GENERAL AGREEMENT ON
TARIFFS AND TRADE

MEETING OF THE WORKING PARTY ON
2-4 DECEMBER 1970

Note by the Secretariat

1. At the first meeting of the Working Party, on 2-4 December, it was decided that the questions and replies arising in the course of the discussions should be consolidated with the original questions and replies contained in L/3426. The annex, hereto, contains the revised consolidated questions and replies.

2. Furthermore, it was requested that the secretariat should also prepare a note on the meeting. The following is a general summary of the discussions.

3. In an introductory statement, the representative of Hungary said that the application should be dealt with in the usual pragmatic manner of the GATT. He reiterated that Hungary was prepared to accept the obligations prescribed in the General Agreement and said that he was confident that the contracting parties would also meet their obligations with respect to Hungary, in particular in granting it most-favoured-nation treatment in the field of tariffs and quantitative restrictions.

4. Describing some of the basic features of the Hungarian foreign trade régime, he stated that the currency of Hungary was not convertible but that foreign currencies were converted into Hungarian forints in conformity with Article VII:4(b). He announced that an improvement in the balance-of-payments situation of Hungary had made it possible to suspend the application of the import deposit system as from 1 January 1971. He recalled that Hungary had an effective customs tariff which, however, at present was applied only to goods of market economy countries. He declared Hungary's intention to carry on tariff negotiations with contracting parties.

5. In a number of general statements, members of the Working Party welcomed the application and expressed their appreciation for the extensive background documentation provided by Hungary. They considered that the Hungarian trading system had to be considered in the light of recent economic reforms, of which the introduction of the customs tariff formed an integral part. The members of the Working Party were confident that a mutually satisfactory solution would be found in the course of the negotiations for accession.

6. The representative of the United States reminded the Working Party of the statement made by his delegation in the Council on 23 July 1969 to the effect that the United States lacked legislative authority to grant most-favoured-nation treatment to Hungary and accordingly could not apply the General Agreement to Hungary. If that situation still existed when Hungary's accession took place the United States would have to invoke Article XXXV. The United States did, however, wish to participate in
the Working Party, and in the discussion of the Hungarian tariff, on the understanding that this did not constitute tariff negotiations in the sense of Article XXXV. If the United States were able to disinvoke Article XXXV, in due course, they might wish to negotiate concessions with Hungary, after Hungary's accession to GATT.

7. The Chairman ruled that the United States could discuss the Hungarian tariff without this being construed as negotiations in the sense of Article XXXV.

8. As regards the United States invocation of Article XXXV, the representative of Hungary said that under his country's law, the strict rule of reciprocity was applied to trade with other countries. He hoped that the United States would be in a position to accord full GATT treatment to Hungary. As to the question of previous cases, he said that the Working Party should be guided by the decision of the CONTRACTING PARTIES at their twenty-fourth session that the approach to the question of trade relations with centrally-planned economy countries should continue to be on a pragmatic country-by-country basis. While regard should be had to other countries' experience, he stressed that the present application should be examined on its own merits. He assured the Working Party that Hungary's accession to GATT would contribute greatly to expansion of trade between Hungary and all the contracting parties.

9. In the detailed discussions which followed, the Working Party devoted particular attention to the significance for Hungary assuming GATT rights and obligations of the relationship between Hungary and other socialist countries, to the system of price formation in Hungary, and to the tariff system. The representative of Hungary stated that his country's close relations with other member States of the CMEA were the result of geographic and historical factors and that there would continue to be close economic cooperation with these countries but that they need not be in conflict with their GATT obligations. Some countries expressed concern at the fact that Hungary did not at present apply the customs tariff to centrally-planned economy countries. The representative of Hungary, however, pointed out that the special trading system of these countries did not lend itself, for the time being, to application of the tariff; he stressed, moreover, that no de facto discrimination arose from this situation. The point could be dealt with in the Protocol of Accession. As regards price policy, he maintained, in response to a number of questions, that there was no substantial difference between Hungary's system of price formation and that in market economy countries. On the question of the tariff, it was noted that a revised tariff was in preparation which would form the basis of the tariff negotiations.

10. In the course of the meeting, the Hungarian representative made detailed statements on Hungary's import policy and licensing system. These statements have been circulated in Spec(70)134. Hungary also agreed to circulate a list of the products subject to fixed prices, a list of products subject to special import turnover tax and detailed import statistics on a country-by-country basis.
11. In conclusion, the representative of Hungary stated that his country attached considerable importance to becoming a contracting party with full rights and obligations. The "price" Hungary would pay for accession depended upon the conditions which the contracting parties would be able to offer to Hungary, in accordance with the terms of Article XXXIII; every aspect of Hungary's import system, which was negotiable under GATT rules, was however open to negotiation.

12. In summing up, the Chairman stated that the next meeting of the Working Party could take place in the second half of February. The meeting should be of three days duration. While further clarifications might be sought at that meeting, the Working Party should also be ready to deal with the terms of accession of Hungary and might consider the preparation of a draft protocol of accession.
ANNEX

ANSWERS
to

Questions Submitted by Contracting Parties

(Revision*)

I. General

1. What concessions does Hungary intend to offer in return for the benefits of GATT membership?

Answer:

So far as this question is concerned we would refer to the following statement Hungary's representative made at the 23 July 1969 GATT Council session:

"Having applied for full membership Hungary expects the full observance of the most-favoured-nation treatment as described in GATT from contracting parties and is ready to reciprocate it by the full observance of this most-favoured-nation treatment."

Moreover, according to Article XXXIII of the General Agreement, terms of accession will have to be agreed between Hungary and the CONTRACTING PARTIES. Hungary is prepared to enter into tariff negotiations with contracting parties in due course.

2.* (i) Will Hungary confirm that it will grant most-favoured-nation tariff treatment to the contracting parties?

(ii) Can an undertaking be given that any discrimination at present will not increase?

Answer:

As to the relative situation between Hungary's trade with centrally-planned socialist countries, and market-economy countries, I shall try to give an answer to the best of my knowledge and in good faith.

*This document contains the original questions and replies in L/3426 as well as the additional questions and answers arising in the meeting of 2-4 December 1970. The original questions and answers have, in some cases, been expanded or revised. New questions are indicated by an asterisk in this document.

1 Statement by Mr. Kyorgos in Working Party.
(i) I would like very much to be enlightened how the same question has been dealt with in the case of other socialist countries, who were applying for accession. What are the reasons why this question has not been taken up with these other socialist countries?

(ii) I would like to be enlightened, what circumstances prompted some contracting parties to put these questions to me? Do they assume that we are treating goods from market-economy countries less advantageously than goods from socialist countries?

We do not think that this treatment which differentiates for reasons of different trading methods, by itself constitutes a deliberate discrimination against goods from capitalist countries or a deliberate preference for the goods from the socialist countries.

I am ready to give full information on how the commercial multipliers are calculated. You know the trading methods among socialist countries and you realize that we cannot at present fully apply tariffs. Nominally, these tariffs exist in Hungary against socialist countries as well, but for these reasons they cannot be applied meaningfully.

Our answer to question 22 reads as follows:

"If Hungary becomes a GATT contracting party and should, at that time, conditions continue to exist under which tariffs are not applicable to goods from socialist countries, as goods are exchanged at fixed prices under quotas, the Hungarian side will inform the GATT contracting parties accordingly, pointing out that this circumstance does not put the non-socialist GATT contracting parties in a less advantageous position than hitherto and does not mean they are disadvantageously discriminated."

The relations which link Hungary to the socialist countries are of vital importance for us and I do not think that any discussion with any result will alter this situation.

Whatever this situation amounts to in the minds of some contracting parties, it constitutes an existing situation and we are applying for accession to the GATT with our existing situation. We maintain, however, that this does not constitute a deliberate discrimination, but to solve this problem, Hungary in due course wishes to make a declaration applying for exception.
I would refer in this respect to some part of the declaration of one contracting party that one does not know if there is a discrimination or not. So, the wording of this exception should not be such that we would be forced to recognize that we make any discrimination because it is our firm belief that we are not doing so. We can discuss this at very great length; I do not think we can convince each other. But for the legal position of Hungary this is not even very important. What we agree to recognize with you is, that we make a difference in the trading methods between socialist countries of centrally-planned economy and others. These other countries might be socialist countries or countries with market economy.

What we are discussing now is a legal point. There is a situation, we are giving an explanation for this situation. We do not wish to maintain this situation indefinitely. Conditions are not permitting us now to apply meaningful tariffs to goods from socialist countries. This is the fact and under "existing legislation" we will certainly ask for a reservation. This is our position.

3. Is Hungary willing and able to undertake full GATT commitments?

Is the Hungarian Government able to accept existing GATT rules?

Will there be any reservations made regarding existing legislation? If so, what legislation is concerned?

Answer:

Cf. points 1 and 2. We desire, however, to define in a more precise manner the concept of full GATT commitments in the sense whether it relates to the unreserved adherence to the original text of the GATT Charter, or does it also include all reservations, exceptions and procedural possibilities that have come into force among the contracting parties.

4. Regarding the answer to question 3, full GATT commitments embody the GATT as it has been interpreted, modified, amended and applied, including the items added at the review session in 1955. Reference is made to other protocols of accession and their opening clauses, by which a contracting party undertakes to apply the General Agreement as it now exists to the full extent of legislation now existing. To what extent is Hungary prepared to accept these obligations? How many reservations will be needed? Which ones?
Answer:

Hungary intends to join GATT as GATT is today. It is difficult to say at this stage what reservations may be made. The forthcoming discussions will help indicate where reservations are needed. If we discover that a reservation is needed, we will announce our intention to have such a reservation. If such a reservation is needed, we shall make it.

5. What changes in the "new economic mechanism" can be anticipated that will affect foreign trade?

Answer:

Generally speaking, we do not wish to make fundamental changes in the system of economic management. Certain, occasional, modifications of a minor significance, however, may occur. For example, in 1971, the range of goods belonging to the free and maximum price categories will continue to widen, the State Budget will increasingly be replaced in investment financing by the assets accumulated at the enterprises possibly utilizing bank loans, etc.

6.* (i) Can Hungary express an opinion whether the extension of the maximum and free price categories can be expected to benefit exports of consumer goods from market-economy countries?

(ii) Will the increased reliance of Hungarian enterprises on self-financing or bank-financing affect foreign trade in the direction of allowing greater freedom for enterprises to make purchases from market-economy countries?

(iii) How does Hungary consider the stability of its economic reform?

Answer:

(i) All consumer goods imported from market-economy countries are in the free price category and will remain so.

(ii) The answer to the second question is yes. Hungarian enterprises are encouraged to rely, and indeed are relying, more on their own funds. This factor, in our opinion, enables them to rely more on imported goods including goods imported from market-economy countries. This is the anticipation of the Hungarian authorities, but there is no guarantee since the enterprises are free to decide.
(iii) The economic reform of Hungary is the stated policy of the Hungarian Government, and the Hungarian Government does not intend to change this policy, but rather to pursue it for its stated aims. Hungary is on the road to fulfilling all the aims of this policy and is moving towards its goals.

7. Are the targets fixed in the foreign trade plan directive or indicative?

Answer:

The targets fixed in the foreign trade plan for the enterprises are not directive; they are indicative regarding both exports and imports.

8. What factors will determine the apportionment of foreign trade to market-economy GATT countries?

Answer:

The apportionment of trade to GATT countries is influenced, basically, by the following factors:

(a) the shaping of demands on the home market at the prevailing price situation;

(b) the possible supply of goods on the foreign market at the prevailing price situation;

(c) Hungary's payment possibilities;

(d) the commercial policy measures taken by GATT contracting parties against Hungary.

9.* Are we to understand that, after its accession to GATT, Hungary expects that the same factors will determine the apportionment of trade and that the same relative weight will continue to apply to each of these factors?

Answer:

It is not expected that, after accession to GATT, these factors or their relative weight will change apart from (d) in the reply to question 8. If the factor in (d) changes favourably, it is possible to foresee favourable changes in Hungary's trade with market-economy GATT countries.
10. In the five-year and annual plan foreign trade targets, what is the ratio of imports from, and of exports to convertible and non-convertible currency countries? The fourth (1971-75) plan reportedly anticipates a 7 to 8 per cent annual increase in foreign trade; how is this to be distributed among different groups of countries? Does Hungary plan to increase its trade with GATT contracting parties in value, in share of market and by what amounts, and over what period?

Answer:

As we expounded in the relevant part of our Memorandum, we do not have a foreign trade plan that would determine in advance the share of groups of countries. The foreign trade plans are estimates and targets, from which divergency is possible on the ground of economic considerations arising under given circumstances. The Memorandum contains detailed data in connexion with the pattern of Hungarian imports.

11. Annex 3 (p.46) of document L/3301, suggests a trend of increase in trade with OEEC countries, and a decline in trade with market-economy GATT countries. In view of indications in the fourth five-year plan, is it possible to envisage that trade with non-convertible currency countries will increase more rapidly than trade with convertible currency countries.

