This document is a revision of the summary of export and import measures on dairy products, prepared by the secretariat in response to the Sub-Group's request made at its first meeting held from 23 to 25 June 1975 (MTN/DP/1, paragraph 5). As agreed at the meetings held by the Sub-Group in October 1975 and February 1976, this revision takes account of the points emerging from the multilateral examination and analysis undertaken during these meetings and of information and comments communicated so far by delegations.

This document contains data relating to the measures applied by Hungary and Spain.
<table>
<thead>
<tr>
<th>Country</th>
<th>Product</th>
<th>Central trading institutions, marketing boards and agencies</th>
<th>Export measures</th>
<th>Import measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hungary</td>
<td>Fresh milk</td>
<td>Public agency <em>(Terimpex)</em></td>
<td>2/</td>
<td>35%</td>
</tr>
<tr>
<td></td>
<td>(04.01)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Preserved milk</td>
<td></td>
<td>2/</td>
<td>20-30%</td>
</tr>
<tr>
<td></td>
<td>(04.02)</td>
<td></td>
<td></td>
<td>(B)</td>
</tr>
<tr>
<td></td>
<td>Butter</td>
<td></td>
<td>2/</td>
<td>60%</td>
</tr>
<tr>
<td></td>
<td>(04.03)</td>
<td></td>
<td></td>
<td>(B)</td>
</tr>
<tr>
<td></td>
<td>Cheese</td>
<td></td>
<td>2/</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td>(04.04)</td>
<td></td>
<td></td>
<td>(B)</td>
</tr>
<tr>
<td></td>
<td>Casein</td>
<td></td>
<td>2/</td>
<td>40-50%</td>
</tr>
<tr>
<td></td>
<td>(ex 35.01)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:** See following pages
Only one State enterprise - the foreign trade enterprise "Terimpex" - is authorized to export and to import dairy products. It operates on a commission basis.

The activities of the Hungarian enterprises that specialize in trade with foreign countries are described below.

A. Description of the export business

The export deals are transacted by the foreign trade enterprise on the basis of general contracts concluded usually for one year as well as according to the export order given in each case separately.

The general contracts concluded with the industrial companies can be commission contracts, joint account or partnership contracts, and contain the following general provisions:

- chosen form of business relationship (selling on commission, joint account business, etc.);
- range of goods to which the contract refers;
- commission and other compensations being due to the foreign trade company for its activity;
- obligations of the foreign trade company concerning market research, market information and, in general, concerning the marketing work.

On the basis of the actual export order, the export business is transacted as follows:

(i) Based on the general stipulations of the annual general contract, the producing company or other consigner gives a specific export order to the foreign trade enterprise. (This export order contains the denomination of goods, its quantity and other particulars concerning quality, packing, expected delivery terms, etc.)

(ii) The foreign trade enterprise starts its market research work, in other words, it sends export offers to potential foreign clients, making use of its sales experiences and business contracts.

(iii) A working commission organized within the enterprise evaluates the enquiries received. An important point of view taken into consideration is to effect the sale at the best possible price and optimum commercial terms. A decisive consideration is that the sale should take place only at the limit price - or above this price - determined by the industrial company as consigner.
(iv) After the sales negotiations, the foreign trade enterprise concludes the export contract with the foreign client.

(v) The enterprise keeps the consigner informed of all details of the export business concluded and gives the instructions necessary for the despatch of the goods.

(vi) According to the contracted terms of payment (Letter of Credit, cash against documents, credit), the foreign trade enterprise procures the shipping documents and other documents necessary for encashment and arranges for the encashment of the countervalue of the delivered goods.

(vii) After deducting from the amount received for the goods the commission and other expenses which may have arisen, the National Bank of Hungary remits the sum to the account of the consigner.

B. **Description of the import business**

Generally, the foreign trade enterprise concludes an annual general contract with its consigner (industrial company or other kind of end-user). This general contract covers the mutual obligations of consigner and the enterprise, the questions of commission and other compensations, if any, being due to the foreign trade enterprise (e.g. income share) as well as the enumeration of goods to which the general contract refers.

