

AGREEMENT FREE TRADE BETWEEN THE EUROPEAN COMMUNITIES AND THEIR MEMBER STATES AND THE REPUBLIC OF HUNGARY

Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and the Republic of Hungary, of the other part - Protocol 1 on textile and clothing products - Protocol 2 on products covered by the ECSC Treaty - Protocol 3 on trade between Hungary and the Community in processed agricultural products not covered by Annex II to the EEC Treaty - Protocol 4 concerning the definition of the concept of originating products and methods of administrative cooperation - Protocol 5 on specific provisions relating to trade between Hungary, of the one part, and Spain and Portugal, of the other part - Protocol 6 on mutual assistance in customs matters - Protocol 7 on concessions with annual limits - Final Act - Joint Declarations - Unilateral Declarations - Declaration concerning Annexes IXa and XIc of the Agreement
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EUROPE AGREEMENT establishing an association between the European Communities and their Member States, of the one part, and the Republic of Hungary, of the other part
THE KINGDOM OF BELGIUM,
THE KINGDOM OF DENMARK,
THE FEDERAL REPUBLIC OF GERMANY,
THE HELLENIC REPUBLIC,
THE KINGDOM OF SPAIN,
THE FRENCH REPUBLIC,
IRELAND,
THE ITALIAN REPUBLIC,
THE GRAND DUCHY OF LUXEMBOURG,
THE KINGDOM OF THE NETHERLANDS,
THE PORTUGUESE REPUBLIC,
THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND,

Contracting Parties to the Treaty establishing the European Economic Community, the Treaty establishing the European Coal and Steel Community and the Treaty establishing the European Atomic Energy Community, hereinafter referred to as 'Member States', and
The EUROPEAN ECONOMIC COMMUNITY, the EUROPEAN COAL AND STEEL COMMUNITY, the EUROPEAN ATOMIC ENERGY COMMUNITY, hereinafter referred to as 'the Community',
of the one part, and

THE REPUBLIC OF HUNGARY, hereinafter referred to as 'Hungary',
of the other part,

CONSIDERING the importance of the existing traditional links between the Community, its Member States and Hungary and the common values that they share;

RECOGNIZING that the Community and Hungary wish to strengthen these links and to establish close and lasting relations, based on mutual interests, which would facilitate the participation of Hungary in the process of European integration, thus strengthening and widening the relations established in the past notably by the Agreement on Trade and Commercial and Economic Cooperation, signed on 26 September 1988;

CONSIDERING the opportunities for a relationship of a new quality offered by the emergence of a new democracy in Hungary;

REAFFIRMING their commitment to pluralist democracy based on the rule of law, human rights and fundamental freedoms, a multiparty system involving free and democratic elections, to the principles of a market economy and to social justice, which constitute the basis for the association;

RECALLING the firm commitment of the Community and its Member States and of Hungary to the process of the Conference on Security and Cooperation in Europe (CSCE), including the full implementation of all provisions and principles therein, in particular the Helsinki Final Act, the concluding documents of the Madrid and Vienna follow-up meetings and the Charter of Paris for a new Europe;

CONSCIOUS of the importance of the association agreement in building the structures of a peaceful, prosperous and stable Europe, with the Community as one of its cornerstones;

BELIEVING that full implementation of the association will be facilitated by further actual progress in Hungary towards a market economy, inter alia in the light of the conclusions of the CSCE Bonn Conference, and genuine rapprochement of the Contracting Parties' economic systems;

DESIROUS of establishing regular political dialogue on bilateral and international issues of mutual interest, to enhance and complete associations;

TAKING ACCOUNT of the Community's willingness to provide decisive support for the completion of the process towards a market economy in Hungary and to help it cope with the economic and social consequences of structural readjustment;

TAKING ACCOUNT furthermore of the Community's willingness to set up instruments of cooperation and economic, technical and financial assistance on a global and multiannual basis;

BEARING IN MIND the economic and social disparities between the Community and Hungary and thus recognizing that the objectives of this association should be reached through appropriate provisions of this Agreement;

