

# **WORLD TRADE ORGANIZATION**

RESTRICTED

**WT/REG54/4**

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**Committee on Regional Trade Agreements**

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## **FREE TRADE AGREEMENT BETWEEN ISRAEL AND HUNGARY**

### Questions and Replies

This document reproduces questions addressed to the Parties and the responses submitted. The questions and replies set out below are organized in accordance with documents WT/REG54/3.

#### **I. BACKGROUND INFORMATION ON THE AGREEMENT**

##### **4. Trade Data**

The Parties to the Agreement have circulated overall two-way trade data at the chapter or section level for the last few years. While this information is useful, unfortunately the information does not respond to the request made by the Committee. Committee members are still unclear on the treatment of certain types of products under the Agreement. While the Parties claim that all trade is covered by the Agreement, it appears that some products – primarily agricultural – are not subject to tariff elimination and in fact may receive only tariff preferences. Committee members have requested, on several occasions, statistical information that would show the amount/type of trade subject to varying treatment under the Agreement. Similar data has been provided by the parties to other agreements. We are not prepared to complete the factual review of this Agreement – or any other agreements - until satisfactory trade data has been provided. We note that while the Parties to the Agreement may consider the meaning of the term "substantially all trade" to be a topic for the discussion on systemic issues, the information we have requested has been provided by the parties in reviews of other agreements. Please provide the trade data that has been requested.

We welcome the trade statistics provided by the FTA Parties in the Standard Format Report. We would be grateful for clarification of what percentage of FTA trade between the Parties (for each party):

**For agricultural products (Chapters 1-24)**

- will have the duties/regulations eliminated?
- receives concessions (less than MFN but greater than zero duties and/or quotas) or is excluded from FTA provisions?

**For industrial products (Chapters 25-97)**

- will have the duties/regulations eliminated?

- **receives concessions (less than MFN but greater than zero duties and/or quotas) or is excluded from FTA provisions?**

See Annex.

## **II. TRADE PROVISIONS**

### **1. Import Restrictions**

**Article 10 (Agriculture): Is consideration being given to establishing free trade in agriculture, or to extending existing provisions on agriculture and fisheries to cover more products or to liberalise further (e.g., eliminating duties/quotas on products currently only listed for concessions or currently exempt)?**

The Parties have granted each other preferential market access possibilities under the agreement for a number of agricultural and processed agricultural products and are determined to cover products that are currently exempt. Further liberalization of trade is an important component of the Agreement and will be reviewed within the framework of the Joint Committee meetings, in accordance with Article 11.2 of Israel-Hungary Agreement.

### **5. Safeguards**

**Articles 25, 26, 27 and 29 (General Safeguards/Structural Adjustment/Re-export and Serious Shortage/Safeguard Procedures): Can the Parties explain whether there is any difference in practice between the obligations under these Articles and the manner in which they will operate, and the obligations of the Parties under the WTO? Can the Parties confirm that measures applied under these Articles will be applied in a non-discriminatory manner without prejudice to the interests of non-parties to this FTA?**

**Article 26 (Structural Adjustment): This Article makes provision for exceptional measures to be taken concerning infant industries, or sectors undergoing restructuring or facing serious difficulties. Have any structural adjustment measures been taken, and if so, on what products? How is it decided that exceptional measures can be taken?**

As already mentioned during the examination of the Free Trade Agreement, this explicitly provides that a Party taking emergency measures shall exclude from the action imports from the other Party, unless these are a substantial cause of serious injury or threat thereof. The aim of this provision is to eliminate any possible unjustified factor, which may hamper the gradual elimination of tariff duties as well other restrictive measures. This was done in light of GATT Article XXIV, which provides for the removal of customs duties and other restrictive regulations of commerce (except, when necessary, those permitted under Articles XI, XII, XIII, XIV, XV and XX). Therefore, it is the view of the Parties that this is not inconsistent with Article XXIV. Other RTAs have also similar provisions in this regard.

In relation to safeguards measures to protect new industries, sectors being restructured or with serious difficulties, these possible measures are of a limited duration and in any way could be taken only until the expiration of the transitional period. No such measures have been applied so far.

Regarding Re-export & Serious Shortage, the Parties wish to refer to the last sentence of Articles 27 in the Agreement which states as follows: "The measures shall be non-discriminatory and be eliminated when conditions no longer justify their maintenance".