The actual import deals are transacted on the basis of this general contract and the buying order is given in each case separately. The general commission contract and the concrete buying order mean the following tasks for the foreign trade enterprise:

- to perform market research activity;
- to explore the best purchasing possibility and to inform the consigner of the price offers obtained;
- to give detailed information as to the expectable quality and packing of the goods, the terms of the financial transaction of the buying order, and possible tasks which may arise concerning transportation, warehousing, etc.;
- to apply for the import licence on the basis of the buying order;
- to conclude the import contract, to settle the countervalue of the goods, arrange for the formalities concerning the arrival of goods;
- to see that the goods are cleared and duty paid.
The procedure of the transaction of an import deal is as follows:

(i) Conclusion of annual general contracts with industrial, producing or other end-user companies.

(ii) On the basis of the general contract, the consigner gives specific buying orders to the foreign trade company in each case.

The buying order contains the denomination of the goods, its characteristics as to quality, instructions for the required packing, time of delivery, the so-called limit price prescribed by the consigner and his ideas concerning payment. During the negotiations of the import transaction with the foreign firm, the foreign trade enterprise is bound to observe all the prescriptions included in the buying order of the consigner and is materially responsible for complying with these instructions.

(iii) On the basis of the buying order the foreign trade enterprise:

- sends enquiries to potential suppliers (often eight or ten such enquiries are sent);

- submits its application for the import licence to the Ministry of Foreign Trade, taking into consideration the buying order as well as the import prices and conditions it expects to receive;

- makes a comparative analysis of the different offers received. A separate board is set up in the company for this purpose, which selects the best offer on the basis of the analysis made. In this selection the same considerations are applied as are used according to ordinary care and caution anywhere in the world: price and quality of goods, payment conditions, reliability of the forwarding company, etc. A documentation is prepared about these preliminary calculations and the decision upon the purchase is made on the basis of these calculations.

(iv) The result is communicated with the consigner as importer, and the decision concerning the actual transaction of the business is made accordingly.

(v) On the basis of the import licence and the decision of the purchase, the enterprise passes the order to the supplier which has given the best offer.

(vi) The enterprise makes the necessary arrangements for payment according to the stipulated payment terms (Letter of Credit, cash against Documents, credit, etc.). Usually this takes place in the form of a payment order given to the National Bank of Hungary. In the case of purchases on commission, it is the actual end-user who has to arrange for payment. The amount necessary for the execution of the import commission is remitted to the account of the foreign trade enterprise when the buying order is given. Thus the foreign trade enterprise effects payment to the foreign supplier to the debit of the remitted covering amount.
(vii) Applying the relevant item of the customs tariff and making use of the data of the documents referring to the goods, the enterprise makes out the "customs declaration" and sends it to the competent regional customs office where customs clearance will be effected.

(viii) The foreign trade enterprise pays the amount of duty calculated according to the customs declaration, i.e. it gives an order for payment to the National Bank of Hungary for remittance to the Ministry of Finance.

(ix) The import transaction is in fact finished when the goods arrive, its cost, value and customs duty are paid. The foreign trade enterprise collects the import commission being due to it from the consigner in accordance with the general commission contract.

C. Licensing system

In considering applications for licences, the Minister of Foreign Trade enquires into the need for the transaction from the technical point of view; he enquires into its commercial terms only if this is necessary with a view to protecting the equilibrium of the domestic market or other national economic interests.

If a country enacts legislation or pursues a practice that is contrary to the agreements it has concluded with the Hungarian People's Republic or that has an adverse discriminatory effect on trade with Hungary, the Minister of Foreign Trade may restrict the validity of the licences already granted in connexion with that country or may withdraw the licences already issued. The Minister of Foreign Trade judges applications for licences in the light of the legislation, inter-State agreements and foreign exchange regulations in force.

The Minister of Foreign Trade grants a general licence in the following cases among others:

(a) for goods figuring in a list issued by him;

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

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 in the following cases among others:

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

(b) some bilateral trade agreements contain directive ("compulsory") and non-directive quotas as well. Individual import licences are required for imports under the non-directive quotas in these bilateral agreements.
(c) for goods delivered abroad or imported from abroad on a commission basis.