Answer:

No statistical comparison can, in itself, give any indication for the future, especially since Hungary has no deliberate policy to increase trade in one direction and decrease it in another. As can be seen from Spec(70)126, imports from the contracting parties have risen from Ft 38.3 billion in 1963 to Ft 42.1 billion in 1969.

The increase in trade with market-economy GATT countries was higher than that with non-market economy GATT countries and probably than that with socialist countries as a whole.

12. Can Hungary undertake to expand trade with GATT countries at a given rate, at least for an initial period of years?

Answer:

No.

13. Is Hungary in a position to submit statistics of its foreign trade for 1968 and 1969? Those statistics should be based on the one hand on items in the Customs Schedule and on the other hand arranged by countries.

Can the CONTRACTING PARTIES obtain detailed statistics on the foreign trade of Hungary in future?
14.* Can Hungary confirm that it will, in the future, be in a position to supply trade statistics broken down by countries, especially GATT countries? Will these statistics be presented by tariff position and if so when?

Answer:

Yes.

15.* Can Hungary confirm that the trade statistics contained in Spec(70)126 have been converted by the normal multipliers (i.e., 1 ruble = Ft 40, 1 = Ft 60)?

Answer:

Yes.

16. What was the total amount of customs revenue in 1968 and 1969?

Answer:

Ft 4.5 billion in 1968
Ft 6.6 billion in 1969

17. What is the difference between the concepts "commercial treaty" and "trade agreement"? (Page 6 of L/3301.)

Answer:

There is no difference in principle.

18. If Hungary becomes a GATT contracting party, does it also intend to join the IMF? If not, does it intend to enter into a special exchange agreement in accordance with GATT Article XV, or to accept a provision similar to paragraph 8 of the Protocol for the Accession of Poland?
Answer:

At present the Hungarian Government does not consider it opportune to raise the issue of joining the IMF. We should like to point out in this context that for some years monetary relations have been assuming increased significance in the Hungarian economy. Hungarian authorities desire to continue to pursue this policy consistently in the future. Due to the effect of the reform in economic management instituted on 1 January 1968, the country's international balance-of-payments situation warranted an easing of the majority of foreign trade and currency restrictions. As to the further freeing of the turnover, we wish to pursue a resolute, but at the same time, cautious and circumspect policy in the future, too.

If Hungary becomes a GATT contracting party, in the Accession Protocol we intend to make a special statement concerning exchange questions.

Hungary is prepared to accept a solution along the lines of paragraph 8 of the Polish Protocol.

2. Tariff system (L/3301, pages 11 and 12 and Annex 1)

19. Which of columns I, II or III in the Hungarian customs tariff is applied for imports from (a) CMEA countries and (b) developing countries?

Answer:

Decree No. 48/1967. /Ko. 19/Korr. stipulates how the columns, I, II or III in the Hungarian customs tariff are applied.

The tariff rates of column I have not yet been set by the Hungarian Government, the preferential tariff rates are under preparation. When they will come into force is not known yet (it depends on when the preparatory work finishes as well as on the international settlement of the general preferential system).

The same applies also to the publication and coming into force of the list of countries considered to fall under the application of column I.

20.* Do developing countries now receive the tariff treatment in Column I?
Answer:

No preferences are yet being given since Column I is still under preparation. Hungary hopes to be able to complete Column I during the second half of 1971. The Government will decide upon the date of application and the method of implementation. If Hungary is already at that stage a contracting party, it will, along with other contracting parties apply for the necessary waiver for granting preferences to developing countries.

21. * Why does Hungary not apply tariffs against imports from the CMEA countries? Are centrally-planned economy countries, not members of CMEA, subject to duties?

Answer:

There are no preferential agreements among Comecon countries and we do not claim recognition for any preferential agreements because these agreements do not exist.

Second, as to why Hungary has a vital interest to have good trade relations with Comecon countries, I invoke two reasons: an historical one and a geographical one.

Geographically, the Comecon countries happen to be our neighbours and I have a statistic to show what is the share of the neighbouring countries to some market-economy countries Members of the GATT and members of this Working Group.

<table>
<thead>
<tr>
<th>Imports from neighbouring countries</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>61.5</td>
</tr>
<tr>
<td>Switzerland</td>
<td>56.4</td>
</tr>
<tr>
<td>Netherlands</td>
<td>44.4</td>
</tr>
<tr>
<td>Belgium/Luxembourg</td>
<td>57.0</td>
</tr>
<tr>
<td>Italy</td>
<td>17.6</td>
</tr>
<tr>
<td>France</td>
<td>45.1</td>
</tr>
<tr>
<td>Federal Republic of Germany</td>
<td>38.3</td>
</tr>
<tr>
<td>Denmark</td>
<td>51.5</td>
</tr>
<tr>
<td>Norway</td>
<td>40.1</td>
</tr>
<tr>
<td>Canada</td>
<td>70.3</td>
</tr>
<tr>
<td>Japan</td>
<td>10.8</td>
</tr>
<tr>
<td>Pakistan</td>
<td>9.3</td>
</tr>
<tr>
<td>United States</td>
<td>29.9</td>
</tr>
<tr>
<td>Finland</td>
<td>32.9</td>
</tr>
<tr>
<td>Hungary</td>
<td>52.0</td>
</tr>
</tbody>
</table>

1 Statement by Mr. Nyerges in Working Party
I do not think that the share of our neighbouring countries is excessively high. In our Memorandum, we pointed out that historically the countries which are now members of the Comecon represent the same share of our imports, except the Soviet Union with which the former Hungarian regime had abolished all trade. Now, the Soviet Union's share in our import is about 40 per cent exactly the percentage which some of her neighbours have with the Federal Republic of Germany.

Then the historical facts are well-known to all. I do not think it will serve a useful purpose to dwell on what these historical reasons are, I might only hint that the historical reasons lie not only and not exclusively in the eastern part of Europe. But this is a general picture. Let us turn now to the concrete question. If I am not mistaken the question was what are the reasons that Hungary does not apply tariffs at present against imports coming from the Comecon countries. And what is the legal basis for it.

I have to qualify that the non-applicability of tariffs is not related to the fact that a country is or is not a member of the Comecon. The only reason for the non-application of tariffs towards socialist countries with centrally-planned economy is that tariffs do not mean a thing in trade relations where fixed quotas and some previously fixed prices exist and where there is practically no free choice of supply. These conditions exist among socialist countries with centrally-planned economies. These conditions do not exist with market-economy countries and with socialist countries which do not have this system.

So the reason for this difference lies in the impossibility, inability of Hungary to apply tariffs. The questions put to us recognize this because they speak about the non-applicability of the tariffs and not the deliberate non-application of tariffs. I think this is a proper question.

There is a legal basis for the competent authorities to refund the duties. We are perceiving these duties. It is not a situation where these goods are not dutiable. Duties are perceived and are for the time being refunded. This is the situation.

22. What criteria will be used to determine which countries will be granted the preferential tariff rate? To which countries do the normal tariff rates apply, the maximum rates? If Hungary becomes a GATT contracting party, what steps does it intend to take to meet its GATT most-favoured-nation obligations in regard to the non-applicability of tariffs to imports from
CMSA countries? How extensive are tariff exemptions? By whom are they granted? What criteria are used in granting them, and in what context have they been given? Is it intended that the exemption system be modified?

Answer:

In accord with the official statements made in UNCTAD, Hungary will offer preferential tariff rates to products originating or bought from those developing countries which

- maintain normal trade relations with Hungary;
- do not apply discriminations against Hungary;
- have a per capita national income that is lower than Hungary's;
- are able to prove convincingly the origin of the products that may be treated preferentially.

In connexion with the application of normal and of maximum tariffs we refer to our answer under point 19.

We would deal separately with the following part of the question: "If Hungary becomes a GATT contracting party, what steps does it intend to take to meet its GATT most-favoured-nation obligations in regard to the non-applicability of tariffs to imports from CMEA countries?"

If Hungary becomes a GATT contracting party and should, at that time, the conditions continue to exist under which tariffs are not applicable to imports from socialist countries, as goods are exchanged at fixed prices and quotas, the Hungarian side will inform the GATT contracting parties accordingly, pointing out that this circumstance does not put the non-socialist GATT contracting parties in a less advantageous position than hitherto and does not mean they are disadvantageously discriminated.

Our replies to the further part of the question are included in the answers given to points 29-37 below.

23.* Having regard to the fact that the special import turnover tax applied to goods from socialist countries is not applied to all imports, does the application of the tariff not represent discrimination against market-economy countries?
The reason why tariffs are not applicable at present to goods from centrally-planned economy countries has been explained. We shall be asking an exception from the CONTRACTING PARTIES on a temporary basis. Hungary does not consider that there is discrimination in the tariff system.

24. Are non-GATT members without centrally-planned economy subject to tariffs?

Answer:

Non-GATT member countries with market economy are subject to tariffs. The share of these countries in total imports is not very significant. Hungary is, however, prepared to give precise statistics.

25. Has Hungary concluded any agreements providing for preferential rates?

Answer:

No.

26. Can Hungary at this stage state exactly when and to what extent its customs tariff will be amended?

Answer:

For the time being no. If the customs tariff system will be amended, we will inform the contracting parties in due time.

27. (i) Does Hungary agree that changes to the tariff, in so far as they affect bound rates (i.e. after negotiations have taken place) would have to be negotiated and compensation offered?

(ii) Clarification is requested on Hungary's intention to offer tariff concessions as part of the negotiations for its accession. (It would facilitate negotiations to have a breakdown of import statistics so that it is clear which are the principal supplying countries). Can it be assumed that the changes in the duties would be incorporated in the tariff which is offered as a basis for concessions?

Answer:

In principle, Hungary does not intend to change or revise its duties when they are consolidated. Further, Hungary intends to inform the contracting parties in due course of the basis on which it is willing to enter into tariff negotiations, particularly since the tariff will be amended in 1971.
(Hungary is prepared to supply import statistics broken down by country of origin in order to facilitate contracting parties to determine the value of tariff concessions which Hungary might offer.)

28. Is the system of customs quotas applied in a non-discriminatory manner?

**Answer:**

Yes.

29. What are the tariff quotas allotted for 1970? Do all countries benefit from them? Is there any guarantee that in future all the contracting parties of GATT will be informed in advance of the allocation of those tariff quotas?

**Answer:**

Tariff preferences ensured by tariff quotas can be requested for goods originating from any most-favoured-nation country and being imported within tariff quotas. No distinction is made among most-favoured-nation countries. Goods originating from non-most-favoured-nation countries do not enjoy preferences.

The list of the most-favoured-nation countries is laid down in Decree No. 4/1967/KKMI supplemented by Decree Nos. 1/1968/V. 5/KMI and 8/1968./XII.14/KKM together with Decree No. 1/1969/I.15./KKMI.

Annex 1 contains the tariff quotas allotted for 1970.

The tariff quotas are made public in the "Magyar Közlöny", the official journal of the Hungarian People's Republic, accessible to every contracting party.

30. What are the tariff concessions contemplated for 1970? (Page 28 of L/3301.) Is there any possibility that in future information can be obtained in advance concerning those tariff concessions?

**Answer:**

Concerning goods liable to tariff concessions (permit-slip) procedure in 1970, see Annex 2.

Goods that may be drawn into the tariff concession (permit-slip) procedure are also published in the "Magyar Közlöny", the official journal of the Hungarian People's Republic.
31.* In order to complete and rearrange the information provided in documents L/3301 and L/3426 concerning all situations in which the customs tariff is not applied, is it possible to provide a comprehensive table indicating all measures or methods currently applied which allow the non-application, wholly or in part, of the customs duties (suspensions, exemptions, concessions, tariff quotas, drawback etc.). It would be useful if a table could be provided showing the value of imports affected by each of such measures or methods, expressed both in forints and dollars, as compared with Hungary's total imports from GATT countries with convertible currencies and from GATT countries with non-convertible currencies, for the most recent year available. It would be useful also to indicate to which products or tariff positions each of these measures or methods has been applied during the period under review.

Answer:

Annexes I, II and III of L/3426 give full answers to the last part of this question.

An explanation has been given for the tariff treatment of GATT countries with planned economy. There is no discrimination in the administration of tariff concessions or exemptions as between countries with convertible or non-convertible currencies. The tariff exemptions are regulated by a Decree 31/67/1967-KKE/1968 which is published. Every application for tariff concessions is and will continue to be, judged under the law, irrespective of whether the goods come from convertible or non-convertible currency countries. The study is done on a case-by-case basis - the only criteria are the criteria which are published.

The following are figures of imports eligible for special tariff treatment in 1969:

<table>
<thead>
<tr>
<th>Import Type</th>
<th>Trade Coverage</th>
<th>Legal Duty to be Paid</th>
<th>Duty Actually Paid</th>
<th>Refunded Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Tariff quota</td>
<td>302,563</td>
<td>123,361</td>
<td>98,066</td>
<td>25,295</td>
</tr>
<tr>
<td>2. Permit-slip</td>
<td>2,563,135</td>
<td>862,612</td>
<td>380,216</td>
<td>482,396</td>
</tr>
<tr>
<td>3. Suspension</td>
<td>2,279,666</td>
<td>661,794</td>
<td>280,595</td>
<td>381,199</td>
</tr>
<tr>
<td>Total items 1, 2 and 3</td>
<td>5,165,364</td>
<td>1,647,767</td>
<td>758,677</td>
<td>888,890</td>
</tr>
</tbody>
</table>
32.* Can it be confirmed that when the exemptions, suspensions etc. are applied with regard to customs duties, they are not at the same time granted with respect to special import turnover tax?