CONVINCED that the Association Agreement will create a new climate for their economic relations and in particular for the development of trade and investment, instruments which are indispensable for economic restructuring and the technological modernization;

DESIROUS of establishing cultural cooperation and developing exchanges of information;

CONSIDERING Hungary's firm intention to seek full integration in the political, economic and security order of a new Europe;

HAVING IN MIND that the final objective of Hungary is to become a member of the Community and that this association, in the view of the Parties, will help to achieve this objective, HAVE AGREED AS FOLLOWS:

Article 1

An association is hereby established between the Community and its Member States on the one part and Hungary on the other part. The objectives of this Association are:

- to provide an appropriate framework for the political dialogue between the Parties, allowing the development of close political relations,
- to establish gradually a free trade area between the Community and Hungary, covering substantially all trade between them,
- to make progress towards realizing between them the other economic freedoms on which the Community is based,
- to establish new rules, policies and practices as a basis for Hungary's integration into the Community,
- to promote economic, financial and cultural cooperation on the widest possible foundation,
- to support Hungary's efforts to develop its economy and to complete the conversion into a market economy,
- to set up institutions suitable to make the association effective.

TITLE I POLITICAL DIALOGUE

Article 2

A regular political dialogue shall be established between the Parties. It shall accompany and consolidate the rapprochement between the Parties, support the new political order in Hungary and contribute to the establishment of lasting links of solidarity and new forms of cooperation. The political dialogue and cooperation, based on shared values and aspirations:

- will facilitate Hungary's full integration into the community of democratic nations and progressive rapprochement with the Community. Political convergence and economic rapprochement provided for in this Agreement are closely related and mutually complementary parts of the association,
- will bring about better mutual understanding and an increasing convergence of positions on international issues, and in particular on those matters likely to have substantial effects on one or the other Party,
- will enable each Party to consider the position and interests of the other Party in their respective decision-making process,
- will contribute to the rapprochement of the Parties position on security issues and will enhance security and stability in the whole of Europe.

Article 3

1. Consultations as appropriate shall be held between the Parties at the highest political level.
2. At ministerial level, political dialogue shall take place within the Association Council, which shall have the general responsibility for any matter the Parties might wish to put to it.

Article 4

Other procedures and mechanisms for political dialogue shall be set up by the Parties by establishing appropriate contacts, exchanges and consultation, in particular in the following forms:

- meetings at the level of political directors between Hungarian officials, on the one hand, and the Presidency of the Council of the European Communities and the Commission of the European Communities, on the other,
- taking full advantage of all diplomatic channels between the parties, including appropriate contacts in the bilateral as well as the multilateral field, such as the United Nations, CSCE meetings and elsewhere,
- providing regular information to Hungary on European political cooperation which shall be reciprocated as appropriate,
- any other means which would contribute to consolidating, developing and stepping up political dialogue.

Article 5

Political dialogue at parliamentary level shall take place within the Parliamentary Association Committee.

TITLE II GENERAL PRINCIPLES

Article 6

1. The Association includes a transition period of a maximum duration of 10 years divided into two successive stages, each in principle lasting five years. The first stage shall begin when this Agreement enters into force.
2. The Association Council shall proceed regularly to examine the application of this Agreement and of Hungary's accomplishments in the process leading to a market economy system.
3. During the course of the 12 months preceding the expiration of the first stage, the Association Council shall meet to decide the transition to the second stage as well as on any possible changes to be brought about as regards measures concerning the implementation of the provisions governing the second stage. In doing this, it will take into account the results of the examination mentioned in paragraph 2.
4. The two stages envisaged in paragraphs 1, 2 and 3 do not apply to Title III.

TITLE III FREE MOVEMENT OF GOODS

Article 7

1. The Community and Hungary shall gradually establish a free trade area in a transitional period lasting a maximum of 10 years starting from the entry into force of this Agreement in accordance with the provisions of this Agreement and in conformity with those of the General Agreement on Tariffs and Trade (GATT).
2. The combined nomenclature of goods shall be applied to the classification of goods for imports into the Community. The Hungarian customs tariff shall be applied to the classification of goods for imports into Hungary.
3. Subject to specific provisions in Chapters II and III, for each product the basic duty to which the successive reductions set out in this Agreement are to be applied shall be that actually applied erga omnes on the day preceding the date of entry into force of the Agreement.
4. If, after entry into force of this Agreement, any tariff reduction is applied on an erga omnes basis, in particular reductions resulting from the tariff agreement concluded as a result of the

GATT Uruguay Round, such reduced duties shall replace the basic duties referred to in paragraph 3 as from the date when such reductions are applied.