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

The fees charged for the issue of import licences are the same in all cases for imports originating in the non-rouble market (fee of 2 per cent of the value of the import, established 1 January 1969) (see documents L/3301, Annex 2, and L/3426, pages 12, 13 and 14).

In Hungary a "State reimbursement" may be granted by the Government.

This reimbursement does not concern the export products but the enterprise itself, in view of the totality of its business activity.

The reimbursement has two fundamental objectives:

- to reimburse the 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. This element should be considered as a lasting one;

- it contains also an element of subsidy, 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. This is a temporary and degressive element.

The purpose of the State reimbursement is to approximate the prices of Hungarian enterprises to world market prices. 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. The amount of the reimbursement is such that the merchandise cannot be sold below the prices practised on the world market. (See documents L/3301, pages 14 and 15, and L/3426, page 25.) At present no refund is granted in respect of dairy products.

The foreign trade price multipliers have been abolished as from 1 January 1976. For the purpose of ensuring the relationship between domestic and foreign prices, the following means are employed:
(a) **Tariff system**

The import is subject to customs duty on the basis of the commercial customs tariff. Hungary has an efficient tariff system; the customs duty is a factor of price calculation, i.e. it is actually paid. The price influencing effect of the duty is felt by the importer or end-user.

(b) **System of turnover taxation**

The turnover tax is payable on the goods and services sold to the consumers. The turnover tax is to be paid when the goods or services are handed over for sale to the retail trade or to the consumers. The turnover tax is paid by the organization (generally wholesale or producing company) which sells the goods to the retailer. If the goods are imported by foreign trade companies acting on consignment basis for retailers or directly for the consumer, it is the foreign trade enterprise which pays the turnover tax.

The basis for the calculation of the turnover tax is the retail cost price which is identical with the wholesale selling price. The same rates of taxes are applied both for imported and domestic products, but the rate is of different magnitude for the individual products.

A special import 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 the Hungarian internal market. The import turnover tax is payable by the importing enterprise having the right to perform foreign trade activities and it is authorized to charge the end-user passing the order, with the import turnover tax. This tax is chargeable exclusively on products originating in countries of the rouble area, to which the customs tariff is not applied.

(c) **Price policy**

In order to ensure a relative stability of consumer prices, fixed prices or ceiling prices are laid down by the authorities in respect of a considerable number of essential consumer goods and also for certain basic materials.

The competent authority regulates the prices in the light of the conditions prevailing on the domestic and foreign markets; on this basis it supervises regularly and, if necessary, modifies the prescribed prices.

The price system ensures the close relationship between foreign and domestic prices.

Thus the components of the domestic price of imported products are: the purchase price converted into national currency; the customs duty; in the case of consumer goods the turnover tax; the marketing expenses and the income margin of the enterprises.
The income of enterprises producing for export depends on the external price which can be attained abroad. The producing enterprises receive the foreign exchange price of the exported product after conversion into forints. (See documents L/3301, pages 10, 11, 12 and 13 and L/3839.)

4/ Veterinary restrictions

Animals, products and objects of animal origin liable to spread animal diseases can be imported into, exported from and transported through the territory of the country only through an animal health frontier station and provided the result of the veterinary examination was successful.

A certificate is issued by the competent specialized organs on the favourable result of the examination which should be attached to the delivery documents. The customs office concerned should ascertain whether the consignment can be cleared from the point of view of animal health. This fact should be mentioned in the customs document issued. (See document L/3301, page 42.)