**Answer:**

There is no relation whatsoever between the tariff exemption procedures and the special import turnover tax.

33.* (i) What guarantee can be given that the duty concessions procedure will not be applied in a discriminatory manner?

(ii) What are the criteria or qualifications for any particular importer to be able to receive tariff concessions?

(iii) Are tariff concessions at present granted for co-operation purposes?

**Answer:**

(i) The guarantee of non-discrimination lies in the permit-slip procedure itself, because this procedure, in each case, specifies the shipments and reasons and scope. For example, vaseline for general purposes is subject to duty; vaseline for medicaments is duty-free. The only check operated by the customs authorities is to ensure that the goods imported in accordance with the permit-slip procedure are used for the purpose stated in the procedure.

(ii) The special tariff concessions are not granted to importers but to end-users for specific purposes. They are published in the Official Hungarian Gazette available to everybody.

(iii) Yes, the first qualification for tariff concessions is reciprocity. Hungary has a number of bilateral trade agreements where both sides grant each other, *inter alia*, tariff concessions. This is based on case-by-case judgment. Only where reciprocity is assured are concessions given.

34.* (i) Is Hungary in a position to state in concrete terms the specific purposes for which tariff concessions in Annex II are granted? Do these purposes vary from year to year?

(ii) Would the system of concessions continue even when the revised tariff has been completed, which is to be the basis for negotiations?
(i) Because of lack of time, it is not possible to explain position by position, the reasons for and scope of each tariff concession. Reference can be made to document 1/3301 (pages 27-28). Moreover, the Official Gazette of the People's Republic of Hungary specifies in advance the tariff quotas to be applied (see Edition No. 20 of 1 April 1970). The tariff concessions are not in contradiction with any GATT rule.

(ii) Hungary is prepared, during its accession negotiations to deal with each tariff concession, point by point, and is ready to negotiate on these matters if concessions are damaging the interest of any contracting party.

35. In respect of which tariff headings have there been tariff concessions or duty suspensions? What is the value of imports benefiting by these measures? Do such measures apply to imports from all countries or only to those from certain countries?

Answer:

(a) The headings with regard to tariff concessions in 1970 are listed under Annex 2.

(b) Annex 3 contains the enumeration of headings the duties of which have been partly or completely suspended in 1970.

(c) Due to the fact that the volume of imports depends on demands, the value of imports in 1970 benefiting from the above measures is not known yet.

In 1969, tariff concession (permit-slip) procedure and duty suspension was applied in the clearance of goods in a customs value of Ft 4,862,801,000. (Customs value = price plus costs to be borne in connexion with the goods up to the Hungarian border, i.e. transportation costs, insurance, etc. taken together and converted into forints by means of the price multipliers.)

36. Which are the 141 headings on which the duties have been suspended?

Answer:

See Annexes 1, 2 and 3.

37. How many applications have been submitted in pursuance of Article 7 of Decree No. 31/1967/KKE 1/1968 and how many of those applications were approved?
Answer:

In 1968 220, in 1969 116 applications have been submitted in pursuance of Article 7 of Decree No. 31/1967. /Kk.E.1./1968./KRM and of Article 14 of 16/1969. /Kk.E.23./ KKM Decree replacing the former.

Of the applications accepted were:
ninety-one in 1968,
fifty in 1969.

38. Does Hungary guarantee that Decree No. 31/1967/KKE 1/1968, which ensures a certain flexibility in the operation of the customs tariff, will be applied without any adverse effect on the most-favoured-nation clause?

Answer:

Yes.

39.* Is Hungary prepared to abandon its tariff exemption system for co-operation agreements, particularly with respect to items which may be bound in its schedule after accession?

Answer:

When discussing the binding of tariffs, Hungary is prepared to assess its position in the light of the requirements of the GATT. It will also have to take account of its own trade interests. In some cases, the binding of tariffs will entail examination of existing trade agreements. In other cases, existing agreements will prevail. It is perhaps premature to state Hungary's precise position in this matter at this stage, but Hungary is prepared to discuss with any interested contracting party and to seek satisfactory solutions.

40. (i) Document L/3301 yields an impression that a special price multiplier is applied for calculation of tariffs. What is the meaning of "customs rate of exchange"? (page 27 of L/3301)

(ii) What is the meaning of the expression "customs surcharge" introduced by Joint Decree No. 9 of 21 December 1968? (Page 23 of L/3301.)

(iii) Is the rate of exchange in force for customs operations (page 27 of L/3301) the same thing as the price multiplier or are those two separate processes, which would mean that when foreign currencies are converted into Hungarian currency, the price multiplier and the rate of exchange would be applied simultaneously?
**Answer:**

The basis of the calculation of the customs duty charged on goods imported in foreign trade transactions is the customs value of the goods. The customs value of the goods is its foreign price and the aggregate costs (transportation, insurance, packing, commissions) of delivering it to the Hungarian border.

The customs value of the goods expressed in foreign exchange is converted into forints on the basis of the foreign currency rate valid on the day of internal customs inspection.

The aggregate sum of the foreign currency exchange rate of the Hungarian National Bank, supplemented with surcharges, and of the customs surcharge totalling 100 per cent of the former, figures as foreign currency customs rate of exchange.

The customs surcharge is stipulated in pursuance to Decree No. 9/1968. /XII.21./ KKM-PM.

41. What are the inter-State agreements mentioned in L/3301, page 36, section (d)?

**Answer:**

These inter-State agreements are concluded with socialist countries with which trade is conducted in a régime of directive quotas and fixed prices; for details see point 18.

3. **Import policy, planning and bilateral agreements**

Preceding the answers to the questions hereunder, we would wish to draw the CONTRACTING PARTIES' attention to the following. A part of the questions submitted deals with the trade relations existing between Hungary and the socialist countries. The Hungarian side has studied in detail the agreements concluded with the GATT contracting parties by those socialist countries which may be considered as contracting parties with full rights. These agreements do not contain any special procedure or obligation regarding relations the socialist countries maintain among each other. Since the Hungarian side's relations with the socialist countries are built upon identical principles and methods, our answer in connexion with this question corresponds to the communications already made by the socialist countries in question.

42. What does the Hungarian Government see as the rôle for bilateral trade arrangements if their application to become a GATT Member is successful?
Answer:

Hungary has valid bilateral agreements with numerous contracting parties at present. The Hungarian side regards these bilateral agreements as useful, with a view to mutual advantages. The question, whether or not to maintain bilateral agreements, strongly depends on whether or not the contracting parties with whom such bilateral agreements exist, continue to wish to maintain them.

43. Are there provisions in bilateral trade agreements, and/or other trade commitments with other countries, which require given levels of bilateral trade? How is the level of Hungary's trade established? Does Hungary plan to request an exception in its accession protocol or a GATT waiver to accommodate its existing obligations? If it becomes a contracting party, how are provisions of bilateral agreements or other foreign trade commitments enforced on Hungarian firms?

Can the Hungarian Government explain their system of centralized purchasing procedures in their trading arrangements with certain foreign countries and its implications for other suppliers to Hungary?

Answer:

Bilateral trade agreements do not provide for compulsory levels; they establish quotas which are either directive or merely contain obligation for the two sides for issuing the necessary licences, or are merely indicative. Inter-State agreements are not binding on Hungarian enterprises, they are binding only on the Hungarian Government.

In connexion with the binding quotas of bilateral trade agreements we should like to point out that they represent in the first line an inter-State fixing of the contracts concluded by enterprises on the basis of market research. Consequently in these cases there is no question of giving orders by the authorities independently of the interests of enterprises. The actual situation is that everything agreed upon previously in the form of contracts between enterprises becomes an intergovernmental obligation.

So far as the question of a possible waiver or exemption is concerned, a definite answer can be given only following further examination.

44.* Can information be given as to how "inter-State agreements ... binding on the Hungarian Government" but "not binding on Hungarian enterprises" are implemented in fact? How are the instructions required for the implementation of the bilateral agreements conveyed by the Government to the enterprises? Similarly, how are the central plan's directives relating to foreign trade transmitted to the enterprises? To what extent are they binding on them?
What latitude is given to the enterprises to decide on their own imports?
How can bilateral agreements with "directive" or "binding" quotas be described as not providing for compulsory levels of imports?

Answer:

Statement on Hungary's planning and import policy

I would now like with your permission to go on to the problem of correlation between the plans and the behaviour of the Hungarian enterprises. Although in our Memorandum and in previous unofficial meetings, we tried to give a full picture, I think it is very useful if this question is again restated in order to give an even more clear picture of the existing situation in Hungary.

The plan of national economy, the so-called five-year plan, is approved by the Parliament and is binding for the Government which is solely responsible for its implementation and which has the sole responsibility for the implementation of the economic policy.

One of the characteristics of the economic mechanism of Hungary is that the plans are not broken down to relevant ministries or to enterprises. Ministries do not receive plan directives or any other commands in that respect, so they cannot pass any commands on to the enterprises. The ministries, supervising the enterprises, define in broad lines the limits of the activity of the enterprises. The detailed definition of the activity of the enterprises lies within the sole responsibility of its director. The manager or the director of the enterprise is alone responsible for the setting of each production plan for the plan of distribution, and is alone responsible for the conclusion of contracts with enterprises in Hungary or abroad, within the limits of the legal regulations. The director of the enterprise is solely responsible for the definition and repartition of the elements of production in his enterprise - assets, labour, etc. He has the sole responsibility to define the salaries and the policy as to the salaries within the enterprise, within the framework of the existing legal regulations. It is the sole responsibility of the director of the enterprise to set the programme of the technical development of the enterprise, to use for this end the development funds of the enterprise, to call on credit facilities for this development. The director of the enterprise is solely responsible for the pricing and price policy of his enterprise within the limits of the legal regulations. It is the sole responsibility of the director of the enterprise to set the internal rules of the enterprise, to determine the working time, all this naturally within the limits of the existing legal regulations.
I would now like with your permission to turn to the second general question in this respect and this is how this situation influences the conclusion and execution of the trade agreements concluded with centrally-planned socialist countries.

There is no set level for this trade with the centrally-planned socialist countries. The bilateral quotas which figure in these agreements come into being as follows: the enterprises based on their own experience and on their own links propose themselves what they want to import, in what quantities from a given socialist country and what they intend to export and in what quantities. The enterprises put forward these proposals according to their own commercial considerations. The elements of these considerations broadly speaking, are the following: the profits of the enterprises, the advantages deriving from long-standing commercial links, delivery terms, prices and payment conditions. In the majority of the cases, the so-called compulsory quotas are nothing else than the consolidations of these wishes and proposals put forward by the respective enterprises.

In cases when, after concluding the inter-State agreements, a real import requirement ceases to exist, or there is no longer a real possibility for exportation, there will be no sales or buyings under this quota. The problems of imbalance caused by these shortcomings will be bridged over yearly on an inter-State level during negotiations with the respective countries, either with supplementary deliveries or buyings, or with the transfer of rubles to cover this imbalance or with other means.

In cases where the overwhelming national interest prescribes that some exports or imports should be fulfilled in respect of these countries, the existing laws provide, as an exceptional measure, to give compulsory instructions to the enterprises. In these cases, the law provides for the possibility that the State should refund eventual losses. The possibilities for these measures are, as you will understand, very limited, partly because of budgetary reasons, partly because these measures are essentially contrary to the economic mechanism in Hungary.

We had other questions related to enquire what are the reasons which prompted the Hungarian Government to give special credit facilities for the importation of goods coming from socialist countries. My answer to this is the following: the Hungarian Government, to give you an example, regards its overwhelming national interest to secure for agricultural goods and foodstuffs as huge a market as the Soviet Union and the other socialist countries, and it is in the overwhelming national interest of Hungary to keep these markets, to secure these markets for a long period, the more so as in another big market in Western Europe, with no less capacity for import, these exports are subject to uncertainties and nobody can safely say, even from one week to another, if these exports are feasible on economic grounds or not. In the case that this other big market will grant the
same long-term facilities for the absorption of these exportable goods of Hungary, the Hungarian authorities, if such a need arises, are prepared to give similar considerations to imports from these markets too. This is the reason why the Hungarian authorities thought it fit to grant special import preferences in the credit field for some goods coming from some socialist countries.

45. In bilateral trading agreements with CMEA countries, we understand Hungary enters into bilateral obligations to export and import specific products and commodities in specified quantities and values. Since lists of items imported under the terms of these agreements amount to about two thirds of total Hungarian imports, it would appear that Hungary is in a position to extend real most-favoured-nation treatment to only about one third of Hungarian imports, i.e. imports not covered by these barter-type agreements. We would appreciate the views of the Hungarian authorities on how they intend to extend most-favoured-nation treatment to contracting parties on those items which have in the past been obtained primarily from non-GATT countries but which are also available competitively from GATT countries.