With regard to Safeguards Procedures, the purpose of this Article is to provide for a consultation process, in accordance with the letter and the spirit of the WTO.

**Article 30 (Balance-of-Payments – BOP – Measures): Will BOP measures under this Article be applied in a non-discriminatory manner and without prejudice to the interests of non-parties to this Agreement?**

BOP measures, in case needed, will be applied in non-discriminatory manner in accordance with the conditions laid down in WTO rules.

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

### *7.2 State monopolies*

**Article 17 (State Monopolies): Which products are currently subject to state monopolies? This Article suggests that state monopolies might currently discriminate in their commercial decisions – can the Parties confirm that such monopolies operate in a manner consistent with GATT Article XVII in their purchase from and sales to third countries?**

The aim of the provision on state monopolies is to stress that any state monopoly of a commercial character should act in a manner consistent with the principles of non-discrimination. As to products subject to state trading and consistency with GATT Article XVII, please refer to the Parties' notifications, which have been notified to the Committee on State Trading Enterprises.

## ANNEX

Imports of Hungary from Israel, 1995-1997,  
by different duty levels according to the Agreement

Duty rate	1995					
	Agricultural products		Industrial products		Total imports	
	1,000 US\$	%	1,000 US\$	%	1,000 US\$	%
0%	65.7	1.0	40,360.6	100.0	40,426.3	85.2
Less than MFN	4,220.1	59.6	-	-	4,220.1	8.9
MFN	2,793.4	39.4	-	-	2,793.4	5.9
<b>All</b>	<b>8,079.2</b>	<b>100.0</b>	<b>40,360.6</b>	<b>100.0</b>	<b>48,439.8</b>	<b>100.0</b>

Duty rate	1996					
	Agricultural products		Industrial products		Total imports	
	1,000 US\$	%	1,000 US\$	%	1,000 US\$	%
0%	67.4	1.2	43,754.7	100.0	43,822.1	88.7
Less than MFN	3,610.7	63.9	-	-	3,610.7	7.3
MFN	1,971.8	34.9	-	-	1,971.8	4.0
<b>All</b>	<b>6,649.9</b>	<b>100.0</b>	<b>43,754.7</b>	<b>100.0</b>	<b>50,404.6</b>	<b>100.0</b>

Duty rate	1997					
	Agricultural products		Industrial products		Total imports	
	1,000 US\$	%	1,000 US\$	%	1,000 US\$	%
0%	19.5	0.4	38,724.7	100.0	38,744.2	87.3
Less than MFN	3,636.1	64.5	-	-	3,636.1	8.2
MFN	1,979.5	35.1	-	-	1,979.5	4.5
<b>All</b>	<b>6,635.1</b>	<b>100.0</b>	<b>38,724.7</b>	<b>100.0</b>	<b>45,359.8</b>	<b>100.0</b>

Imports of Israel from Hungary, 1995-1997,  
by different duty levels according to the Agreement

Duty rate	1995					
	Agricultural products		Industrial products		Total imports	
	US\$	%	US\$	%	US\$	%
0%	9,013,415	84.0	37,466,016	100.0	46,479,431	96.4
Less than MFN	314,093	2.9	-	-	314,093	0.7
MFN	1,407,310	13.1	-	-	1,407,310	2.9
<b>All</b>	<b>10,734,818</b>	<b>100.0</b>	<b>37,466,016</b>	<b>100.0</b>	<b>48,200,834</b>	<b>100.0</b>

Duty rate	1996					
	Agricultural products		Industrial products		Total imports	
	US\$	%	US\$	%	US\$	%
0%	4,937,457	88.3	6,751,120	100.0	11,688,577	94.7
Less than MFN	75,466	1.3	-	-	75,466	0.6
MFN	579,399	10.4	-	-	579,399	4.7
<b>All</b>	<b>5,592,322</b>	<b>100.0</b>	<b>6,751,120</b>	<b>100.0</b>	<b>12,343,442</b>	<b>100.0</b>

Duty rate	1997					
	Agricultural products		Industrial products		Total imports	
	US\$	%	US\$	%	US\$	%
0%	3,961,162	78.5	6,851,868	100.0	10,813,030	90.9
Less than MFN	184,523	3.7	-	-	184,523	1.6
MFN	902,061	17.8	-	-	902,061	7.5
<b>All</b>	<b>5,047,746</b>	<b>100.0</b>	<b>6,851,868</b>	<b>100.0</b>	<b>11,899,614</b>	<b>100.0</b>