5/ Cheeses made of cows' milk

Note: Hungary has not signed any international arrangement relating to trade in dairy products (see document MTN/DP/W/8). As regards its exports of certain cheeses, Hungary has made an agreement with the European Economic Community (see under European Communities).
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<thead>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Subsidies, refunds, equalization and price pooling</td>
<td>Credit concessional and non-commercial sales</td>
<td>Levies and charges</td>
</tr>
<tr>
<td>Spain</td>
<td>Fresh milk (04.01)</td>
<td>Supply and Transport Authority</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Preserved milk (04.02)</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Butter (04.03)</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Cheese (04.04)</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Casein (ex 35.01)</td>
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<td>-</td>
<td>-</td>
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</tbody>
</table>

**Notes:** see following pages
Note: The Spanish Government's stabilization policy for dairy products provides for triennial and annual measures. As part of the annual measures, the following prices are fixed in respect of each season (the season is free from 1 March to end February, divided into two six-month periods):

- minimum producer price (application of the price is compulsory; the price is fixed in respect of each six-month period);
- indicative price;
- intervention price.

By way of counterpart to the compulsory nature of the minimum price, the Government grants assistance to the producer in a number of ways, such as credits for the financing of stocks. The body responsible for this financing is the "Fund for the Supervision and Regulation of Agricultural Prices and Produce (FORPPA)" which deals with milk in powder form (1 per cent fat content) and butter. The prices used for computation of the financial assistance are the minimum prices (fixed for the first period of the season). The indicative prices are used for computing the maximum domestic prices for sales to the public of certain products (pasteurized, concentrated, sterilized and condensed milk, butter) and for the sale of imported fresh milk to industry. The average of the indicative prices is used for computing the threshold price for cheese (see footnote 2). The intervention prices, which are higher, represent the level above which fresh milk is imported.

For the purpose of determining the prices actually charged, there is also a system of pilot prices (fixed every month) by means of which the administration may decide when to take measures such as the grant of credit for financing buffer stocks or, conversely, importing fresh milk.

1/ The Supply and Transport Authority, which is an agency of the Ministry of Commerce, has responsibility for imports of fresh milk, preserved milk (with the exception of denatured milk and unsweetened cream) and butter. For this purpose it consults with the National Advisory Commission for Dairy Products (FORPPA), whose members are representatives of various ministries, producers, industry, traders and consumers.

2/ Legislative Decree No. 13 dated 17 November 1975, paragraph 16, sub-paragraph 5 (Official Gazette of 18 November 1975) provides that food products imported under the régime of State trading by the Supply and Transport Authority under import licences held by that Authority shall be exempt from customs duties and from the tax equalizing internal taxes.

2/ Cheese is liable to bound customs duties: ad valorem duty (45 per cent) or specific duty (3173-5485 P/100 kgs.). In addition, a regulatory duty is charged which corresponds to the difference between the threshold price (c.i.f. Spanish frontier)
and the most favourable price on the world market. In the context of the agreement signed in 1970 under the auspices of GATT, suppliers which undertake to observe a certain price level (corresponding to the threshold price minus customs duties, domestic taxes (10 per cent), certain other fees and charges for customs clearance (5.20 per cent), have to pay only a symbolic regulatory duty of 0.0l-1 F/kg. This outline agreement is open to all countries members of GATT; the conditions governing the application of the agreement are the subject of negotiations.

The agreement between Spain and the European Communities provides for tariff reductions (milk and cream, preserved, concentrated, unsweetened, denatured (04.02 A 2), casein and caseinates (35.01 A); for commitments regarding the volume of imports; under normal market conditions, 25 per cent at least of total annual imports of butter (04.03) (this percentage was increased to a minimum of 30 per cent as from 1 January 1976) and 90 per cent of total annual imports of milk and cream, preserved, concentrated, unsweetened, undenatured (04.02 a 1) and sweetened (04.02 B), as well as for a reduction of 6.3CP/kg. of the threshold price in respect of certain cheeses: Butterkäse, Cantal, Edam, Fontal, Fontina, Gouda, Italico, Kernhem, Mimoletta, Saint-Nectaire, Saint-Paulin, Tilsitt, with a fat content not exceeding 40 per cent by weight and a water content in non-fatty substance of more than 47 per cent but not more than 72 per cent. See also under European Communities (note 1 c).

Import deposit 1969-1971. As regards the participation of Spain in international or regional co-operation devices, see document MTN/DP/W/8.