

## FREE TRADE AGREEMENT BETWEEN HUNGARY AND ESTONIA

### Communication from the Parties

#### I. BACKGROUND INFORMATION ON THE AGREEMENT

##### 1. Membership, Date of Signature, Ratification and Entry into Force

Date of Signature: 4 November 1998 in Budapest (the Republic of Hungary)

Ratification: 16 December 1998 (the Republic of Hungary);  
17 January 2001 (the Republic of Estonia)

Provisional Application: 1 January 1999

Entry into Force: 1 March 2001

##### 2. Type of Agreement

Type of Agreement: Free-trade area

Plan and Schedule: The objective of the Agreement is to establish a free-trade area in conformity with the definition set out in Article XXIV:8(b) of the GATT 1994 and with the Understanding on the Interpretation of Article XXIV of the GATT (1994).

##### 3. Scope

The provisions of the Free Trade Agreement between the Republic of Hungary and the Republic of Estonia (hereinafter the Agreement) are applied to products originating in the Parties to the Agreement and falling within Chapters 1 to 97 of the Harmonised Commodity Description and Coding System (HS). The Agreement envisages the elimination of duties and other barriers to trade in respect of substantially all the trade between the Parties in accordance with the requirement of Article XXIV of the GATT 1994.

The Agreement also contains provisions on state aid, state monopolies, competition, intellectual property rights and public procurement.

##### 4. Trade Data

See Annex.

## **II. TRADE PROVISIONS**

### **1. Import Restrictions**

#### **1.1 Duties and Charges**

Pursuant to Article 4 of the Agreement, the basic duty, to which the successive reductions of customs duties set out in the Agreement are applied, is the Most Favoured Nation rate of duty in force on 1 January 1998. However, if after entry into force of the Agreement, any tariff reduction is applied on an *erga omnes* basis, such reduced duties shall replace the basic duties.

In accordance with Articles 3 and 5 of the Agreement, the Parties to the Agreement shall introduce no new customs duty on imports or charge having equivalent effect as well as no duties of a fiscal nature.

The existing customs duties on imports of industrial products and all charges having equivalent effect were abolished between the Parties to the Agreement on 1 March 2001 (provisionally applied from 1 January 1999), except for products included in Annex II. The customs duties and all charges having equivalent effect on imports of products listed in Annex II were to be abolished on the date of entry into force of the Agreement. Concessions on agricultural products are contained in Annex V. In accordance with Article 10 the Parties grant each other the following concessions:

- Hungary shall grant preferential treatment to the agricultural products originating in Estonia listed in Annex V of the Agreement from 1 March 2001 (provisionally applied from 1 January 1999);
- No customs duties are applied in Estonia to products originating in Hungary from 1 March 2001 (provisionally applied from 1 January 1999).

#### **1.2 Quantitative Restrictions**

Pursuant to Article 7 of the Agreement, the Parties to the Agreement shall introduce no new quantitative restrictions on imports or measures having equivalent effect. All existing quantitative restrictions and measures having equivalent effect on imports of products originating in the Parties were abolished on the date of entry into force of the Agreement, except those listed in Annex III, which were to be progressively abolished by 31 December 2000 the latest.

#### **1.3 Common External Tariff**

The Agreement does not envisage the establishment of a Common External Tariff.

### **2. Export Restrictions**

#### **2.1 Duties and Charges**

Export duties and charges are governed by the provisions of Article 6 of the Agreement. The Parties to the Agreement shall introduce no new customs duty on exports or charge having an equivalent effect.

The existing duties and charges on exports were abolished on the date of entry into force of the Agreement.

## 2.2 Quantitative Restrictions

In accordance with Article 8 of the Agreement, the Parties to the Agreement shall introduce no new quantitative restrictions on exports and measure having equivalent effect. All existing quantitative restrictions and measures having equivalent effect on exports of products originating in the Parties were abolished on the date of entry into force of the Agreement, except those that might be required for the administration of international obligations and listed in Annex IV to the Agreement.

## 3. **Rules of Origin**

Rules of origin of goods and related methods of administrative co-operation are specified in Article 14 and in the Protocol to the Agreement, which is integral part of it. In the Protocol, the principles and rules for a definition of the concept of “originating products”, proof of origin, a rule of “drawback and exemption”, territorial requirements, arrangements for administrative co-operation and other provisions are laid down.

The Parties to the Agreement apply the concept of the Pan-European cumulation.

The implementation of this new origin network has two major consequences. Firstly, semi-finished products originating in any country of the system and which are further processed or assembled in other partner country may always be considered as originating products. Secondly, originating products can be traded between any of the countries involved in the system.

