



Customs Alert

On an interim agreement to form a free trade area between the Eurasian Economic Union and Iran

Important changes in customs law that may impact your business.

The Eurasian Economic Union and its Member States (as one party) and Iran signed an interim agreement to form a free trade area (the "Interim Agreement") **on 27 October 2019**. It was later ratified by Kazakhstan Law No. 253-VI of 7 May 2019.

The objectives of the Interim agreement are to:

- facilitate the trade in goods between the parties, reduce or eliminate tariff and non-tariff barriers on originating goods agreed by the parties;
- create a basis for creating the free trade area in which, in accordance with international rules, standards and practices, duties and other restrictive trading regulations are eliminated in trading between the countries;
- support economic and trade cooperation between the parties;
- establish a framework to promote closer cooperation in agreed communications between the parties and more.

The Interim Agreement reduces customs duties between Eurasian Economic Union ("EEU") member-states and Iran on a limited range of goods, and not on the entire commodity nomenclature as is usually the case in international free trade area agreements.

It is an intermediate link in the transition to a full free trade area ("FTA"), negotiations for the creation of which are due to start within a year of the date of enters into force and last for three years. The FTA that is created will have to comply with all international rules, standards and practices.

From a Eurasian Economic Commission Department of Trade Policy review of key Interim Agreement provisions, the parties to it are expected to adopt WTO (World Trade Organisation) principles, such as:

1. providing most-favoured nation status and treating all goods traded between the parties as national goods;
2. limiting import and export duties on goods to the approximate cost of services provided to prevent charges as a means of indirectly protecting domestic goods or as a means of taxing imports or exports for fiscal purposes;
3. rejecting unreasonable restrictions on goods covered by preferential trade conditions;
4. ensuring the freedom of transit for goods;
5. preventing abuse by companies enjoying exclusive or privileged rights (state trading enterprises or monopolies).

As the Interim Agreement is preferential, the parties have undertaken to reduce and abolish duties on the trade of goods constituting over 50% of trade turnover between EEU member-states and Iran.

The goods on which concessions are provided by Iran for EEU member-state exporters include meat, far and oil products, certain types of confectionery and chocolate, as well as metals, cosmetics, and certain

types of electronic and mechanical equipment. Iran will reduce import duties **from 22.4% to 15.4%**, and **from 32.2% to 13.2% for agricultural goods.**

In Eurasian Economic Commission Chamber Resolution No. 10 from 22 January 2019, the EEU has committed to provide concessions on the import of vegetables, fruit, dried fruit, as well as construction materials, utensils, carpets and some non-ferrous metal products goods into the EEU. Import tariffs on Iranian **agricultural goods will be 5% and 3.3% for industrial goods.**

The same resolution lists the goods subject to import duty concessions under the Interim Agreement.

It also establishes that if import duties calculated at EEU customs tariff rates are lower than those specified in the above list of goods, the EEU import duty rate will apply.

To obtain these concessions goods should originate from the Interim Agreement countries. In turn, to acquire the status of goods originating from EEU countries or Iran, goods should be either fully received (produced) in the Interim Agreement country, or subject to a sufficient degree of processing in that country.

A criterion for the origin of goods is a "value add" of at least 50%. However, some goods (pipes and motor vehicles) are subject to special criteria stipulated in Appendix 2 to the Interim Agreement.

If all such criteria in the export country are met, the goods in question will be eligible for a CT-3 certificate of origin form.

A certificate of origin for the purpose of obtaining tariff concessions is not required when the customs value of imported goods does not exceed 200 Euro or the equivalent in the currency of the importing party, provided that the delivery is not part of one or more shipments.

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