

## **RECORD OF UNDERSTANDINGS RELATING TO THE AGREEMENT BETWEEN THE EFTA STATES AND THE REPUBLIC OF HUNGARY**

1. The EFTA States and Hungary recognize that there is a certain parallelism between the levels of concessions regarding tariffs, quantitative restrictions, charges and measures having equivalent effect at the entry into force of the free trade Agreement EFTA States-Hungary and the Agreement establishing an Association between Hungary and the European Communities. The EFTA States and Hungary further recognize that this parallelism should basically be maintained during the whole transitional period. The possibility of applying such parallelism to concessions exchanged under special conditions will be considered in the Joint Committee.

2. The States, Parties to this Agreement, have taken note that under the Agreement concluded between the EFTA States and the European Communities on the European Economic Area, obstacles to trade in certain industrial goods will be further decreased and free trade will be extended to some new products. After the entry into force of that Agreement, the possibility of liberalizing trade in these products in the trade between the States, Parties to this Agreement, will be examined in the Joint Committee, which will decide on corresponding adjustments to the relevant Annexes of this Agreement, taking into account any concessions exchanged under special conditions between the EFTA States and the European Communities. The EFTA States declare their readiness to discuss in the Joint Committee further liberalization of trade in goods if such liberalization were to occur in the relations between the EFTA States and the European Communities.

3. The EFTA States and Hungary agree that the provisions in Article 23 of Protocol B shall not apply until 1 January 1994. On the request of a State, Party to this Agreement, consultations should be held regarding any negative effect resulting from this derogation with the aim of reaching a satisfactory solution. This derogation, including the possibility of consultation, shall be prolonged by the Joint Committee on condition that the present practice applied between Hungary and the European Communities is not changed.

4. The EFTA States and Hungary agree to closely co-ordinate their efforts in training those concerned with the use of the simplified procedure laid down in Protocol B with regard to the issue, control and verification of evidence of origin, in order to enable them to be authorized to use this procedure. The simplified procedure shall be used in a restricted way and its implementation be subject to deliberations in the Sub-Committee on origin and customs matters.

5. Hungary shall notify the EFTA States of all the arrangements made to establish the administrative co-operation between Hungary, the Czech Republic, Poland and the Slovak Republic for the implementation of Protocol B and of changes thereto.

6. With regard to goods exported from an EFTA State for processing (outward processing) in Hungary and processed there (inward processing), or vice versa, the States, Parties to this Agreement, declare their readiness to discuss, as soon as possible, arrangements under which

- such goods would be admitted free of customs duties into Hungary or an EFTA State, as the case may be, for processing, subject to re-exportation;

- the products obtained from such processing would be admitted totally or partly free of customs duties and charges having equivalent effect on importation into an EFTA State or Hungary, as the case may be.

7. The States, Parties to this Agreement, have taken note of the unilateral declaration by Hungary in the Agreement establishing an Association between Hungary and the European Communities that the value of customs duty-free imports into Hungary from the European Communities from 1 January 1994 will amount to at least 25 per cent of total industrial imports from the European Communities. Should Hungary, in order to fulfil this undertaking, add new products to the list of duty-free items, Hungary will, to the extent possible, take the trade interests of EFTA States into account when selecting such products. The Joint Committee shall decide on corresponding adjustments to the relevant Annexes to this Agreement, taking into account any concessions exchanged under special conditions between Hungary and the European Communities, as referred to in paragraph 1.

8. The States, Parties to this Agreement, have taken note that in accordance with Annex VI a to the Agreement establishing an Association between Hungary and the European Communities, Hungary shall, starting on 1 January 1995 and up to 31 December 1997, eliminate quantitative restrictions on imports originating in the European Communities of products still subject to such restrictions at 31 December 1994, up to an amount of 40 per cent of such imports into Hungary from the European Communities on the basis of last available annual statistics. Should products be deleted from Annex VI a to the Agreement establishing an Association between Hungary and the European Communities, Hungary will, to the extent possible, take into account the trade interests of the EFTA States. The Joint Committee shall decide on corresponding adjustments to the relevant Annexes to this Agreement, taking into account any concessions exchanged under special conditions between Hungary and the European Communities, as referred to in paragraph 1.

9. Starting on 1 January 1998 and up to 31 December 2000 at the latest, Hungary shall eliminate all remaining quantitative restrictions relating to products contained in Annex IX to this Agreement.

10. In case any textile or clothing item imported into Hungary will be subject to quota arrangements as a result of negotiations between Hungary and the European Communities, Hungary is prepared to enter into negotiations on this subject with the interested EFTA States.

11. The right of Iceland to retain customs duties of a fiscal nature as set out in Table I of Protocol C, in accordance with Article 7, should not result in a less favourable treatment for Hungary as regards the products specified in that Table, than that accorded by Iceland to the European Economic Community.

12. The EFTA States and Hungary agree that measures referred to in Article 11 of this Agreement for the protection of the environment may be applied to the extent permitted under Article XX of the General Agreement on Tariffs and Trade and any other relevant instruments negotiated under its auspices which are applicable between the States, Parties to this Agreement, and to the extent permitted under the Agreement establishing an Association between Hungary and the European Communities.