Answer:

We would refer to the introductory remarks in connexion to the answers pertaining to this chapter.

The last part of the question says that "We would appreciate the views of the Hungarian authorities on how they intend to extend most-favoured-nation treatment to contracting parties on those items which have in the past been obtained primarily from non-GATT countries but which are also available competitively from GATT countries".

In connexion with this part of the question the Hungarian authorities would like to note that in the future, just as in the past, there will be no obstacles which would prevent GATT countries from selling in Hungary their products offered under competitive conditions, regardless of the fact whether or not these items are also imported from non-GATT countries.

46.* Is it not true that a major difference between the treatment of imports from convertible-currency countries and socialist countries lies in the better credit facilities granted to imports from the latter?
Answer:

There are two possible cases where credit is granted.

(i) Where it is in the overwhelming national interest for a particular product to be imported into the economic and industrial life of the country, but the importing company lacks the necessary funds. In this case, the Government may grant credits irrespective of the origin of the product.

(ii) Where it is in the interest of the Government to fulfil a long-term trade agreement with a socialist country in view of the necessity of having a regular source of supply of some essential products.

In fact, machinery and equipment from market-economy countries are normally offered on credit terms. Such credit terms are not provided for in the bilateral trade agreements between socialist countries which do not have this sort of credit system between companies. For this reason, Hungary through its State Bank gives, and will continue to give, credit terms for machinery brought in socialist countries. The terms of the credit are not specially favourable.

47. In several of Hungary's current bilateral trade agreements with market-economy countries, quotas are in effect which provide limited access for Hungarian goods to these markets. In negotiation of annual protocols establishing these quantitative limitations, Hungary is presumably expected to make provision on a bilateral basis for improved access to the Hungarian market:

(a) What kind of bilateral trade concessions does Hungary extend in return for improved access to such market-economy countries?

(b) To what extent does the Hungarian Government give direction to the foreign trade enterprises on sourcing of imports in order to take into account these bilateral trade obligations?

Answer:

Hungary does not wish to apply quotas of a restrictive nature. Quotas of a restrictive nature are only applied in cases where restrictions are applied against Hungarian exports. If the restrictions are removed, the country's imports will shape according to actual requirements and commercial considerations. In such cases, the quotas applied to market-economy countries become indicative in nature.

In reply to paragraph (b) of the question we refer to the Memorandum that provides a clear information to the effect that the Hungarian Government does not give direction to the foreign trade enterprises on sourcing of imports.

48. (i) Are quotas with market-economy countries also compulsory?
(ii) Has a Hungarian firm freedom to buy from any source, if the product is also produced in Hungary?

Answer:

(i) The obligations in bilateral quotas are mutual undertakings to permit imports from Hungary and vice versa to the extent of the quotas.

(ii) If the product is made also in Hungary, it must be produced at a competitive price; otherwise it cannot be sold.

49. *(i) As regards consumer goods, what are the considerations which motivate buying enterprises to buy in a particular market?

(ii) How can, for example, a housewife influence the market?

How can a foreign manufacturer make it known that he can supply a product at a low price?

Answer:

It is the end-user or consumer who determines this matter. Several companies for internal trade are engaged in direct purchasing, having the right to import directly from any source. The other distributing companies rely on the services of a number of specialized companies for industrial or non-industrial consumer goods. About 85 per cent of the actual buying where the end-user is not the importer is conducted on a commission basis by the foreign trade company, or is in a business where the profits are shared. The choice lies with the end-user accordingly - the distributing company which is influenced by the profit motive. The preferences of consumers obviously plays a major rôle in influencing the distribution company in determining import sources.

The distribution companies in Hungary are functioning in the same manner as those in market-economy countries apart from the fact that they are State-owned or co-operatives. However, the mechanism is the same.

The Government aims to reconcile the needs of the consumer with those of the economy and is making progress in this respect.

A foreign company can advertise in every Hungarian newspaper. It can also advertise in cinemas and on television and can send representatives to Hungary to promote the goods and indeed engage in other forms of publicity.

50. * In some bilateral agreements with western countries there are indicative, as well as directive, quotas. In the case of the former, which are represented as an upper level for Hungarian imports of consumer goods, what is the exact significance of these upper levels? Can the Hungarian delegation confirm that they are not compulsory ceilings and that no action will be taken to restrict the imports in question if they exceed the upper levels?
Answer:

See reply to Question 44.

Hungary is prepared to continue a liberal import policy if the following requirements are met:

(i) The Government is not compelled for balance-of-payments purposes to restrict imports;

(ii) There is no discrimination in application of quantitative restrictions against Hungary.

Hungary invites those countries which operate quantitative restrictions against it, or which stop imports when the bilateral quota has been reached, to eliminate these discriminatory restrictions.

51. Would Hungary be prepared to provide data on all current bilateral trade agreements as well as economic, industrial and technical co-operation agreements?

Answer:

Hungary is prepared to provide data on every bilateral agreement, on the conclusion of which the sides expressly or tacitly agreed on making the agreement public, or in those cases when the publication of the agreement does not violate the practice of the country concerned which concluded the agreement with Hungary.

4. Licensing system and quantitative restrictions

52. (i) What are the criteria governing the issue of licences?

(ii) Is the granting of import licences always subject to the same conditions? When such licences are granted, is account taken of the country of origin of the commodity which is being imported? In what circumstances is a "general licence" granted, and in what cases an "individual licence"?

(iii) Which products are subject to individual licensing?

Answer:

In judging licence applications, the Minister of Foreign Trade examines the necessity of a transaction from the technical point of view and its commercial terms only if it is necessary with a view to protecting the equilibrium of the home market or other national economic interests.
If a country enacts legislation or pursues a practice that is contrary to the agreements it concluded with the Hungarian People's Republic or that has a discriminatively adverse effect on trade with the Hungarian People's Republic, the Minister of Foreign Trade may restrict the validity of the licences already granted in connexion with those countries, or may withdraw the licences already issued. The Minister of Foreign Trade judges the licence applications considering valid legislation, inter-State agreements and foreign exchange regulations.

The Minister of Foreign Trade grants a general licence

(a) for goods figuring in a list issued by him. Until this list is made public, the annex to Decree No. 6/1955./Kk.E.4/KK (published in "Kilkereskedelmi Ertesito" - Official Foreign Trade Journal) enumerates the goods for which the Minister of Foreign Trade grants general import licence;

(b) for goods listed in the directive quotas of inter-State agreements;

(c) for the export of samples not exceeding the individual value of Ft 1,000;

(d) for the export or delivery of gifts not exceeding the individual value of Ft 1,000.

The Minister of Foreign Trade grants individual licences for the import, export, or any other trade transaction in connexion with goods that do not fall under general licensing.

The Minister of Foreign Trade additionally grants individual licences

(a) if the goods are imported on the basis of tender;

(b) for the conclusion of contracts in connexion with the protection of industrial property;

(c) some bilateral trade agreements contain directive ("compulsory") quotas and non-directive quotas as well. Individual import licences are required for imports under the non-directive quotas in these bilateral agreements;

(d) for goods delivered abroad or imported from abroad on commission basis;

(e) for purchasing at home goods brought in for exhibitions and displays, and for selling abroad goods exported for the same purpose;

(f) for jobwork and other servicing transactions;

(g) for specialization and production co-operation with foreign enterprises.

The Minister of Foreign Trade can order the granting of individual licences for goods that belong to the régime of directive ("compulsory") quotas.

(b) **Statement on Hungary's licensing system**

The question has been raised what are the means other than tariff, to influence imports from contracting parties to Hungary. If I am not mistaken, this question relates directly to the import licensing system.
Two questions can be legitimately put to us:

(a) is the import licensing system restrictive in its character, or application;
(b) is it applied without discrimination.

As to the character and application of the import licensing system in Hungary, first of all I would like to refer to the relevant parts of our Memorandum and to the replies given to the questionnaire of the contracting parties.

In order to help the assessment of the impact of the import licensing system in Hungary, it can be stated that at present it is non-restrictive and non-discriminatory, i.e. it is in full accordance with Article XX(d) and Articles XI, XII and XIII of the General Agreement.

The application of the import licensing system has not resulted in a decrease or stagnation of our imports. Imports from the contracting parties have risen from Ft 38.8 billion in 1968 to Ft 42.1 billion in 1969. Since 1 January 1968 the sum of the import licences has increased more rapidly than the actual imports. Imports represented approximately 90 per cent of the sum of import licences, as a whole, imports from the convertible currency area made up 84.5 per cent of the sum of licences issued in 1968 and 82.3 per cent in 1969.

The total sum of the import licences issued in 1970 was considerably higher than the bilateral quotas set up in trade agreements with some contracting parties.

The following data illustrate this situation:

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<tr>
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</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>55.4</td>
<td>150.3</td>
</tr>
<tr>
<td>Germany, F.R.</td>
<td>788.3</td>
<td>817.7</td>
</tr>
<tr>
<td>Austria</td>
<td>330.4</td>
<td>699.5</td>
</tr>
<tr>
<td>Italy</td>
<td>582.3</td>
<td>629.7</td>
</tr>
<tr>
<td>France</td>
<td>255.4</td>
<td>310.7</td>
</tr>
<tr>
<td>Netherlands-Belgium</td>
<td>198.8</td>
<td>320.4</td>
</tr>
<tr>
<td>Spain</td>
<td>53.9</td>
<td>63.1</td>
</tr>
</tbody>
</table>

The only quantitative restriction applied in our import originating from the contracting parties is a global quota set up for the so-called industrial consumer goods.

The sum of the global quota for 1970 is $28.7 million and for 1971 it is $35 million, i.e. higher than the total of the quotas for industrial consumer goods set in the bilateral trade agreements.

This global quota applies only to goods paid for in convertible currencies; consumer goods paid for in other currencies or bought by means of barter transactions are not subject to quantitative restrictions.

The global quota is not broken down to commodities, it is put to the disposal of the Ministry of Internal Trade, which hands it over to the enterprises and supervises its use. These licences are used by the enterprises according to such criteria as to meet the demand on the home market, to diversify and amplify the range of consumer goods.
Other consumer goods, as textiles, building materials, etc. are not subject to quantitative restrictions when imported for further transformation (clothes, building, etc.).

The sum of consumer goods in the import of Hungary from the contracting parties has been increasing for many years, especially since 1 January 1968.

<table>
<thead>
<tr>
<th></th>
<th>1968</th>
<th>1969</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ft 3,880.0 million</td>
<td>Ft 4,348.1 million</td>
<td></td>
</tr>
</tbody>
</table>

It is the intention of the Hungarian authorities to carry on a liberal practice, provided that balance-of-payment difficulties will not compel them to apply restrictions, and provided that no discrimination is applied in the quantitative restrictions maintained by some contracting parties against Hungary.

53.* Does not the fact that ceilings on imports exist, even if they are only indicative, imply that the licensing system is restrictive?

Answer:

Hungary maintains that its import licensing system at present is non-discriminatory and non-restrictive. The only restriction applied in the licensing system is the restriction on industrial consumer goods as elsewhere described. In that respect, the system can be dealt with under the relevant rules of GATT.

54.* (i) Where a Hungarian firm wishes to import a given product, and to that end approaches a Government enterprise specialized in external trade, is it the firm or the Government enterprise which applies for the import licence to the Ministry of External Trade?

(ii) When an enterprise has obtained a general licence to import a product which appears on the list of the Ministry of External Trade (cf. paragraph (a) of the reply to question 52), does it have the right to import that product from any country in the convertible currency area?

Answer:

(i) The foreign trade enterprises.

(ii) Yes.
55. What does the expression "technical point of view" in the first paragraph of reply to Question 52 mean?

Answer:

The meaning of the reply is that the necessity is examined only with a view to assessing whether the import would perturb the equilibrium of the whole market or other economic interest.

56. Is a list of goods subject to general licence available?

Answer:

It is published in Hungarian in the Official Foreign Trade Journal. This publication is freely available.

57. In what order are licences issued? Are there any enterprises which enjoy priority?

Answer:

The order of issuing import licences does not depend on who the applicant is; there is no priority, the licences are issued in the sequence of applications.

58. (i) Is it intended to retain the present import licensing system and import restrictions? Are charges for all import licences the same? If not, how do they differ by country of origin?

(ii) Is it true that an administrative tax of 2 per cent has to be paid when a request is made for an import licence from a country with convertible currency?

(iii) Do the Hungarian authorities, in view of the provisions in Article XI, intend to abolish import licences or is it the intention to refer to balance-of-payment reasons according to Article XII or Article XVIII:B, providing for periodic consultations and provision of full data?

Answer:

For the present we do not intend to adopt any changes in the existing import licensing system.

The charges for the import licence are the same in all cases, pertaining to imports from non-ruble markets (2 per cent of the import value, instituted on 1 January 1969).
Here again, the Hungarian side is willing to discuss this question, like any other question, in the Working Party.

