate quotas or tariff concessions granted by each Contracting Party to some other country within the framework of a specific free trade agreement, preferential trade agreement, regional trade agreement or border trade agreement.

ARTICLE 6: NATIONAL TREATMENT

To ensure that domestic laws, regulations and all other measures and formalities applicable to imports from the other Contracting Party shall not be applied in a manner so as to afford protection to domestic productions, subject to other provisions of this Agreement, the Contracting Parties shall accord treatment to products originating from the territory of the other Contracting Party, no less favorable than that accorded to the like domestic products.

ARTICLE 7: TRANSPARENCY

The Contracting Parties commit themselves to ensure transparency with regard to their relevant regulations and practices through publication. They shall also notify each other of new measures which pertain to or affect the operation of this Agreement.

ARTICLE 8: EXCEPTIONS

Subject to the condition that such measures are not applied in a manner to constitute arbitrary or unjustifiable discrimination or a disguised restriction on trade between the Contracting Parties, nothing in this agreement shall preclude prohibitions or restrictions on imports, exports or goods in transit, justified on grounds of public morality, religious values, public policy, national security, protection of human, animal and plant life and health, protection of national treasures possessing artistic, historic or archeological value, protection of exhaustible natural resources and genetic reserves, regulations concerning gold or silver, or involving restrictions on exports of products whose prices are held below world price. Nothing in this Agreement shall also be understood to require either Contracting Party to furnish any information the disclosure of which it deems contrary to its essential security interests.

ARTICLE 9: RULES OF ORIGIN

Products covered by the provisions of this Agreement shall be eligible for preferential treatment provided that they satisfy the Rules of Origin as set out in Annex C to this Agreement.

ARTICLE 10: SAFEGUARD MEASURES

- 1- If any product is imported into the territory of a Contracting Party in such a manner or in such quantities as to cause or threaten to cause serious injury in the territory of that Contracting Party, such Contracting Party may with prior consultations with the other Contracting Party, except in critical circumstances, suspend provisionally the preferential treatment accorded to that product under the Agreement.
- 2- When either Contracting Party has taken action in accordance with Paragraph 1 of this Article, it shall simultaneously notify the other Contracting Party and the Committee. The Committee shall enter into consultations with the Contracting Parties and endeavor to reach a mutually acceptable agreement to remedy the situation. If such consultations fail to resolve the issue, the Contracting Party affected by such action shall have the right to withdraw the equivalent preferential treatment.

ARTICLE 11: ANTIDUMPING MEASURES

If either Contracting Party determines that dumping is taking place in trade with the other Contracting Party, it may levy an anti-dumping duty on the importation of the products dumped if it determines that the effect of the dumping, as the case may be, is such as to cause or threaten to cause material injury to an established domestic industry, or is such as to retard materially the establishment of a domestic industry.

ARTICLE 12: BALANCE OF PAYMENTS

- 1- Either Contracting Party, when faced with serious balance of payments difficulties or under threat thereof, may take restrictive measures with regard to the transfer of payments for its current account transactions in the framework of this Agreement, subject to the conditions and procedures set out in this Article.
- 2- Either Contracting Party intending to resort to such measures, shall enter into consultations with the other Contracting Party with a view to designing a mutually acceptable mechanism to address the situation concerned. In the event

of it not being practical to enter into prior consultations, they shall promptly do so following the adoption of such measures. While in consultations, the Contracting Parties shall give exhaustive considerations to all other possible alternative solutions to deal with the situation concerned.