With regard to territorial requirements, the principle of territoriality is established and the terms related to direct transport and exhibitions, as well as the prohibition of drawback of, or exemption from, customs duties, are set out in the Protocol.

In the area of proof of origin, the document EUR 1 is used as a movement certificate in trade between the Parties to the Agreement. The arrangements for administrative co-operation cover *inter alia*, mutual assistance, verification of proofs of origin, dispute settlement, penalties and free zones.

## 4. **Standards**

### 4.1 Technical Barriers to Trade

The Agreement does not contain any specific provision relating to technical barriers to trade.

### 4.2 Sanitary and Phytosanitary Measures

Article 13 of the Agreement contains provisions on veterinary, health and phytosanitary measures. The veterino-sanitary and phytosanitary measures and the work of the veterinary services will be in accordance with the Office International des Epizooties Codex and other international conventions in this field. The Parties to the Agreement also commit themselves to apply their regulations in sanitary and phytosanitary matters in a non-discriminatory fashion and not to introduce any new measure that has the effect of unduly obstructing trade.

## 5. **Safeguards**

Each Party to the Agreement can apply safeguard measures on the conditions and in conformity with the procedures specified in the Agreement. These safeguard measures cover general safeguards (Article 25), structural adjustment (Article 26), re-export and serious shortage (Article 27), balance-of-payment difficulties (Article 30) and special safeguard measures in agricultural sector (Article 12).

Article 29 of the Agreement provides for a procedure for the application of safeguard measures, which foresees consultations within a Joint Committee with a view of solving any differences and finding a mutually acceptable solution. The safeguard measures taken shall be the subject of periodic consultations within the Joint Committee with a view to their relaxation as soon as possible, or abolition when conditions no longer justify their maintenance.

## **6. Anti-Dumping and Countervailing Measures**

As contained in Article 24 of the Agreement, the application of anti-dumping measures has to be in accordance with Article VI of the General Agreement on Tariffs and Trade, as well as with the conditions and provisions laid down in Article 29 of the Agreement.

## **7. Subsidies and State-aid**

### **7.1 State-aid**

As provided for in Article 21 of the Agreement, the Parties to the Agreement adopted an obligation to avoid any aid granted by a State Party to the Agreement, or through state resources in any form whatever, which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods. The agricultural products are excluded from the above mentioned provisions.

If a Party to the Agreement considers that a particular practice is incompatible with the provisions of the Agreement or such practice causes or threatens to cause a serious prejudice to the interest of that Party or material injury to its domestic industry, the concerned Party may take appropriate measures under the conditions of and in accordance with the provisions of Article 29 of the Agreement. Such appropriate measures may only be taken in conformity with the procedures and under the conditions of the WTO and any other relevant instruments negotiated under its auspices which are applicable between the Parties.

### **7.2 State Monopolies**

Article 18 of the Agreement contains an obligation for the Parties to adjust progressively any state monopoly of commercial character so as to ensure that by 1 July 1999, no discrimination regarding the conditions under which goods are procured and marketed exists between nationals of the Parties.

### **7.3 Rules of Competition concerning Undertakings**

Article 20 sets out the rules of competition concerning undertakings. The following are incompatible with the proper functioning of the Agreement insofar as they may affect trade between the Parties:

- all agreements between undertakings, decisions by associations of undertakings and concerted practices between undertakings which have as their object or effect the prevention, restriction or distortion of competition,
- abuse by one or more undertakings of a dominant position in the territories of the Parties as a whole or in substantial part thereof.

These provisions shall apply to the activities of all undertakings including public undertakings and undertakings to which the Parties grant special or exclusive rights. Undertakings entrusted with the operation of services of general economic interest or having the character of a revenue-producing

monopoly, shall be subject to these provisions in so far as the application of these provisions does not obstruct the performance, in law or in fact, of the particular public tasks assigned to them.

With regard to agricultural products these provisions shall not apply to such agreements, decisions and practices which form an integral part of a national market organisation.

If a Party considers that a given practice is incompatible with the provisions of the Agreement in the field of rules of competition and if such practice causes or threatens to cause serious prejudice to the interest of that Party or material injury to its domestic industry, it may take appropriate measures under the conditions and in accordance with the procedure set out in Article 29 of the Agreement.

#### **7.4 Public Procurement**

In Article 22 of the Agreement, the Parties to the Agreement commit themselves to progressively develop their respective regulations for public procurement with a view to grant suppliers of the other Party access to contract award procedures on their respective public procurement markets. The Parties shall endeavour to accede to the relevant Agreements negotiated under the auspices of the General Agreement on Tariffs and Trade 1994 and the Agreement establishing the World Trade Organization.

### **8. Sector-Specific Provisions**

With the exception of agriculture, the Agreement does not contain any specific provisions applicable to trade between the Parties to the Agreement in individual sectors.