59. * Could the reply to question 58 be supplemented with information as to how import licence charges for imports from ruble markets differ from those for imports from non-ruble markets?

**Answer:**

There is no licence fee for ruble countries.

60. * In view of the fact that Hungary intends to retain its licensing system, does it intend to invoke Article XII or XVIII:B?

**Answer:**

The only restriction in the licensing system is with respect to industrial consumer goods. If Hungary becomes a contracting party, it will have to justify this before the CONTRACTING PARTIES invoking the relevant articles.

61. How does the licensing system make possible "influencing of the fulfilment of Government obligations assumed on a reciprocal basis in the bilateral agreements" (page 13 of L/301)?

**Answer:**

Quotas agreed upon in bilateral agreements concluded with market-economy countries entail the obligation to issue import licences up to the value of the quota, in case of actual requirement. This obligation is taken into consideration in the licensing procedure.

62. * The reply to question 61 states that "quotas agreed upon in bilateral agreements concluded with market-economy countries entail the obligation to issue import licences up to the value of the quota, in case of actual requirement". Does this mean that "directive" or "binding quotas" are only to be found in bilateral agreements concluded with countries with centrally-planned economies, while with market-economy countries licences are issued only "in case of actual requirement"? How does the licensing system make possible the "influencing of the fulfilment of Government obligations assumed on a reciprocal basis in the bilateral agreements" with centrally-planned economy countries?

**Answer:**

See reply to question 44.
63 * Are the amounts of licences actually granted to Western countries determined according to the wishes of the enterprises?

**Answer:**

As far as the decision-making process of the enterprise is concerned, the behaviour is the same whether goods are coming from market-economy or socialist countries. It is the enterprises themselves which set the level of the actual imports exceeding bilateral quotas coming from a number of contracting parties. The Government has issued, on the request of the enterprises, a greater number of licences than the enterprises themselves have used. This clearly indicates that the decision whether to import lies solely with the enterprise. Hungary reserves the right to investigate further the question whether the existence of quantitative indications is contrary to the GATT.

64 Outline the characteristics of individual and general import licences and basic differences. Are global licences, referred to in page 13 of document L/3301, the same as "general" licences and, if not, what are the differences?

Are "individual" licences issued on a country, on a geographical, or on a currency area basis? Are general and/or global licences automatically open on an equal basis irrespective of currency area and exchange availability?

**Answer:**

Decree No. 3/1967. /XI.26/KKM specifies two kinds of licences: individual and general.

The individual licence authorizes the conclusion and transaction of the foreign trade deal it refers to. General licences cover a defined range of goods (see also our answer to point 83) and they authorize to conclude and transact deals up to the value of the licence.

65. (i) Despite decentralization of decision-making on imports through the various measures introduced in Hungary since 1 January 1968, the Hungarian Ministry of Foreign Trade will still have at its disposal the ability to maintain full control over sourcing of imports through allocation of import licences. What measures will the Government introduce which will ensure that contracting parties receive improved terms of access, on a non-discriminatory basis, to the Hungarian market for their products?

Some indication is requested as to the procedure by which Hungary decides what to import and whether or not a policy of export promotion in Hungary can influence this. Does the import licence system render export promotional activities superfluous?
(ii) The Hungarian Government has indicated that the holder of an import licence is entitled to buy the required amount of foreign exchange from the national bank. What is the basis for granting individual licences as between convertible currency and non-convertible or ruble-settlement countries respectively? Is any preference given to sources which do not involve convertible currency expenditure?

Answer:

We are not planning any essential changes in the licensing system.

No preference is given in granting import licences with a view to either the country of origin or country of transaction, nor with regard to the type of currency involved.

The foreign currency necessary to carry out trade transactions - on the basis of both individual and general licences - can be purchased without any special permit in accordance with foreign currency regulations.

66. How does the response to question 65, "no preference is given in granting import licences with a view to either the country of origin or country of transaction, nor with regard to the type of currency involved," conform with the reply to question 83?

Answer:

As evidenced by the data furnished by us, the amount of import licences issued was higher than the actual imports. The issue of import licences puts an obligation on the National Bank of Hungary to reserve the necessary foreign exchange. This system has been introduced to ensure that foreign exchange reserves are not unprofitably tied up.

67. May producing enterprises performing foreign trade activities retain foreign exchange earned from these activities? If so, what portion may be spent on their own import requirements; is this portion of their import subject to licensing? And if so, is the granting of licences facilitated by the fact that required currency is earned through the enterprises' own activities?

Answer:

There is no retention quota system in Hungary.
68. How does the Hungarian Government reconcile, on the one hand, the statement that the vast majority of imports are transacted on the basis of "global" licences empowering foreign trade transactions to take place with "any country", with, on the other hand, the use of licensing to control and influence the fulfilment of bilateral obligations as well as to safeguard the balance-of-payments situation?

**Answer:**

The value of general licences is higher than the value of the quotas figuring in the agreements concluded with market economy countries. Therefore the system of general licences is more liberal than the bilateral system; however, it has an autonomous nature.

The licensing system is not bound by any international or bilateral obligation. Licensing is therefore autonomous as opposed to contractual.

69. What percentage of Hungarian imports from GATT countries is transacted on the basis of global licences?

**Answer:**

Approximately 60 per cent.

70. What are all the particulars included on the application form for import licences?

**Answer:**

- name and address of enterprise
- name and address of foreign buyer/seller
- country of origin
- contracting country
- terms and conditions of payment
- date of payment
- denomination of goods and heading number
- quantity
- unit price
- value of goods
- transportation costs
- origin of forint funds from which the necessary foreign exchange is bought (from central budget, bank credit, from own resources of enterprise).
71. Why are enterprises required to state the source of the forint resources needed to pay for imports? Has the source of such resources any influence on the decision to grant the licences and, if so, in which direction?

**Answer:**

Although this question figures in our import forms, it has an influence on the decision to issue a licence only in the case of investments made from the enterprise's own funs. The Hungarian authorities seek this information to ensure that the enterprise has adequate funds.

72. It is stated on page 13 of L/3301: "There is no fixed time-limit for presenting applications or issuing licences." Does this mean that the authorities could take no action on a licence application for an indeterminate period, and without giving any reason?

**Answer:**

In Hungary there are no licensing periods by year, quarter, etc. so that an application for an import licence can be submitted at any time.

The time-limit for deciding on the licence applications is regulated by Law No. IV of 1957 dealing with the rules of State administration procedures. This Law stipulates a thirty-day time-limit which may be extended, in justified cases, to another thirty days. Thus, within a maximum of sixty days counted from the date of submitting the application, an answer must be given to the application.

73. Is the system of import licences used only for currency controlling purposes? What guarantees can be given that no other factors than best commercial conditions will decide the choice of buying source (exporting country)?

**Answer:**

The system of import licences is not used for currency control. If the contracting parties mean by currency control the safeguarding of balance-of-payments situation, then the contents of point 52 answer this question.

74. What are the goods the importation of which to Hungary is subject to quantitative restrictions?

**Answer:**

Electric energy, automobiles, foundry and furnace coke, fertilizers, consumer goods.

The range of limitations has been gradually diminished compared with previous years.
75. Is it the case that the importation of products subject to quantitative restrictions requires the issue of an individual licence?

**Answer:**

Yes.

76. What are the existing quotas for imports from free currency areas? (L/3301, page 14.) How are these quotas allocated? Are the quota allocations and any amendments thereto published?

**Answer:**

<table>
<thead>
<tr>
<th>Product</th>
<th>Quota</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foundry and furnace coke</td>
<td>100,000 tons</td>
</tr>
<tr>
<td>Fertilizers</td>
<td>10,600,000</td>
</tr>
<tr>
<td>Consumer goods</td>
<td>28,700,000</td>
</tr>
</tbody>
</table>

77. Could the reply to question 76 be supplemented with information as to how import quotas are allocated among sources and among importing enterprises? Are such allocations (and amendments thereto) published? Is the list of products submitted to quantitative restrictions, as given in this reply, exhaustive? What are the products included under the heading "consumer goods", and what are the amounts of the import quotas provided for each of these products?

**Answer:**

Non-industrial consumer goods, for example, coffee, spices, citrus fruit, are not subject to quantitative limitation. Further, goods purchased in non-convertible currency or by barter, whatever their character, are not subject to quantitative restriction. Goods, whatever their character, which are not destined for final consumption are not subject to restriction.

All other products of an industrial character, including those intended for direct consumption are subject to quantitative restriction by global quota. The Ministry of Internal Trade allocates this global quota among enterprises in accordance with their requests.

There are several distributing enterprises specializing in different types of product. These enterprises determine the purchases according to the demand on the internal market.
78. Does not the Hungarian Government agree that the fact that imports of certain commodities are subject to quota only when they come from countries with convertible currencies is a form of discrimination against those countries? In particular, is Hungary prepared to indicate the consumer goods concerned and the amount of the quotas?

Answer:

The quotas of consumer goods cannot be taken as discrimination. In this connexion we should like to point out that during the last two and a half years we made several easing steps (increases).

In the course of the negotiations we are ready to indicate the quotas for consumer goods.

79.* Since quotas apply only to market-economy countries, does Hungary consider they are compatible with Article XIII? Can an estimate be given of the percentage of restrictions involved?

Answer:

This question should be considered in connexion with exchange regulations and the declaration Hungary is willing to make in this regard in the Protocol. (See answer to 18.) Hungary adheres to Article XIII providing for non-discriminatory administration as well as to Article XIV containing the exceptions to the rule of non-discrimination. Hungary is willing to discuss this question again and believes the restrictions can be defended under Articles XIII-XIV. Restrictions on goods from developed market-economy countries are temporary and are imposed for balance-of-payments reasons. The whole economic policy and the whole import policy of Hungary is directed towards the full liberalization of imports from every source. It is not possible, however, to reach a situation of full liberalization very quickly.

Approximately 5 to 6 per cent of total imports from the convertible currency area is involved in the procedure of quantitative restrictions.

5. Import deposit

80. Is the Hungarian system of import deposits operated on a most-favoured-nation basis?

Answer:

Yes.

For its application, see page 14 of document L/3301.
81. What is the present level of the import deposit? On what tariff items can it be charged? How does the system operate? If Hungary becomes a GATT contracting party, how would it justify such a system under the GATT?

Answer:

In 1968 the import deposit was 150 per cent, in 1969 100 per cent and in 1970 50 per cent of the price of the goods concerned, calculated into forints at the foreign exchange customs currency rates. The deposit is tied up for a two-year period and no interest is paid on it.

As a result of improvement in Hungary's balance-of-payments situation arising from the reform of economic management of 1 January 1968, it has now become possible for Hungary to ease the great part of its foreign trade and exchange limitations. As part of this policy, the rate of import deposit is being reduced to 0% as of 1 January 1971.

The regulations concerning the deposit are the following: Decree No. 165/1967./PK.39./PM modified by Decree No. 103/1969/PK.7,/PM enacted by a Circular of the National Bank of Hungary No. 2/1970.MNB (published in "Penzügyi Közlöny").

See also the remarks made in connexion with the country's balance-of-payments situation.

82. Can the Hungarian authorities indicate when the system of import deposits will be abolished? Is the intention to change this system in any way in case of accession to GATT?

As pointed out in the reply to question 81, the rate of import deposit is being reduced to 0% on 1 January 1971. The system of import deposits is, however, being maintained in order to meet contingencies.

6. Price multipliers and exchange rates

83. Do Hungarian exchange rates and/or foreign trade price multipliers vary with country and/or product? Do they vary among GATT contracting parties? What exchange rate(s) and multiplier(s) apply now to contracting parties? If they vary, does Hungary intend to adopt uniform ones? If Hungary becomes a contracting party, and if it then applies any of its exchange practices in such a way as to discriminate among contracting parties, how does it intend to justify them under the GATT?

Answer:

For the time being Hungary is applying price multipliers instead of exchange rates in all areas of foreign trade transactions.
The price multipliers have been set on the basis of the effective costs of producing the foreign exchanges in the two main currency areas of Hungarian foreign trade: in ruble and dollar area. Within the value of the multipliers, the calculation of the various foreign currencies is done according to the official parities (i.e. expressed in forints, $2.20 is equal to £1, $1 is equal to DM 3.66, 26 shillings, Bft. 50, etc.). Accordingly, the price multiplier does not vary according to countries, to export or to import, to products; there is no discrimination among the contracting parties.

In the non-commercial turnover - particularly in tourism - instead of the multiplier a forint rate with a surcharge is valid. For the currencies of the non-ruble turnover this corresponds to a half of the value converted with the price multiplier, and it is not discriminative.

The difference between the two has its origin in the Hungarian system of internal taxation and reflects the difference between the price level of home production and consumption.

84.* Is it the case that the customs rate of exchange (L/3301, page 27) is the same as the price multiplier, that is Ft 60 to the dollar?

Answer:

Yes.