- 3- If the Contracting Parties fail to come to a mutually satisfactory agreement within three months of the beginning of such consultations, the Contracting Party affected by serious balance of payments difficulties, may adopt or maintain the measure concerned provided that it will:
 - a) avoid unnecessary damage to the commercial, economic or financial interests of the other Contracting Party;
 - b) not be more burdensome than necessary to deal with the balance of payments difficulties or threat thereof;
 - c) be temporary and be phased out progressively as the balance of payments situation mitigates; and
 - d) be applied in a manner that the other Contracting Party is treated no less favorably than any third country.
- 4- In case the balance of negotiated concessions is substantially affected by the measures of a Contracting Party, falling under the provisions of this Article, the other Contracting Party shall have the right to deviate from its obligations under this Agreement with respect to substantially equivalent trade, until such time those restrictive measures are relaxed.

ARTICLE 13: RE-EXPORT & SHORTAGE CLAUSE

- 1- In the event that a Contracting Party adopts or maintains a prohibition or restriction on the importation from or exportation to a third country of a product, nothing in this Agreement shall be construed to prevent that Contracting Party from:
 - a) limiting or prohibiting the importation from the territory of the other Contracting Party of such product of that third country; or
 - b) requiring as a condition of export of such product of the Contracting Party to the territory of the other Contracting Party, that the product not be re-exported to that third country, directly or indirectly, without being consumed in the territory of the other Contracting Party.
- 2- In addition, none of the provisions of this Agreement shall preclude the maintenance or adoption by either Contracting Party of any trade restrictive measures necessary to remove or forestall a serious shortage, or threat thereof, of a product essential to the exporting Contracting Party.

ARTICLE 14: TRANSFER OF PAYMENTS

Except in accordance with their respective rights and obligations in relation to the IMF or where otherwise provided in this Agreement, the Contracting Parties shall, in accordance with the laws and regulations of their respective countries, allow payments for their current account transactions in the framework of this Agreement in conformity with the rules and regulations of their respective countries, to be made in freely convertible currency.

Article 15: STANDARDS, TECHNICAL REGULATIONS AND SPS MEASURES

The Contracting Parties ensure that their standards, technical regulations and sanitary and phytosanitary measures shall not be prepared, adopted or applied so as to create obstacles to mutual trade or to protect domestic production.

Accordingly, the Contracting Parties shall ensure that

- (a) any sanitary or phytosanitary measure shall be applied only to the extent necessary to protect human, animal or plant life or health, shall be based on scientific principles and shall not be maintained without sufficient evidence, taking into account the availability of relevant scientific information and regional conditions; and
- (b) standards and technical regulations shall not be prepared, adopted or applied with a view to or with the effect of creating unnecessary obstacles to mutual trade. For this purpose, standards and technical regulations shall not be more trade-restrictive than necessary to fulfill a legitimate objective, taking into account the risks non-fulfillment would create. Such legitimate objectives include those measures described in Article 8. In assessing such risks, relevant elements of consideration include available scientific and technical information, related processing technology or intended end-uses of products.

ARTICLE 16: JOINT TRADE COMMITTEE

- 1- A Joint Trade Committee shall be established consisting of officials of the Contracting Parties. The Committee shall meet initially within six months of the entry into force of the Agreement and thereafter at least once a year to review the progress made in the implementation of this Agreement.
- 2- The Committee shall set out its rules of procedure within six months of the entry into force of the Agreement.
- 3- The Committee may also set up any other Sub-Committee and/or Working Group for specific purposes, as it may consider necessary.
- 4- The Committee shall accord adequate opportunities for consultation on representations made by either Contracting Party with respect to any matter affecting the implementation of the Agreement.
- 5- Each Contracting Party shall accord sympathetic consideration to such representations as maybe made by the other Contracting Party with respect to any matter affecting the operation of this Agreement.

