At its second meeting, the Working Party identified and discussed some of the principal problems arising from Hungary's application for accession. The preliminary positions taken by various delegations on selected problems are set out below. It was recognized that these were not necessarily final views.

1. Hungary's Schedule

It was noted that Hungary was prepared to commence tariff negotiations on 1 July 1971. The basis for the negotiations would be the customs tariff, as recently revised, which would be made available to contracting parties in due time. Some delegations maintained that Hungary's schedule should accordingly consist of tariff concessions in the form of both bindings and reductions of duties. Others reserved their position as to whether they would enter into tariff negotiations with Hungary until they had seen the new tariff and more detailed import statistics.

Some delegations raised the possibility of having a firm quantitative import commitment in Hungary's schedule, perhaps for a short transitional period to be replaced later by tariff concessions. The Hungarian representative, however, stated that he was unable to envisage a quantitative import commitment of any kind.

2. Non-applicability of tariff to centrally-planned economy countries - special import turnover tax

It was noted that Hungary did not at present apply its tariff to imports from centrally-planned economy countries. It was agreed in any event that if any discrimination existed in this system it should not increase after Hungary's accession to GATT. A proposal was made that this problem might be dealt with by a specific provision in the protocol having the effect of waiving Article I obligations for a limited period.
This question has to be seen in the light of the fact that a special import turnover tax was applied to imports of certain products from centrally-planned economy countries. A list of the products subject to this tax had been circulated in Spec(71)/+. Some countries considered on the information available that this tax, viewed in conjunction with the tariff, did not satisfy completely the relevant provisions of the GATT.

3. **Discriminatory quantitative restrictions against Hungary**

The Hungarian delegate drew attention to the fact that some contracting parties maintained quantitative restrictions against Hungary which would be inconsistent with Article XIII after Hungary's accession, and called for their early elimination. The delegations of some of the countries concerned could envisage agreement not to increase the discriminatory element of these restrictions and to eliminate substantially all of them over a relatively short transitional period, by e.g. 1975. Other delegations, while considering that restrictions should be eliminated immediately, could envisage a transitional period of a few years.

On the assumption of a short transitional period for elimination of these restrictions, the question arose of the treatment to be given to any restrictions still remaining at the end of this period. Some delegations considered that these might in due course be examined for justification by a working party. Others suggested that countries still maintaining restrictions at the end of the period should apply for a waiver under Article XXV:5.

4. **Safeguard clause**

Some delegations considered it important to have in a protocol of accession a safeguard clause, against possible market disruption. They stated that the need for such a clause arose from concerns stemming from geographical factors as well as the special character of the Hungarian system of price formation, price multiplier and subsidies. Moreover, they considered that a safeguard clause would be of assistance in achieving a speedy liberalization of quantitative restrictions. It was also pointed out that a special system of consultations would be helpful.
Other delegations, while not ruling out the possibility of a safeguard clause, considered that existing provisions of GATT notably Articles XIX, VI, and XXII were adequate.

Several delegations pointed out that in their view the question of a safeguard clause was closely linked to that of elimination of discriminatory quantitative restrictions.

5. **Hungary's tariff preferences for co-operation agreements**

Some delegations considered that Hungary's tariff preferences granted to imports of certain goods in the context of contracts within the framework of co-operation agreements could be inconsistent with Article I and, to the extent that tariff items would be bound, with Article II. The Hungarian delegation did not share this view, holding that these possibilities were open to all countries.

6. **Other questions**

The Hungarian delegate indicated that, as a contracting party, his country would be prepared to discuss its quantitative restrictions and licensing system under the relevant Articles of GATT. It would also be prepared to notify its subsidies and would give consideration to signing the Declaration giving effect to Article XVI. Finally, Hungary, not being a member of the IMF, would be prepared to accept a solution on the lines of that set out in previous protocols in lieu of a special exchange agreement under Article XV:6 with the contracting parties.

7. It was agreed that the Working Party should be convened again on .......