

**Committee on Regional Trade Agreements
Thirty-Fourth Session**

**EXAMINATION OF THE FREE TRADE AGREEMENT
BETWEEN HUNGARY AND ESTONIA**

Note on the Meeting of 3 April 2003

Chairman: Mr. S. Dalela (India)

1. The meeting was convened in document WTO/AIR/2056/Rev.1
2. Under Agenda Item C.XIX of its Thirty-Fourth Session, the Committee on Regional Trade Agreements (hereinafter CRTA or the Committee) took up the first round of examination of the Free Trade Agreement (FTA) between Hungary and Estonia. The following topics were discussed:

- A. General Remarks
- B. Section II – Trade Provisions

3. The Chairman noted that it was the first round of examination of the Free Trade Agreement between Turkey and Slovenia. The Agreement had been signed on 4 November 1998 and had been ratified by Hungary in December 1998 and by Estonia in January 2001. The Agreement had been provisionally applied from 1 January 1999 and had entered into force on 1 March 2001. The Agreement had been notified to the WTO on 4 October 2001 in document WT/REG128/N/1, with the text of the Agreement appearing in document WT/REG128/1 and the Standard Format in WT/REG128/3. He proposed to organize the examination by first asking the Parties and other Members for general comments and then turn to the specifics of the Agreement, using the Standard Format to guide the debate. He recalled the terms of reference for the examination, adopted on 5 October 2001 by the Council for Trade in Goods as contained in document WT/REG128/2.

A. GENERAL REMARKS

4. The representative of Hungary, speaking also on behalf of the representative of Estonia, informed the Committee that the objective of the Agreement was 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. The Agreement covered trade in goods; trade in services was not subject to the provisions of the Agreement. The customs duties on imports of industrial products and all charges having equivalent effect had been abolished on the date of entry into force of the Agreement. All quantitative restrictions and measures having equivalent effect on imports of products originating in the Parties had been abolished on the date of entry into force of the Agreement. The exchange of concessions on agricultural products were contained in Article 10 and Annex V of the Agreement. The import data of the Parties showed that Hungarian exports to Estonia had doubled while Estonian exports to Hungary had nearly tripled following the provisional application and entry into force of the Agreement. 100 per cent of Estonian's imports from Hungary and 98.7 per cent of Hungarian's imports from Estonia enjoyed duty free treatment under the Agreement. As far as the future of the Agreement was concerned, it would

cease to exist with the enlargement of the EU in the coming year and the Parties would continue to enjoy duty-free treatment within the framework of the EU customs union.

5. The representative of the United States remarked that the Agreement would soon become irrelevant due to the accession of the Parties to the EU. She stated, however, for the record and in the unlikely event that an examination report be produced before the Agreement become moot, that her delegation had the same kind of comments that had been voiced earlier in the Session for other RTAs. They included concerns in cases where preferential duties remained in place as opposed to duty elimination or MFN rates; where substantial sectors seemed to be excluded from coverage; and where rules of origin regimes which cumulated origin from different countries, such as the Pan-European System of Cumulation of Origin, applied. She assumed, however, that some of the limitations in scope would be addressed once the Parties joined the EU.

6. The representative of Hungary indicated that Hungarian's agricultural imports from Estonia represented 1.3 per cent of total imports in 2001, of which 89.3 per cent enjoyed preferential access and 10.7 per cent received MFN treatment. Estonian's agricultural imports from Hungary represented 25.3 per cent of total imports in 2001, all of which enjoyed duty-free treatment. That meant that in the case of Estonia, its total imports from Hungary enjoyed duty-free treatment. In the case of Hungary, duty-free treatment applied to 98.7 per cent of its total imports from Estonia. Of the remaining 1.3 per cent of imports, 1.2 per cent enjoyed preferential treatment and 0.1 per cent received MFN treatment. It was her delegation's view that "substantially all the trade" did not mean all trade and that a figure of 98.7 per cent of total trade satisfied the condition of elimination of duties on substantially all trade. However, that was a systemic issue and she did not wish to engage in a discussion on that. With respect to the Pan-European System of Cumulation of Origin, she said that her delegation regarded the system as one providing stability, transparency and predictability to third country suppliers and which did not hinder trade with them. She pointed out, however, that preferential rules of origin and their relation to examinations under Article XXIV was a subject of the systemic debate, which she did not wish to enter into here.

B. SECTION II - TRADE PROVISIONS

7. The representative of Chile noted that, in spite of the agricultural sector being apparently covered by the Agreement, Article 12 provided for a special safeguard in the agricultural sector, which allowed the Parties, in case of serious disturbances to their markets, to take the measures they deemed necessary. In that respect, she was interested to know how that provision had been applied in practice to either close markets or raise tariffs. The representative of Hungary said that that provision had never been used.

8. The Chairman said that the first round of examination of the Free Trade Agreement between Hungary and Estonia had allowed the Committee to clarify a number of issues, but some remained pending. He asked delegations to submit questions to the Secretariat by the end of July 2003 and for the Parties to submit replies no later than the end of October 2003.

9. The representative of Hungary was of the view that the Committee had concluded the factual examination of the Agreement. She indicated that the outstanding issues were of a systemic nature, which would not be resolved through further examination of the Agreement.

10. The representative of the United States said that her delegation had no further questions due to the moot nature of the Agreement. She added that according to the procedures set by the previous Chairman of the Committee, in the absence of further questions by Members, the factual examination of an agreement could be considered concluded.

11. The Chairman suggested that the question on how to proceed with the further examination of the Agreement be dealt with in the next session of the Committee to allow interested Members to raise further questions.
 12. The Committee took note of the comments made.
-