ARTICLE 17: DISPUTE SETTLEMENT

1. All disputes arising between the Contracting Parties relating to the interpretation or application of this Agreement shall, in the first place, be settled amicably by consultation. In case of disagreement, either Contracting Party may, within six months from the date of notification of the claim by one party to the other, while sending a notice to the other Party, refer the case to an Arbitral Tribunal of three members consisting of two arbitrators appointed by the Contracting Parties and an umpire.
2. In case the dispute is referred to the Arbitral Tribunal, either Contracting Party shall appoint an arbitrator within sixty days from the receipt of the notification and the arbitrators appointed by the Contracting Parties shall appoint the umpire within sixty days from the date of the appointment of the last arbitrator. If either Contracting Party does not appoint its own arbitrator or the appointed arbitrators do not agree on the appointment of the umpire within the

said periods, each Contracting Party may request the President of the International Court of Justice to appoint the arbitrator of the failing party or the umpire, as the case may be.

3. However the umpire shall be a national of a state having diplomatic relations with both Contracting Parties at the time of the appointment.
4. In case the umpire is to be appointed by the President of the International Court of Justice, if the President of the International Court of Justice is prevented from carrying out the said function or if he is a national of either Contracting Party, the appointment shall be made by the Vice-President of the International Court of Justice, and if the Vice-President is also prevented from carrying out the said function or he is a national of either Contracting Party, the appointment shall be made by the senior member of the said court who is not a national of either Contracting Party.
5. Unless otherwise decided by the Contracting Parties, and subject to other provisions agreed by them, the Arbitral Tribunal shall determine its rules of procedure and the place of arbitration. Each Contracting Party shall bear the expenses of its arbitrator and its presentation in the arbitral proceedings. The expenses of the umpire and other expenses shall be born equally by the Contracting Parties, unless otherwise decided by the Arbitral Tribunal.
6. The Contracting Parties shall give the Arbitral Tribunal all assistance to examine and resolve the case.
7. The decisions of the Arbitral Tribunal shall be binding on the Contracting Parties. If either Contracting Party fails to implement the decisions, the other Contracting Party shall have the right to withdraw the equivalent preferential treatment.

ARTICLE 18: AMENDEMENTS

The Contracting Parties may amend and/or develop the provisions of this Agreement through mutual consent. Therefore, either Contracting Party may put forward suggestions for the purpose of promoting further liberalization of bilateral trade. Any amendment made to the Agreement shall become effective and shall constitute an integral part of the Agreement, according to the provisions of Article 21.

In this regard, the Contracting Parties shall always consider the possibility of upgrading this Agreement to a free trade agreement.

ARTICLE 19: ANNEXES TO BE FINALIZED

Annex A, containing the Tariff Preferences to be granted by the Government of the Islamic Republic of Iran and Annex B, containing the Tariff Preferences to be granted by the Government of the Syrian Arab Republic and Annex C, containing the Rules of Origin under the Agreement shall be finalized within a period of 90 days from the date of signing of this Agreement.

All the Annexes shall constitute an integral part of the Agreement.

Amendments to Annexes A and B of this Agreement may be directly agreed upon by the Contracting Parties. Such Amendments shall become effective through the exchange of diplomatic notes.

ARTICLE 20: TERMINATION OF THE AGREEMENT

Either Contracting Party may terminate this Agreement by means of a written notification through diplomatic channels to the other Contracting Party, which shall take effect six months after the date of such notification.

ARTICLE 21: ENTRY INTO FORCE

The Agreement shall enter into force on the 90th day after the Contracting Parties have notified each other through diplomatic channels that their respective constitutional requirements and procedures have been completed in respect of this Agreement, including the Annexes under Article 19.

In witness thereof, the undersigned, duly authorized thereto by their respective Governments, have signed this Agreement.

This Agreement comprising a preamble and 21 articles, was done in duplicate at Damascus, on 23 February, 2006 corresponding to 4 Esfand, 1384 Iranian Calendar, in Arabic, Persian, and English, all texts being equally authentic. In case of divergence in interpretations, the English text shall prevail.

**For the Government of the
Syrian Arab Republic**

**For the Government of the
Islamic Republic of Iran**

**Dr. Amer Husni Lutfi
Minister of Economy
and Trade**

**Mr. Mohammad Saeidi Kia
Minister of Housing and
Urban Development**