85.* Is it the case that the customs rate of exchange and/or the price multiplier are calculated as follows:

(i) Exchange rate of the Central Bank: Ft 11.74 (approx.)
for $1

(ii) Surcharges: Ft 18.26 (approx.)
(Sub-total) Ft 30.00 (approx.)

(iii) Customs surcharge (= 100 per cent of the sub-total) Ft 30.00 (approx.)

Customs rate of exchange and/or price multiplier (= sum (i), (ii) and (iii)) Ft 60.00 (approx.)

Answer:

Yes.
86.* Is it the case that the rate of exchange (including a surcharge) for non-commercial transactions is Ft 30 to the dollar?

Answer:

Yes.

87. What is the amount of the price multiplier for payments in rubles and for payments in dollars? Is this relationship liable to be changed in certain specific cases, and if so, in what cases?

Answer:

The amount of the price multiplier is Ft 60 per dollar for payments in dollars and Ft 40 per ruble for payments in rubles.

The above relationship of the price multipliers is constant and is used in all cases except the non-commercial turnover.

88. According to document L/3301, two basic price multipliers are applied for the forint, i.e., one with regard to the dollar and one for the ruble. Are all commercial transactions with the West effected in dollars? If not, what rules are applicable for establishing the relation between the forint and other convertible currencies? Is the same multiplier applied for imports as well as exports concerning the same country?

Answer:

Trade transactions with market economies can be effected in any currency that is convertible into dollars. Based on the price multiplier, the relation between the other currencies is established in accordance with the official gold contents.

As the same price multiplier is applied for exports and imports, consequently, the same export and import multiplier is applied to each country.

89.* Because of the difference between the basic price multipliers described in reply to questions 83 to 88, is there not discrimination among contracting parties to the General Agreement in that a few are in the ruble area?

Answer:

Hungary does not consider that discrimination exists in the conversion rates of the two currencies into forints. Further, it is considered that the practice complies with Article VII:4(b) of GATT.
90. In connexion with the latter part of question 38 it would be interesting to have confirmed that the account given in the Memorandum regarding price components for imported goods in the Hungarian market is equally valid if the goods are sold in competition with domestic or other production from State-trading countries.

**Answer:**

The price components for imported goods is the same for every product, whether or not the given product is manufactured at home or is accessible from socialist markets.

91. On page 11 of document L/3301 mention is made of "calculated income"; what does this concept represent?

**Answer:**

The concept of "calculated income" mentioned on page 11 of L/3301 represents the following:

A price reform was implemented when the new economic mechanism was instituted (1 January 1968) and at the same time the uniform foreign trade price multiplier was also introduced. Prior to the introduction of the price multiplier, calculations were made already on the new price basis to establish the level of the price multiplier to be applied. The domestic prices used in this process, since at that time they were not valid yet, contained a so-called "calculated income". The level of the foreign trade price multiplier thus corresponds to a domestic price level that contains "calculated income".

7. Taxation

92. (i) Is there available any more detailed account of the turnover tax? Could the Hungarian authorities present information to GATT regarding the various rates of turnover taxation for various goods or groups of goods?

(ii) What is the amount of the ordinary turnover tax? Is it the same for imported commodities as for commodities produced domestically?

**Answer:**

The Hungarian domestic taxation system is made up of the hereafter enumerated components having been published in the official journal. These do not contain any kind of discrimination regarding imported or domestically produced products.
- Asset rent charged on the average amount of fixed and current assets used (stored) by enterprises.

- Salary tax and social security charges calculated on the amount of wages and salaries paid.

- Income tax, on the audited enterprise profit.

- Production (commercial) tax in certain cases on the surplus income of enterprises originating from specially advantageous conditions.

- Turnover tax according to the following:

  Turnover tax is charged on goods sold by the producer to the retail trade or directly to the consumers, ensuring desirable consumption prices as against manufacturing prices. Turnover taxes for this reason do not have an influence on the producers' prices, not even in the trade among producers, as the turnover tax is only charged on consumer goods and only when they are marketed.

  Turnover tax rates are published in the official journal as a Ministry of Finance Decree. The data are available to anyone. Turnover tax does not make any kind of distinction according to the origin - domestic or imported - of goods.

  According to the final auditing figures for 1969, the turnover tax revenue amounted to Ft 20,000 million.

93. (i) What is the total value of the amounts charged in 1968 and 1969 under the heading of "special import turnover tax"? Which products were subject to this tax? What was the origin of those products? What is the rate of the tax for each of the products concerned?

(ii) What is the more precise meaning of "A special turnover tax is applied for goods and countries where the tariff system cannot ensure the internal harmony between the price of the foreign goods and the prices of Hungarian internal market"? (Page 12 of L/3301.)

In more specific terms what is the meaning of the concept "internal harmony" as mentioned in section Ad(c) on page 12?

(iii) On the basis of what criteria is a special turnover tax charged on imports to Hungary? Does the origin of the commodity affect the matter, and if so, how?
(iv) How is the import turnover tax applied and calculated? Is it applied without discrimination as to source?

(v) Does the Hungarian Government consider that the special import turnover tax is operated consistently with Article III of the GATT?

(vi) How is the price equalization tax applied and calculated? Is it applied without discrimination as to source?

Answer:

Only and exclusively those goods that originate from ruble market countries are subject to import turnover taxation. A Ministry of Finance Decree orders its levying, the individual tax rates are handed down to the concerned in memorandums. With an aim to facilitate understanding we called this type of tax "special turnover tax" in the Hungarian Government's Memorandum to bar confusing it with the domestic turnover tax (see point q3).

The introduction of the import turnover tax was necessitated, first of all, because of the harmony of domestic prices, to ensure the "internal harmony". By this we mean that the price of many raw materials and a lot of consumer goods purchased on ruble markets, calculated into forints using the ruble price multiplier, resulted in a lower price than the price of goods produced domestically or imported from dollar markets. It would not be desirable that this substantial difference should appear in the domestic prices for completely identical raw materials or semi-finished products, due to the different purchasing prices existing on the two main markets. For this reason, the substantially lower main-market prices are elevated to the average level by applying import turnover taxation.

As is clear from what has been mentioned, the import turnover taxation primarily serves the interests of price unification, or normalizing market relations; it protects the domestic price level and not domestic production. Similarly to customs duty, the tax is charged on the value of the imported goods calculated on border delivery terms. Ruble prices are calculated into forints by the price multiplier.

94. * Could an explanation be provided of the rules for applying the special import turnover tax?
Hungary applies the special import turnover tax almost exclusively to raw materials and consumer goods. The application of the tax is related to whether a country has a centrally-planned economy, where a set of trading methods make prices inflexible with no room for meaningful application of the tariff.

95.* Is there a list of raw materials and consumer goods to which the special import turnover tax is applied?

Answer:

There is a list of goods subject to this tax. At an appropriate occasion, it will be supplied to the contracting parties.

96.* In reply to question 93 it is stated that "only and exclusively those goods that originate from ruble market countries are subject to import turnover taxation". The reply furthermore seems to imply that there are different tax rates. Do these rates vary by commodity, by exporting country, and/or by transaction? Are there any exemptions from import turnover taxation and, if so, on what grounds?

97.* Is the rate of special import turnover tax the same for all countries to which it applies? Is the rate calculated for a certain number of years?

Answer:

The tax is the same for every country with centrally-planned economy. The rate has been stable since 1966 for every product and every country.

98.* If the special import turnover tax is applied to socialist countries which are GATT Members and not applied to other Members of GATT, is it not contrary to Article III?

Answer:

Hungary is prepared to make a reservation, if necessary in respect of Article III as regards the special import turnover tax.

99. What is the tax reimbursement system mentioned in the 5 February 1970 press conference by the Hungarian Minister of Foreign Trade, and how is it applied?
The tax reimbursement system under preparation will give on the one hand the same terms of competition to the Hungarian exporters as to foreigners and will promote, on the other, the forming of an economical, unsubsidized system of Hungarian export.

This system will replace the present régime having only an experimental character.

100. Could the reply to question 99 be supplemented by more detailed information on the way in which the new tax reimbursement system will operate? To what goods will it be applied and what reimbursement rates will be used? What link exists between the reply to question 99 and the reply to question 113 (in particular the second paragraph on page 26 of L/3426)?

Since this new tax reimbursement system is still under discussion it is not possible to give detailed information on the subject. It may be stated, however, that it falls within the same criteria as Hungary's policy on subsidies. Hungary wishes to eliminate as soon as possible non-competitive activities from internal and external markets. The system is designed to encourage competitive undertakings. The change in the economic setting of the country is a lengthy process and is linked with major social problems. Every country has the right to resort to safeguards for social reasons.

8. Price policy

101. How are "fixed" and "free" prices defined, especially regarding allowable limits of fluctuations? What is the schedule for the further freeing of consumer prices?

Maximum prices fixed by the competent authority serve the interests of creating a consumers' price stability and regulating the real income of workers. As the equilibrium of the market of domestically produced consumer goods improves, an expansion of the free price forms is scheduled. The free price category is valid at present for imported manufactured consumer goods.
102.* (i) The Memorandum on the Hungarian foreign trade régime (L/3301) states that fixed prices constitute approximately 30 per cent of all prices. Is there any definite schedule for expanding the scope of the free price list?

(ii) How would Hungary deal with a situation where import prices, after payment of duties, differ from fixed prices? If the foreign product is at a lower price than the fixed price, would not imports be excluded? What would Hungary do in a situation where cheaper imports penetrated the market?

Answer:

(i) The stated aim of the Hungarian Government is to free all prices. The establishment of free prices is however related to many other economic problems. It is the intention of the Hungarian Government to increase the scope of free prices and reduce that of fixed prices, in due course.

Thirty per cent of all prices are fixed. Of this 70 per cent represent consumer goods. Some basic products are also subject to fixed price. In fact, fixed prices apply almost exclusively to foodstuffs and non-industrial consumer goods. The price of a product is dependent on costs, completely independent of whether the price is fixed or not.

(ii) Import prices do not fall within the scope of fixed prices. If, for example, the price of a particular product is fixed in Hungary, and a good from abroad is cheaper, then the foreign product can compete with the Hungarian one. Hungary welcomes low-priced goods. In its opinion, there is no substantial difference as regards price formation between a market economy and Hungary. Finally, no special measures, on the ground of prices, would be justified in drafting the conditions of accession of Hungary.

103.* Are the fixed prices maximum ones?

Answer:

In only a very few cases is the price fixed in the sense that it represents the exact price. In the majority of cases, fixed prices are maximum ones.
104.* Can it be confirmed that fixed prices are not applied to imported goods?

**Answer:**

The prices of imported goods are free.

105.* Does not the rate of the price multiplier affect imports?

**Answer:**

The question of the exchange rate or multiplier has nothing to do with the price mechanism. The question whether the exchange rate is a realistic one will be dealt with on another occasion.

106.* Does the system of fixed prices prevent competition from abroad?

**Answer:**

To examine this matter further, Hungary is prepared to supply the list of goods, the prices of which are fixed, and the price in each case. It should be mentioned that prices are often fixed for social reasons.

107. According to document L/3301, a free price mechanism is operating with regard to certain commodities. Does this mean that the same commodity can vary in price at different selling points in the same district?

**Answer:**

The Memorandum contains the range of free prices, see here Part II, 2 ad(d). Varying commodity prices can exist in the same district for the same commodity; however, in the case of commodities that have price limits fixed by the competent authority, a price higher than the limit cannot be applied.

108. What degree of competition will be allowed between imported and home-produced goods?

**Answer:**

The conditions of competition between domestic and imported products are regulated by the existing customs tariff. As the balance of payments improves, a stimulation of foreign competition may be regarded as an objective.
109. Will the Hungarian Government in coming negotiations with GATT Members, be prepared to discuss and possibly bind factors affecting the relationship between internal and external prices, such as price multipliers, tariffs, turnover tax and Government price policy?

Answer:

The Hungarian Government is prepared to discuss only questions regulated by the General Agreement on Tariffs and Trade and in the form it prescribes.

110.* (i) In the economies of the Eastern countries where there exist fixed prices, major discussions are being held on price reform. The whole problem revolves around the calculation of the costs. Hungary is in the same situation as the others and trades extensively with them. How are costs calculated in Hungary?

(ii) How does Hungary consider that there is a link between internal and external prices?

Answer:

(i) The cost of production embodies elements viz (a) wages; (b) raw materials; (c) amortisation, as well as profits. These are based on local costs.

(ii) Prices in Hungary are based on costs. External prices are based on internal prices, which in turn are based on costs. Export prices are based on the costs calculation and on the criterion of profit.

The subsidy system is applied by the Government too in a manner which induces companies to reduce their costs in order to be competitive on foreign markets or to cease a branch of activity if over the long term it cannot produce profitably.

111.* How are prices formed for exports? Are enterprises completely free in this respect?

Answer:

There is no obligation to make any particular sale. The enterprise makes its decision to sell according to the sole criterion of profitability. In this respect, it can freely choose to sell in the home market, in another socialist market or in a market-economy country. Whatever the market, profitability is measured in terms of local forints (i.e., after conversion on the basis of 1 ruble = Ft 40, $1 = Ft 60).
If export prices are so high that goods are exported to the detriment of the domestic market, the State intervenes and stops the export, by law, by order or by special charges. If, on the other hand, export prices are not remunerative, either no export is taking place or else State subsidies are given on a temporary and degressive basis. This is not unusual even in market-economy countries.