5. The Community and Hungary shall communicate to each other their respective basic duties.

CHAPTER I Industrial products

Article 8

1. The provisions of this Chapter shall apply to products originating in the Community and in Hungary listed in Chapters 25 to 97 of the combined nomenclature and of the Hungarian customs tariff with the exception of the products listed in Annex I.

2. The provisions of Articles 9 to 13 included do not apply to products mentioned in Articles 15 and 16.

Article 9

1. Customs duties on imports applicable in the Community to products originating in Hungary other than those listed in Annexes IIa, IIb and III shall be abolished on the entry into force of this Agreement.

2. Customs duties on imports applicable in the Community to products originating in Hungary which are listed in Annex IIa shall be progressively abolished in accordance with the following timetable:

- on the date of entry into force of this Agreement each duty shall be reduced to 50 % of the basic duty,
- one year after the date of entry into force of this Agreement the remaining duties shall be eliminated.

Customs duties on imports applicable in the Community to products originating in Hungary listed in Annex IIb shall be progressively reduced, from the date of entry into force of this Agreement, by annual reductions of 20 % of the basic duty, so as to arrive at a total abolition by the end of the fourth year after the date of entry into force of this Agreement.

3. The products of Hungarian origin listed in Annex III shall benefit from a suspension of customs duties on imports within the limits of annual Community tariff quotas or ceilings increasing progressively in accordance with the conditions defined in the Annex. At the same time, customs duties on imports applicable to import quantities in excess of the quotas or ceilings provided for above shall be progressively reduced in accordance with the conditions set out in Annex III so as to arrive at a complete abolition of customs duties on imports of the products concerned at the end of the fifth year at the latest.

4. Quantitative restrictions on imports to the Community and measures having equivalent effect shall be abolished on the date of entry into force of this Agreement with regard to the products originating in Hungary.

Article 10

1. Customs duties on imports applicable in Hungary to products originating in the Community which are listed in Annex IV shall be reduced progressively:

- upon entry into force of this Agreement: to two-thirds of the basic duty,
- on January 1, 1993: to one-third of the basic duty,
- on January 1, 1994: to zero.

2. Customs duties on imports applicable in Hungary to products originating in the Community not listed in Annexes IV and V shall be reduced progressively:

- on January 1, 1995: to two-thirds of the basic duty,

- on January 1, 1996: to one-third of the basic duty,
- on January 1, 1997: to zero.

3. Customs duties on imports applicable in Hungary to products originating in the Community which are listed in Annex V shall be reduced progressively:

- on January 1, 1995: to 90 % of the basic duty,
- on January 1, 1996: to 75 % of the basic duty,
- on January 1, 1997: to 60 % of the basic duty,
- on January 1, 1998: to 45 % of the basic duty,
- on January 1, 1999: to 30 % of the basic duty,
- on January 1, 2000: to 15 % of the basic duty,
- on January 1, 2001: to 0 % of the basic duty.

4. Quantitative restrictions on imports into Hungary and measures having an equivalent effect thereto of products originating in the Community as listed in Annex VIa shall be progressively abolished between January 1, 1995 and December 31, 2000 according to the timetable provided in that Annex. All other quantitative restrictions and measures having an equivalent effect thereto shall be abolished upon entry into force of this Agreement.

The Association Council shall periodically review the progress achieved in dismantling quantitative restrictions.

From the date of entry into force of this Agreement, Hungary shall open import ceilings for products originating in the Community listed in Annex VIb and on the conditions contained therein.

Article 11

The provisions concerning the abolition of customs duties on imports shall also apply to customs duties of a fiscal nature.