## **III. GENERAL PROVISIONS OF THE AGREEMENT**

### **1. Exceptions and Reservations**

The Agreement includes provisions regarding general and security exceptions (Articles 16 and 17). The Parties to the Agreement may prohibit or restrict their imports, exports or goods in transit justified on the grounds of public morality, public policy or public security; the protection of human, animal or plant life or health; the protection of national treasures possessing artistic, historic or archaeological value; the protection of intellectual property or rules relating to gold or silver or the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption. Such prohibitions or restrictions must not be a means of arbitrary discrimination or a disguised restriction on trade between the Parties.

For the reasons of security each Party to the Agreement may take any appropriate measures, which it considers necessary, in order to prevent disclosure of information contrary to its essential security interests and to protect its essential security interests or to implement its international obligations or its national policies.

### **2. Accession**

There is no provision in the Agreement that allows other countries to accede to the Agreement.

### **3. Dispute Settlement Procedures**

The provisions regarding the dispute settlement are not contained in the Agreement.

#### **4. Relation with Other Trade Agreements**

As contained in Article 34 of the Agreement, the Agreement applies to trade relations between the Republic of Hungary and the Republic of Estonia. It does not prevent the maintenance or establishment of customs unions, free-trade areas or arrangements for frontier trade to the extent that they do not negatively affect the trade between the Parties and, in particular, the provisions concerning rules of origin provided for by the Agreement.

The Agreement does not contain any provision which establishes any specific relation with other bilateral, plurilateral and/or multilateral trade arrangements. However, in the preamble to the Agreement as well as in other Articles, a reference to the GATT 1994 and the WTO is made.

#### **5. Institutional Framework**

In accordance with Article 32 of the Agreement, the Joint Committee of the representatives of the Parties to the Agreement is established in which each Party shall be represented.

The Joint Committee is responsible for the administration of the Agreement and ensures its proper implementation. The Joint Committee may take decisions in the cases provided for in the Agreement. On other matters, it may make recommendations. The Joint Committee shall keep under review the possibility of further removal of the obstacles to trade between the Parties.

In respect of the procedures of the Joint Committee referred to in Article 33, the Joint Committee meets whenever necessary but at least once a year, and acts by common agreement. Each Party to the Agreement may request that a meeting of Joint Committee be held. The Joint Committee may decide to set up such subcommittees and working groups as it considers necessary to assist it in accomplishing its tasks.

For the purpose of the Agreement, the Joint Committee shall adopt its rules of procedure which, *inter alia*, contain provisions for convening meetings and for the designation of the Chairman and the term of office.

#### **IV. OTHER**

The Agreement covers trade in goods; trade in services is not subject to the provisions of the Agreement. Article 31 of the Agreement contains an evolutionary clause providing for the possibility of extending the coverage of the Agreement to new fields.

## ANNEX

Estonia – Imports from Hungary, 1998-2001  
(USD)

H.S.	Year			
Chapter	1998	1999	2000	2001
2	135,184	782,828	966,539	1,262,181
4	213,117	141,716	209,370	60,584
5	-	-	-	27,284
6	20,885	21,543	7,718	2205
7	205,245	345,556	424,662	524,582
8	448,284	445,871	542,231	608,141
9	22,261	15,703	14,947	7,333
10	-	6,640	-	81,900
11	312,471	335,407	350,156	207,195
12	67,117	20,729	22,307	48,142
13	-	322	-	-
14	445	-	-	-
15	151,295	57,976	66,656	54,858
16	293,567	900,102	1,348,512	1,006,927
17	54,909	160,826	95,058	68,419
18	58,716	141,974	532,999	604,966
19	718,865	858,142	724,785	507,347
20	2,465,208	3,169,409	2,371,866	2,901,328
21	218,218	276,434	213,551	198,561
22	2,303,784	1,723,324	1,306,422	1,460,397
23	39,847	225,459	739,473	1,562,579
25	2,637	1,877	190	24,262
27	3,437	3,270	2,813	8,238
28	537	5,734	1,067	508
29	21,555	20,705	4,367	108,707
30	1,392,526	956,441	429,995	1,064,212
31	133	213	-	-
32	19,068	63,941	121,009	101,680
33	386,048	39,969	131,201	430,391
34	-	9,761	184,765	599,215
35	58,904	87,340	126,678	112,285
36	19,150	1,865	11,623	1,038
37	-	188	3,872	2,546
38	84,113	21,947	23,573	45,976
39	1,060,061	625,500	515,455	560,503
40	628,000	322,288	483,533	560,305
41	13,623	2,677	-	4,621
42	139,895	89,562	108,138	111,995
43	-	-	495	204
44	21,653	105,501	245,745	334,019
45	-	544	-	-