Hungary stresses the rôle of the market forces in determining its prices, and is ready to answer any further questions in this regard.

It is not the Hungarian Government but enterprises which form the prices, on the basis of costs, profits, etc. If prices based on these criteria prove to be too high, to enable it to compete on the foreign markets the Hungarian enterprise cannot make its sale. In Hungary's view, its price formation system is similar to that in market economy countries.

112.* The foreign price does not appear to be the result of internal calculation. Rather is it not the result of an attempt to adapt to the internal market?

**Answer:**

The calculation of the price of a product is based solely on the decision of the producer whose aim is to realize a profit. The same procedure applies to the internal and to the external market.

9. **Export subsidies**

113. (i) Are export subsidies granted? If so, will they be phased out? What is the purpose of State subsidies granted to certain branches of industry? What relationship is there between these subsidies and world market prices? If there is a distinction made between export subsidies and subsidies to entire industries, what is the practical effect?

(ii) Is the intention to accede to Article XVI which prohibits export subsidies? Will the subsidies be notified in accordance with this Article?

(iii) Can the Hungarian authorities provide information in the form specified in the questionnaire on pages 184-185 and 193-194 of BISD, Ninth Supplement?

(iv) How can the details given in Section 4, page 14 of L/3301, concerning the grant of subsidies, be reconciled with the provisions of Articles VI and XVI of the General Agreement?

(v) In what cases does the State provide support for the prices of certain commodities intended for export? (Page 14 of L/3301.) Can Hungary quote a recent example?
(vi) Do State refunds affect the prices of the products of enterprises which receive them, and are export and domestic prices of the product concerned affected to an equal extent?

**Answer:**

Hungary grants State reimbursements to certain enterprises and co-operatives in the case of exports. This State reimbursement has two fundamental objectives:

- a reimbursement, on the one hand, of State taxes, etc. charged on the export products, due to the fact that the competing products on the world market enjoy various export encouragements such as tax exemptions, etc. For the above-mentioned reason this element should be regarded as a lasting one;

- it contains an element of subsidy, on the other hand, when a concrete export is needed for full employment and for the equilibrium of the balance of payments, but if the productivity and efficiency of the exporting enterprise do not come up to the world market level. We consider this element as a temporary and degressive category.

Of the above mentioned two objectives of State reimbursement, the first one is in conformity with the practice pursued by GATT contracting parties. The only difference between the Hungarian system and the practice pursued by GATT contracting parties is that in GATT countries the tax reimbursement takes place at the border (Border Tax Adjustment) while in Hungary it is carried out in the production sector.

The State reimbursement granted to Hungarian enterprises aims to approximate the world market price level. The two fundamental points of establishing the reimbursement are the domestic and the foreign price; the aim is to eliminate the difference between the two, taking into account the average full export production of the enterprise concerned. Consequently its extent does not permit selling below the world market price and this is not in the country's interest, either.

The above mentioned shows that the State reimbursement applied by Hungary is compatible with Article VI of the General Agreement.

If, in spite of the intentions of the Government, the exportation of Hungarian products would, in some cases, detrimentally affect other contracting parties, the Hungarian side, in case the existence of the injury caused is proved, is ready to subject itself to the relevant regulations of the General Agreement.
Up till now State reimbursements were stated on an individual enterprise basis with the aim that the enterprise should, by reorganizing its development and marketing structure, approximate the world level within a short time. In the future it is the intention to fix unified reimbursements by industrial branches for enterprises engaged in the same type of production and to restrain hereby the export activity of enterprises whose export is permanently not economical. The fact that in many cases an annually degressive extent of reimbursement is fixed at industrial branch level aims at reducing the effect of the second element.

On the basis of the aforementioned, the export subsidies defined in Article XVI of the General Agreement differ from the State reimbursement Hungary applies. The Hungarian side does not find it necessary to provide information in the form specified in the questionnaire on pages 193-194 of BISD, Ninth Supplement.

The questionnaire specified on pages 184-185 of BISD, Ninth Supplement calls for answers in connexion with State enterprises of the type that operate solely in market-economy countries.

We refer to III/2 of the Hungarian Memorandum where we described that the majority of production, marketing, transportation activities and other services are carried out in Hungary by State and co-operative enterprises. These enterprises conduct their activities according to commercial considerations prescribed in the General Agreement.

In connexion with the State enterprises functioning in Hungary, the Hungarian side wishes to present a reservation to Article XVII, paragraph 3 of the General Agreement, as the Hungarian enterprises, due to their economic and legal structure, cannot pursue activities so as to create serious obstacles to trade. Hungarian enterprises cannot be considered as obstacles to the expansion of international trade since, by the very nature of their task, they work for the expansion of this trade.

The State reimbursement has an influence on the production conditions of manufacturing enterprises. The selling prices of commodities are determined by the enterprise itself, including the prices of products exported or sold on the domestic market.

114.* What does Hungary mean by "world market prices"?

Answer:

By this term, Hungary means the prices charged by the main suppliers of the products.
115.* Does Hungary believe that the measure, which it acknowledges to be a reimbursement system embodying an element of subsidy is consistent with Article XVI:1 or will there be a need for a reservation or derogation on this point?

**Answer:**

Hungary is ready to discuss this question on the basis of forthcoming material and explanatory data in order to enable the contracting parties to see the situation clearly.

116.* Given the manner in which Hungarian subsidies on exports operate, their object being to increase exports, is it not reasonable that they should be notified in accordance with Article XVI:1?

**Answer:**

It is considered that it would be reasonable. Hungary is ready to deal with this question as soon as the conditions of its accession are being discussed.

10. **Other questions**

117. Hungary is requested to provide, by means of one or more practical examples, a detailed and exact calculation of the actual customs charges and other taxes affecting a given product (e.g. No. 84.52 - calculating machines) imported by a firm in Hungary:

(a) from a country with State trading (price rubles 100)
(b) from a country with convertible currency (price $100);

it being understood that the same product is referred to in both cases. This calculation should be made by applying the rate of duty according to the customs schedule, the customs surcharge, the appropriate price multiplier (and possibly also the conversion rate), making allowance for any deposit, for a special turnover tax and for an administrative tax of 2 per cent for the granting of the import licence.

**Answer:**

Concerning this point, we have given reply in principle to every question. Nevertheless we are prepared to have an exchange of information on the basis of practical examples at the session of the Working Party on the Hungarian accession, the more so as the Hungarian side is interested to know how prices are fixed in case of firms in GATT countries when fixing different prices from the otherwise applied prices for the export to socialist countries and for the import from there.

The following detailed examples are offered.
## TABLE-TYPE ELECTRONIC CALCULATING MACHINES

<table>
<thead>
<tr>
<th>Country of manufacture</th>
<th>Soemtron 220</th>
<th>Sharp CS-361 P</th>
<th>Sharp CS-361 P Compst</th>
<th>Hitachi KK 24</th>
<th>Facit 1129</th>
<th>Facit 1132</th>
<th>Hunor</th>
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</thead>
<tbody>
<tr>
<td><strong>Import price</strong></td>
<td></td>
<td></td>
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<tr>
<td>Hungarian border</td>
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<td>860</td>
<td>710</td>
<td>370</td>
<td>700</td>
<td>820</td>
<td>-</td>
</tr>
<tr>
<td><strong>Internal freight and other cost, 2%</strong></td>
<td>760</td>
<td>860</td>
<td>710</td>
<td>570</td>
<td>700</td>
<td>820</td>
<td>-</td>
</tr>
<tr>
<td><strong>Turnover tax</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Consignment fee of foreign trade enterprise, 1.6%</strong></td>
<td>610</td>
<td>690</td>
<td>570</td>
<td>450</td>
<td>560</td>
<td>660</td>
<td>-</td>
</tr>
<tr>
<td><strong>Margin of domestic enterprise 5%</strong></td>
<td>1,990</td>
<td>2,320</td>
<td>2,840</td>
<td>1,650</td>
<td>2,200</td>
<td>2,700</td>
<td>-</td>
</tr>
<tr>
<td><strong>Selling price</strong></td>
<td>41,400</td>
<td>59,300</td>
<td>50,600</td>
<td>38,700</td>
<td>47,700</td>
<td>56,500</td>
<td>47,000</td>
</tr>
</tbody>
</table>

1 Due to import competition manufacturer discontinued production in 1969.
(ii)

<table>
<thead>
<tr>
<th>Passenger cars</th>
<th>Payment in</th>
<th>Payment in</th>
</tr>
</thead>
<tbody>
<tr>
<td>BTN 8702/..</td>
<td>rouble</td>
<td>dollar</td>
</tr>
<tr>
<td>C.I.F. value</td>
<td>1,600 Rbl.</td>
<td>1,282/per unit/</td>
</tr>
<tr>
<td>Customs value</td>
<td>Ft 61,000</td>
<td>Ft 76,920</td>
</tr>
<tr>
<td>Tariff/40%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Import turnover tax 55%</td>
<td>Ft 35,200</td>
<td>Ft 30,768</td>
</tr>
<tr>
<td>Internal turnover tax</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Commission of foreign trade enterprise 1%</td>
<td>Ft 640</td>
<td>Ft 769</td>
</tr>
<tr>
<td>Commission of retail and wholesale enterprise, other costs/internal freight, costs to be borne during the guarantee period/</td>
<td>Ft 10,160</td>
<td>Ft 10,543</td>
</tr>
<tr>
<td>Consumer's price</td>
<td>Ft 110,000</td>
<td>Ft 119,000</td>
</tr>
</tbody>
</table>

118.* Taking, as an example, the case of a Hungarian firm which has concluded a contract with a foreign trade enterprise to import a specific product from a country which does not belong to the rouble zone and to which Hungary extends most-favoured-nation treatment, it appears that the assessment of the customs duty and of other charges connected with importation is carried out, as would appear from the replies already furnished, in the following manner (the rates shown for the customs duty, the turnover tax, and the commission of the foreign trade enterprise being, of course, purely hypothetical):

(i) c.i.f. value
(ii) Customs value
(iii) Customs duty (20 per cent)
(iv) Administrative tax (charges on delivery of licence) (2 per cent)
(v) Internal turnover tax (15 per cent)
(vi) Commission of the foreign trade enterprise (5 per cent)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ft 100</td>
<td></td>
</tr>
<tr>
<td>Ft 6,000</td>
<td></td>
</tr>
<tr>
<td>Ft 1,200</td>
<td></td>
</tr>
<tr>
<td>Ft 120</td>
<td></td>
</tr>
<tr>
<td>Ft 900</td>
<td></td>
</tr>
<tr>
<td>Ft 300</td>
<td></td>
</tr>
</tbody>
</table>

Ft 8,520
Is it the case that the foregoing example exactly reflects the mode of calculation used? If this example does not give an exact picture of the method used and of the total cost payable by the firm concerned, can the method which should be used be indicated?

**Answer:**

The calculation is correct.

119. What assurances can the Hungarian Government give regarding its ability to comply with the obligations in Articles II:4 and XVII:4 of the General Agreement and Articles XI-XIV and the note thereto?

**Answer:**

The import monopolies referred to in Article II paragraph 4 and Article XVII paragraph 4 of the General Agreement operate in market economy-countries (e.g. tobacco monopoly, salt monopoly, etc.). No such monopolies exist in Hungary.

Hungary's Memorandum (L/3301 page 19) describes the legal status of Hungarian enterprises. The Hungarian enterprises in State ownership and operating on the ground of commercial considerations pursue an activity of a sort which makes it unnecessary for the Hungarian Government to provide a special guarantee in regard of the observance of the aforementioned GATT provisions.

Regarding Articles XI-XIV Hungary wishes to meet the obligations prescribed there to the extent the GATT contracting parties do.

120. What elements of the Hungarian trade system should be regarded as temporary measures adopted for balance-of-payments reasons and what plans exist for their modification?

**Answer:**

The import deposit system and reimbursement system can be regarded as temporary measures.

121. What priority will be given to the import of consumer goods?

**Answer:**

The import of consumer goods falls under the same considerations as the products of a non-consumer type (means of production, investment goods). For this reason we do not wish to grant any priority to consumer goods in pricing, customs treatment and foreign currency regulations.

There is no distinction made in the sphere of consumer goods between domestic and imported commodities. The product that has a better price and quality will be successful in the competition on the market.
122. Would not Hungary agree that the fact that quotas exist for consumer goods (as mentioned in reply to question 76) affects the priority to be given to the import of consumer goods?

**Answer:**

The question of the import of consumer goods is not considered to fall within any GATT regulation. As to the overall question of its quantitative restrictions, Hungary hopes that the time will come when there will be no limitations on goods imported into Hungary for any reasons. Hungary, in the meantime, is prepared to give explanations and to ask for a temporary arrangement with the CONTRACTING PARTIES.