Article 12

The Community shall abolish in its imports from Hungary charges having an effect equivalent to customs duties on imports upon the entry into force of this Agreement.

Hungary shall abolish on its imports from the Community charges having an effect equivalent to customs duties on imports in accordance with the following timetable:

>TABLE POSITION>

Article 13

The Community and Hungary shall progressively abolish between them at the latest by the end of the fifth year after entry into force of this Agreement any customs duties on exports and charges having equivalent effect as well as quantitative restrictions on exports and any measures having equivalent effect except those that might be required for the administration of international obligations.

Article 14

Each Party declares its readiness to reduce its customs duties in trade with the other Party more rapidly than is provided for in Articles 9 and 10 if its general economic situation and the situation of the economic sector concerned so permit.

The Association Council may make recommendations to this effect.

Article 15

Protocol No 1 lays down the arrangements applicable to the textile products referred to therein.

Article 16

Protocol No 2 lays down the arrangements applicable to products covered by the Treaty establishing the European Coal and Steel Community.

Article 17

1. The provisions of this Chapter do not preclude the retention by the Community of an agricultural component in the duties applicable to products listed in Annex VII in respect of products originating in Hungary.
2. The provisions of this Chapter do not preclude the introduction of an agricultural component by Hungary in the duties applicable to the products listed in Annex VII in respect of products originating in the Community.

CHAPTER II Agriculture

Article 18

1. The provisions of this Chapter shall apply to agricultural products originating in the Community and in Hungary.
2. The term 'agricultural products' means the products listed in Chapters 1 to 24 of the combined nomenclature and of the Hungarian customs tariff and the products listed in Annex I, but excluding fishery products as defined by Regulation (EEC) No 3687/91.

Article 19

Protocol No 3 lays down the trade arrangements for processed agricultural products which are listed therein.

Article 20

1. The Community shall abolish at the date of entry into force of this Agreement the quantitative restrictions on imports of agricultural products originating in Hungary maintained by virtue of Council Regulation (EEC) No 3420/83 in the form existing on the date of signature hereof.
2. The agricultural products originating in Hungary listed in Annex VIIIa or Annex VIIIb shall benefit, upon the date of entry into force of this Agreement, from the reduction of levies within the limit of Community quotas or from the reduction of customs duties upon the conditions provided in the same Annex.
3. Agricultural products listed in Annex IXa originating in the Community shall be imported into Hungary free of quantitative restrictions. Agricultural products originating in the Community listed in Annex IXb shall be free from quantitative restrictions up to the quantities set out in that Annex.
4. The Community and Hungary shall grant each other the concessions referred to in Annexes Xa, Xb, Xc, XIa, XIb, XIc and XId, on a harmonious and reciprocal basis, in accordance with the conditions laid down therein.
5. Taking account of the volume of trade in agricultural products between them, of their particular sensitivity, of the rules of the common agricultural policy of the Community and of the rules of agricultural policy of Hungary and of the consequences of the multilateral trade negotiations under the General Agreement on Tariffs and Trade, the Community and Hungary shall examine in the Association Council, product by product and on an orderly and reciprocal basis, the possibilities of granting each other further concessions.

Article 21

Notwithstanding other provisions of this Agreement and in particular Article 30, if, given the particular sensitivity of the agricultural markets, imports of products originating in one Party, which are the subject of concessions granted in Article 20, cause serious disturbance to the markets in the other Party, both Parties shall enter into consultations immediately to find an appropriate solution. Pending such solution, the Party concerned may take the measures it deems necessary.

CHAPTER III Fisheries

Article 22

The provisions of this Chapter shall apply to fishery products originating in the Community and in Hungary, which are covered by Regulation (EEC) No 3687/91 on the common organization of the market in the sector of fishery products.

Article 23

The provisions of Article 20 (5) shall apply mutatis mutandis to fishery products.

CHAPTER IV Common provisions

Article 24

The provisions of this Chapter shall apply to trade in all products except where otherwise provided herein or in Protocols Nos 1, 2 and 3.