<b>H.S.</b>	<b>Year</b>			
<b>Chapter</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
48	2,984,955	1,831,164	1,206,950	1,469,565
49	87,665	42,432	66,242	175,752
50	-	-	6,613	8,474
51	216	-	-	133
52	21,955	-	75	38,421
54	59,166	306,529	516,066	618,862
55	24,867	60,609	43,261	51,881
56	55,604	69,981	43,942	65,193
57	7,607	13,860	8,985	4,057
58	564	61	248	5,500
59	82,160	10,703	8,522	2,052
60	1,077	4,810	221	1,144
61	231,492	215,528	301,947	308,141
62	59,275	121,941	163,933	331,517
63	153,484	159,043	154,037	119,843
64	45,660	40,071	166,577	182,391
65	443	258	122	2,882
66	-	-	125	128
67	-	-	-	36
68	21,187	59,233	51,798	2,116
69	81,610	206,778	87,816	46,308
70	297	3,614	2,970	17,753
71	-	-	-	247
72	139,207	281,994	394,767	283,155
73	24,062	80,137	36,069	367,420
74	818	977	413	566
75	-	-	-	740
76	143,230	852,091	1,535,014	1,548,963
80	-	3,657	-	404
82	6,946	7,626	7,904	12,069
83	178,655	41,270	13,934	52,180
84	1,401,194	863,551	1,044,536	1,661,342
85	2,245,288	2,798,893	4,696,557	20,194,743
86	79,274	301,709	409,391	44,893
87	331,344	1,266,869	174,871	405,519
88	184	792	-	1,606
90	521,463	842,412	96,537	176,141
91	264		149	453
93	26,262	13,663	2,848	2,045
94	181,128	117,499	255,523	299,035
95	108,202	8,060	235,595	266,224
96	14,830	57,335	137,882	186,362
<b>Total</b>	<b>20,902,391</b>	<b>22,674,435</b>	<b>24,204,210</b>	<b>44,221,890</b>



Hungary – Imports from Estonia, 1998-2001  
(USD)

H.S.	Year			
Chapter	1998	1999	2000	2001
3	-	-	21,228	36,631
4	-	62,142	-	-
5	26,104	49,175	34,222	28,025
16	28,991	171,622	65,817	197,768
22	-	-	-	138
27	-	2,002	-	23,533
28	-	-	-	5,335
30	-	1,111	-	-
32	-	254	19,810	78,999
34	-	-	-	2,757
38	-	235	-	67
39	1,251	10,646	32,616	109,981
40	880	744	7,706	1,505
41	-	-	50	-
42	232	15	-	666
43	-	-	-	47,195
44	260,006	763,477	989,738	1,497,803
48	1,308	101	13,233	6,686
49	40	361	276	2,897
52	49,330	58,461	98,608	424,241
54	-	-	-	224
55	-	532	13	9,768
56	-	71,610	88,670	121
57	-	-	663	2,612
58	-	6,189	-	45
59	14,400	15,120	16,520	230,313
61	8,286	11,590	9,551	4,241
62	3,086	3,089	11,667	18,232
63	13,512	6,497	8,798	42,804
64	32,894	52,220	56,614	32,821
65	-	404	363	706
70	275	421	621	438
73	33,284	804	25,150	13,369
74	-	382	-	-
76	-	888	-	18,165
82	-	-	6,579	1,302
83	75	1,009	722	624
84	87,584	4,553,572	805,424	509,742
85	6,555,657	568,279	5,819,512	14,545,559
87	309,304	420,964	719,286	704,926
90	51,141	113,177	8,199,682	595,142
94	480,653	722,226	685,861	731,999
95	67,084	112,835	64,721	22,897
96	1	951	78,187	59,701
97	-	-	-	54,484
<b>Total</b>	<b>8,025,378</b>	<b>7,783,105</b>	<b>17,881,908</b>	<b>20,064,462</b>

Imports of Estonia from Hungary, 2001  
by Different Duty Levels According to the Agreement

Duty Rate	Agricultural products		Industrial products	
	USD	%	USD	%
0%	11,194,929	100	33,026,961	100
Less than MFN	0	0	0	0
MFN	0	0	0	0
Total:	11,194,929	100	33,026,961	100
<b>Total imports: 44,221,890</b>				

Imports of Hungary from Estonia, 2001,  
by Different Duty Levels According to the Agreement

Duty Rate	Agricultural products		Industrial products	
	USD	%	USD	%
0%	0	0	19,801,900	100
Less than MFN	234,467.9	89,3	0	0
MFN	28,094.1	10,7	0	0
Total:	262,562.0	100	19,801,900	100
<b>Total imports: 20,064,462</b>				