123. To what extent would imported products be allowed to compete with domestically-produced goods in Hungary? Would the availability of substitute products from domestic production or from non-convertible currency sources be a factor?

**Answer:**

Under the present conditions, the import product has a possibility to compete with domestically-produced goods. Within the required customs protection and in accordance with our economic policy, we make it possible for the products imported from countries of dollar and ruble payment to compete with domestic goods.

124. Could the difference between enterprises financing with own funds or bank credits on the one hand, and financing via the budget on the other hand, be more closely described?

**Answer:**

Practice in this respect corresponds to the practice pursued by the GATT contracting parties.

The enterprises financing with their own funds act as any other enterprise in any market-economy country. If there remains any funds after allowing for reserves, taxes, etc. they invest.

Bank credits are in short supply in Hungary and we intend to keep them in short supply and to insist on hard terms for these credits. It is essential to avoid inflation. The budget is not an expanding factor and will not be used for this purpose.
125. To what extent are "price deviations" existing at present? (Page 15 of L/3301.)

Answer:

The price deviations existing at present are regulated by the Decree issued by the Ministry of Finance on turnover taxes.

126. To what extent can exports be affected in one way or another by the measures referred to in Section 5(b), page 15?

Answer:

State preferences and subsidies are applied to primary consumer goods marketed domestically. If such products are exported, no subsidy is granted for these products, in accordance with the relevant Decree of the Ministry of Finance.

127. It is stated in page 10 of L/3301 (relations between internal and external prices) that "the aims of the economic policy is to guide the enterprises towards the competitive conditions of a normalized international trade". Do the Hungarian authorities consider that the measures listed under 2(a)-(d) are sufficient for this purpose? If not, what additional measures are considered?

Answer:

The measures mentioned in Part Two, paragraph 2 ad (d) of the Memorandum are sufficient for establishing a rational relation between domestic and foreign prices.

128. How would, in the view of the Hungarian authorities, "tariff facilities or drawback for the import" comply with the most-favoured-nation clause of the GATT? (Page 17 of L/3301).

Answer:

The tariff facilities and drawback for import have a trade creating effect between Hungary and the GATT contracting parties.

129. To what extent do other elements not referred to in the preceding questions have an influence on the cost of imported commodities in Hungary?

Answer:

In Hungary, the price of the imported products is exclusively determined by the cost elements, tariffs and price gaps described in the Memorandum.
130. How do enterprises come to have their own financial resources? Out of total imports of machinery from convertible-currency countries, what proportion is made up of purchases from the enterprise's own financial resources? Are these resources in forints or in convertible foreign exchange?

**Answer:**

Since 1 January 1968 enterprises use their own funds to finance all investments, with the exception of investments required for new, major enterprises that have a fundamental influence on the structure of national economy, and the infrastructure investments, the purchases of State agencies financed by the State budget, the costs of which are financed by the State budget. The so-called development fund that is allocated from enterprise profits, and the portion of the amortization funds that remains at the enterprise, serve the purpose of financing enterprise investments. Banks may grant loans by way of advance on these funds.

131. What are the credit-granting institutions, and what criteria do they use in granting preferences for development of foreign trade? Hungarian media have reported that preferential medium- and long-term credits will be available beginning in 1970 for machinery imports from Socialist countries. Is this a correct statement of policy and, if so, would this policy be continued after Hungarian accession to GATT? If so, how would Hungary justify it under the GATT?

**Answer:**

In accordance with the monopoly of the banking system in Hungary, only banks can grant medium- and long-term credits for development purposes. Generally the Hungarian Investment Bank grants credits for State enterprise investments and the Hungarian National Bank for investments of co-operatives.

The principles and main conditions of granting credits are defined by the credit policy principles as a part of the overall national economic plan. These principles are approved by the Government and are made public. They also give guidance concerning granting credits for the development of foreign trade.

132.* Could the reply to question 131 be elaborated?

**Answer:**

Some socialist countries represent for us important and stable markets, which cannot be matched, for the time being at least, by other markets. It is in the interest of Hungary to keep these markets. In order to keep these markets, we have to buy from them. (See also reply to 44.)
133. Has Hungary already entered into co-operation agreements with certain countries by which it grants them advantages when importing goods to Hungary, such as, for example, in case of deliveries within the framework of such agreements, tariff reductions; the abolition of quantitative restrictions or exemption from making deposits as against imports coming from Western countries?

Answer:

In different international economic organizations Hungary, in concert with many other countries, has adopted the view that the governments should promote and support with the means at their disposal the mutually advantageous co-operations among enterprises. In accordance with the aforementioned view, Hungary has concluded and wishes to conclude in the future, too, inter-State co-operation agreements. Hungary's accession to GATT may also provide favourable conditions for concluding such agreements in a multilateral framework.

134.* Can it be stated whether such co-operation agreements allow imports under more advantageous conditions than otherwise?

Answer:

The practice in question gives facilities for tariff and non-tariff measures within existing legislation, to facilitate co-operation deals.

135. What are the possibilities for a foreign firm of establishing its own agency and market research office in Hungary, independently of the agencies established by the Hungarian Government?

Answer:

Recently several Hungarian enterprises have founded agencies in the form of corporations or limited liability companies to carry out foreign trade transactions. Agencies of this type have not been established by the Hungarian Government. In the past years Hungarian authorities have not issued a permit to a foreign enterprise for establishing a special agency. Should such permits be issued, the most-favoured-nation countries may request an identical treatment.

136.* Could Hungary comment whether, in the context of the reforms that are taking place, such permission may be forthcoming; and if so, could an indication be given of the time-span involved?
Answer:

Although this problem is not covered by any GATT rules, only for the information of the contracting parties, we can state that we do not foresee any major changes in this set-up. It does not mean that, on the merits of the case, permits would not be given more freely in the future.

137. What are the rules for foreign participation in supplying large-scale Hungarian development projects? Are they the same for firms from all countries?

Answer:

The enterprise realizing the projects in question selects the supplier on the basis of commercial considerations. Participation is open for all countries.

138. What restrictions are there on direct contact between Hungarian end-users, or supplying manufacturers, and businessmen from market-economy countries? Will any such restrictions be modified?

Answer:

The contacts between Hungarian end-users or exporting manufacturers are not restricted by any regulation. The end-users and manufacturers may pursue only the activity that belongs to their sphere of operation, consequently, they may pursue foreign trade activity only if they are authorized to do so.

139. (i) Is a separate foreign exchange permit required for imports from convertible currency areas? If so, how is such a permit obtained, and what criteria determine whether one shall be granted? Are there charges for such permits and, if so, are they the same for remittances to all countries? Are exchange controls applied non-discriminatory?

(ii) Are there any cases in which the importer has to request a foreign exchange allocation?

Answer:

If the enterprise has the forint sum necessary for the import at its disposal and obtained the import licence, it can transact the import without any separate foreign exchange permit.

140. What is the role of the Technical Development Commission in determining imports? What is the role of the Planning Office in determining imports?

Answer:

The Planning Office for its part studies the development requirements and possibilities of the national economy. On the basis of its studies, it makes recommendations to the Government as to which activities should have special attention, which should be given preference. So far as this activity also has import implications, the assistance to be given by the Government refers also to imports. Hungary is ready to answer any further questions on this subject.
### ANNEX 1

In 1970 the following tariff quotas are to be applied:

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Quota</th>
</tr>
</thead>
<tbody>
<tr>
<td>ex 48.01 B/II</td>
<td>Gravure press paper</td>
<td>15,500 tons</td>
</tr>
<tr>
<td></td>
<td>India-paper</td>
<td>500 tons</td>
</tr>
<tr>
<td></td>
<td>Offset paper</td>
<td>3,000 tons</td>
</tr>
<tr>
<td></td>
<td>Illustration paper</td>
<td>1,500 tons</td>
</tr>
<tr>
<td></td>
<td>Novel press paper</td>
<td>2,500 tons</td>
</tr>
<tr>
<td>ex 48.07 A/</td>
<td>Coated paper and cardboard, with the exception of chromopaper</td>
<td>4,000 tons</td>
</tr>
<tr>
<td>ex 59.04</td>
<td>Sisal string and rope</td>
<td>1,350 tons</td>
</tr>
<tr>
<td>ex 84.05</td>
<td>Turbine parts</td>
<td>$580,000</td>
</tr>
<tr>
<td>84.06 A/II</td>
<td></td>
<td>$2,300,000</td>
</tr>
<tr>
<td>84.06 E/</td>
<td></td>
<td>$1,845,000</td>
</tr>
<tr>
<td>84.12</td>
<td></td>
<td>$200,000</td>
</tr>
<tr>
<td>84.17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ex 84.63 A/</td>
<td>Bearing bushes and</td>
<td>$100,000</td>
</tr>
<tr>
<td>ex 84.63 B/</td>
<td>cardan shafts</td>
<td></td>
</tr>
<tr>
<td>90.17 A-0/</td>
<td></td>
<td>$1,600,000</td>
</tr>
<tr>
<td>90.18 A-F/</td>
<td></td>
<td></td>
</tr>
<tr>
<td>90.19 A-G/</td>
<td></td>
<td></td>
</tr>
<tr>
<td>90.20 A-E/</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ANNEX 2

Goods under the following tariff numbers are liable for tariff concessions (permit-slip) procedure:

ex 15.11 C/

ex 17.02 B/   Dextrose 400 tons       30 per cent
ex 19.05 A/   Oat flakes
  22.05 B/I. ) Up to a 40,000 hl. quota       20 per cent
  22.05 B/II. )
  22.08       Up to an absolute quota of 30,000 hl.

ex 28.02
ex 28.15 B/
  29.01 B/
ex 29.06   Phenol
ex 29.30   Basic agents of polyurethane foam
  30.03 A/
  30.03 B/II.

ex 30.03 B/II.) Synerco-Mate veterinary products 30 per cent

ex 30.04 B/   Litophone
  32.07
ex 34.02 B/   Organic surface acting basic materials and
  semi-products 25 per cent

ex 38.19   Basic agents for polyurethane foam
  39.02 C/

ex 39.03   Basic film agents
  41.02 A/   Up to $400,000 5 per cent

ex 41.02 B/ Tanned and processed cow and lamb hide up
  41.03 B/   to $600,000 value
  41.04 B/   Up to $1,000,000 value
  41.05 B-C-D/ Up to $40,000 value
  43.01       Up to $20,000 value
  43.02       Up to $450,000 value
Wood-fibre panels, wood-wool sheets
Door panels
Photo-trimming paper
Decorative paper overlay and underlay
Cellulose wool basic material for the production of paper diapers

Up to $50,000 value
Up to 1,000 tons

Women's yardgoods
Women's yardgoods

Up to 4,000 tons

Up to $60,000 value
Up to $60,000 value
Up to $60,000 value
Up to $60,000 value
Spec(71)1
page 66

70.20 B/
70.20 C/

ex 73.15 B/VI. GO wire
83.01  
83.02 A/ Up to $230,000 value  20 per cent
83.29 A-B/ 

ex 84.36 D/ Machines and equipment for production of synthetic and artificial fibres  35 per cent
94.01 A/
94.01 B/
94.03 A/
94.03 B/
94.03 C/
98.01 Up to $30,000 value  20 per cent
98.02 Up to $80,000 value  20 per cent
ANNEX 3

The duties belonging to the following headings have been partly or completely suspended in 1970:

23.01 A/
23.01 B/
23.01 C/
25.10
27.01 A/III.
27.04 A/III.
28.19
28.23
28.25
28.27 A/
28.27 B/
28.27 C/
ex 29.01 C/ Dodecylbenzol, biologically decomposable
29.04
29.14
29.15
39.01 A/
39.01 B/
ex 39.07 B/II. Child-size bath tubs
48.01 D/
48.01 F/
ex 48.07 A/ Baryted paper
48.07 B/
ex 48.15 F/ Film protection band
49.08 A/
51.01 A/
51.01 B/
51.02 A/III.
51.02 A/IV.

12 per cent
7 per cent
10 per cent
12 per cent
12 per cent
12 per cent

10 per cent
10 per cent
10 per cent
10 per cent
15 per cent

30 per cent
10 per cent
20 per cent
10 per cent
20 per cent

50 per cent
30 per cent
5 per cent
5 per cent
5 per cent
51.02 B/III.
ex 53.11 A-B/ Worsted woollen cloth
   56.01 A/
   56.01 A/
   56.03 A/
   56.04 A/
   56.05
   60.04 B/I.b.1.
   60.04 B/I.b.2.
   60.05 A/III.a.
   60.05 A/III.b.
   60.05 B/III.a.
   60.05 B/III.b.
   64.02 B/I.a.

ex 69.07 A/ Stoneware floor tiles
ex 69.08 A/ Stoneware floor tiles
ex 69.08 B/ Polished wall tiles
70.11 B/ TV glass tube
ex 82.11 B/ Basic material for razor blades
ex 83.01 Door and gate locks
ex 83.02 B/ Door and window iron fittings
84.51 B/ Blind typewriter
ex 84.61 B/ Household water taps, bathroom taps, taps and facilities