13. Hungary may apply restrictions in the sense of paragraph 3 of Article 16 only to the extent permitted according to its agreement under the IMF.

14. In defining categories of entities to be covered by Article 17 the States, Parties to this Agreement, will be guided by the definitions of the European Communities.

15. For the purpose of interpreting Article 20, paragraph 3, the States, Parties to this Agreement, agree that the term "higher intensity" refers to the level of aid granted by way of measures contained in Annex XV, paragraph (c) and that the application of normally inconsistent measures under paragraph (d), applied with a view to promoting the restructuring of Hungary's economy, shall be considered as not being inconsistent with Article 20, paragraph 1, provided that such measures are compatible with the rules on State aid in the Agreement establishing an Association between Hungary and the European Communities, as implemented under the rules referred to in Article 62, paragraph 3 of the said Agreement.

16. With regard to Article 20, paragraph 3, the Joint Committee shall decide on prolongation by further periods of five years of the application of that paragraph, provided that the Hungary/EC Association Council takes a similar decision as referred to in Article 62, paragraph 4(a) of the Agreement establishing an Association between Hungary and the European Communities.

17. The EFTA States and Hungary agree that the provisions of Article 20, paragraph 6 of this Agreement should be implemented in the same manner and for as long as applicable under Article 62, paragraph 6, second sub-paragraph, of the Agreement establishing an Association between Hungary and the European Communities.

18. The EFTA States and Hungary agree that in cases where the imports into the territory of a State, Party to this Agreement, of a textile product originating in the other State, Party to this Agreement, take place under the conditions and cause the damage defined in Article 8, paragraph 2 of the Additional Protocol to the Europe Agreement on Trade in Textile Products between the Republic of Hungary and the European Economic Community, the EFTA States or Hungary, as the case may be, may resort to the safeguard mechanism provided for by the said Article and in accordance with the procedure laid down in Article 26 of this Agreement.

For the purpose of this Understanding, appropriate measures may consist of

(a) the temporary reintroduction of the basic duty referred to in Article 5 of this Agreement or the actual MFN duty, whichever the lower, on imports exceeding a level which in no case may be lower than 110 per cent of the level of the importing State Party's imports during the twelve-month period terminating two months, or where data is not available three months, preceding the month in which the request for consultation is made, of the product in question originating in the other State Party,

or

(b) the imposition by Hungary of a quantitative restraint the limit of which may in no case be lower than 110 per cent of the level of Hungary's imports during the twelve-month period terminating two months, or where data is not available three months, preceding the

month in which the request for consultation is made, of the product in question originating in the other State Party.

In no case may the aforementioned safeguard mechanism be invoked, or the measures taken pursuant to it be applied, after the period for the elimination of all quantitative restrictions and measures of equivalent effect on textile trade between Hungary and the European Economic Community, laid down in the said Protocol between Hungary and the European Economic Community, has elapsed.

The EFTA States and Hungary furthermore agree that in no case shall non-tariff barriers be applied in trade in textile products between the EFTA States and Hungary after the transitional period referred to in Article 1 of this Agreement.

At the request of either State, Party to this Agreement, consultations will take place without delay on any problem arising from trade in textile and clothing products.

19. If there is a disagreement with regard to the actual value of imports of industrial products referred to in Article 23, paragraph 3, international trade statistics such as those of UN/ECE, GATT and OECD will serve as a basis.

20. The EFTA States and Hungary consider that an arbitration procedure could be envisaged for disputes which cannot be settled through consultations between the States Parties concerned or in the Joint Committee. Such a possibility, inter alia, regarding Article 19, will be further examined in the Joint Committee.

21. The States, Parties to this Agreement, in accordance with the General Agreement on Tariffs and Trade, in particular Article I, and its Protocols, Annexes and related Agreements which are applicable between the States, Parties to this Agreement, shall ensure as from the entry into force of this Agreement that measures are not applied in a discriminatory way vis-à-vis any State, Party to this Agreement, concerning all conditions, rules and formalities in connection with imports and exports, including import licensing procedures.

22. Taking into account developments in other international fora [sic!] and in their respective relations with the European Communities and in view of the growing importance of areas closely related to trade in goods, the EFTA States and Hungary will periodically discuss, in an appropriate forum among the States Parties concerned, possibilities to extend their economic relations to areas beyond trade in goods. The States, Parties to this Agreement, will immediately notify each other of developments in this field, having occurred in particular in their relations with the European Communities.

DONE at Geneva, this 29<sup>th</sup> day of March 1993, in a single authentic copy in the English language which shall be deposited with the Government of Sweden. The Depositary shall transmit certified copies to all Signatories.

[Quelle: [http://secretariat.efta.int/efta/library/legal/fta/hungary/03-Record\\_of\\_unterstandings.pdf](http://secretariat.efta.int/efta/library/legal/fta/hungary/03-Record_of_unterstandings.pdf)]