Article 25

1. No new customs duties on imports or exports or charges having equivalent effect shall be introduced, nor shall those already applied be increased, in trade between the Community and Hungary from the date of entry into force of this Agreement.
2. No new quantitative restriction on imports or exports or measure having equivalent effect shall be introduced nor shall those existing be made more restrictive in trade between the Community and Hungary from the date of entry into force of this Agreement.
3. Without prejudice to the concessions granted under Article 20, the provisions of paragraphs 1 and 2 of this Article shall not restrict in any way the pursuance of the respective agricultural policies of Hungary and the Community or the taking of any measures under such policies.

Article 26

1. The two Parties shall refrain from any measure or practice of an internal fiscal nature establishing, whether directly or indirectly, discrimination between the products of one Party and like products originating in the territory of the other Party.
2. Products exported to the territory of one of the two Parties may not benefit from repayment of internal taxation in excess of the amount of direct or indirect taxation imposed on them.

Article 27

1. This Agreement shall not preclude the maintenance or establishment of customs unions, free trade areas or arrangements for frontier trade except in so far as they alter the trade arrangements provided for in this Agreement.

2. Consultations between the Parties shall take place within the Association Council concerning agreements establishing such customs unions or free trade areas and, where requested, on other major issues related to their respective trade policy with third countries. In particular in the event of a third country acceding to the Community, such consultations shall take place so as to ensure that account can be taken of the mutual interests of the Community and Hungary stated in this Agreement.

Article 28

Exceptional measures of limited duration which derogate from the provisions of Articles 10 and 25 (1) may be taken by Hungary in the form of increased customs duties.

These measures may only concern infant industries, or certain sectors undergoing restructuring or facing serious difficulties, particularly where these difficulties produce important social problems.

Customs duties on imports applicable in Hungary to products originating in the Community introduced by these measures may not exceed 25 % ad valorem and shall maintain an element of preference for products originating in the Community. The total value of imports of the products which are subject to these measures may not exceed 15 % of total imports from the Community of industrial products, as defined in Chapter I, during the last year for which statistics are available.

These measures shall be applied for a period not exceeding five years unless a longer duration is authorized by the Association Council. They shall cease to apply at the latest at the expiration of the transitional period.

No such measures can be introduced in respect of a product if more than three years have elapsed since the elimination of all duties and quantitative restrictions or charges or measures having an equivalent effect concerning that product.

Hungary shall inform the Association Council of any exceptional measures it intends to take and, at the request of the Community, consultations shall be held in the Association Council on such measures and the sectors to which they apply before they are applied. When taking such measures Hungary shall provide the Association Council with a schedule for the elimination of the customs duties introduced under this Article. This schedule shall provide for a phasing out of these duties starting at the latest two years after their introduction, at equal annual rates. The Association Council may decide on a different schedule.

Article 29

If one of the Parties finds that dumping is taking place in trade with the other Party within the meaning of Article VI of the General Agreement on Tariffs and Trade, it may take appropriate measures against this practice in accordance with the Agreement relating to the application of Article VI of the General Agreement on Tariffs and Trade, with related internal legislation and with the conditions and procedures laid down in Article 33.

Article 30

Where any product is being imported in such increased quantities and under such conditions as to cause or threaten to cause:

- serious injury to domestic producers of like or directly competitive products in the territory of one of the Contracting Parties, or
- serious disturbances in any sector of the economy or difficulties which could bring about serious deterioration in the economic situation of a region,

the Community or Hungary, whichever is concerned, may take appropriate measures under the conditions and in accordance with the procedures laid down in Article 33.

Article 31

Where compliance with the provisions of Articles 13 and 25 leads to:

(i) re-export towards a third country against which the exporting Party maintains, for the product concerned, quantitative export restrictions, export duties or measures having equivalent effect;

or

(ii) a serious shortage, or threat thereof, of a product essential to the exporting Party, and where the situations above referred to give rise, or are likely to give rise, to major difficulties for the exporting Party, that Party may take appropriate measures under the conditions and in accordance with the procedures laid down in Article 33. The measures shall be non-discriminatory and be eliminated when conditions no longer justify their maintenance.

Article 32

The Member States and Hungary shall progressively adjust any State monopolies of a commercial character so as to ensure that, by the end of the fifth year following the entry into force of this Agreement, no discrimination regarding the conditions under which goods are procured and marketed exists between nationals of the Member States and of Hungary. The Association Council will be informed about the measures adopted to implement this objective.

Article 33

1. In the event of the Community or Hungary subjecting imports of products liable to give rise to the difficulties referred to in Article 30 to an administrative procedure having as its purpose the rapid provision of information on the trend of trade flows, it shall inform the other Party.

2. In the cases specified in Article 29, 30 and 31, before taking the measures provided for therein or, in cases to which paragraph 3 (d) applies, as soon as possible, the Community or Hungary, as the case may be, shall supply the Association Council with all relevant information with a view to seeking a solution acceptable to the two Parties.

In the selection of measures, priority must be given to those which least disturb the functioning of this Agreement.

The safeguard measures shall be notified immediately to the Association Council and shall be the subject of periodic consultations within that body, particularly with a view to establishing a timetable for their abolition as soon as circumstances permit.

3. for the implementation of paragraph 2, the following provisions shall apply:

(a) as regards Article 30, the difficulties arising from the situation referred to in that Article shall be referred for examination to the Association Council, which may take any decision needed to put an end to such difficulties.

If the Association Council or the exporting Party has not taken a decision putting an end to the difficulties or no other satisfactory solution has been reached within 30 days of the matter being referred, the importing Party may adopt the appropriate measures to remedy the problem. These measures must not exceed the scope of what is necessary to remedy the difficulties which have arisen;

(b) as regards Article 29, the Association Council shall be informed of the dumping case as soon as the authorities of the importing Party have initiated an investigation. When no end has been put to the dumping or no other satisfactory solution has been reached within 30 days of the

matter being referred to the Association Council, the importing Party may adopt the appropriate measures;

(c) as regards Article 31, the difficulties arising from the situations referred to in that Article shall be referred for examination to the Association Council.

The Association Council may take any decision needed to put an end to the difficulties. If it has not taken such a decision within 30 days of the matter being referred to it, the exporting Party may apply appropriate measures on the exportation of the product concerned;

(d) where exceptional circumstances requiring immediate action make prior information or examination, as the case may be, impossible, the Community or Hungary whichever is concerned may, in the situations specified in Articles 29, 30 and 31, apply forthwith the precautionary measures strictly necessary to deal with the situation.

Article 34

Protocol No 4 lays down rules of origin for the application of tariff preferences provided for in this Agreement.

Article 35

The Agreement shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security; the protection of health and life of humans, animals or plants; the protection of national treasures of artistic, historic or archaeological value or the protection of intellectual, industrial and commercial property or rules relating to gold and silver. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between the Parties.

Article 36

Protocol No 5 lays down the specific provisions to apply to trade between Hungary of the one part and Spain and Portugal of the other part.

TITLE IV MOVEMENT OF WORKERS, ESTABLISHMENT, SUPPLY OF SERVICES

CHAPTER I Movement of workers

Article 37

1. Subject to the conditions and modalities applicable in each Member State:

- the treatment accorded to workers of Hungarian nationality, legally employed in the territory of a Member State shall be free from any discrimination based on nationality, as regards working conditions, remuneration or dismissal, as compared to its own nationals;
- the legally resident spouse and children of a worker legally employed in the territory of a Member State, with the exception of seasonal workers and of workers coming under bilateral agreements within the meaning of Article 41, unless otherwise provided by such agreements, shall have access to the labour market of that Member State, during the period of that worker's authorized stay of employment.

2. Hungary shall, subject to the conditions and modalities applicable in that country accord the treatment referred to in paragraph 1 to workers who are nationals of a member State and are legally employed in its territory as well as to their spouse and children who are legally resident in the said territory.

Article 38

1. With a view to coordinating social security systems for workers of Hungarian nationality, legally employed in the territory of a Member State and for the members of their family, legally resident there, and subject to the conditions and modalities applicable in each Member State;

- all periods of insurance, employment or residence completed by such workers in the various Member States shall be added together for the purpose of pensions and annuities in respect of old age, invalidity and death and for the purpose of medical care for such workers and such family members,

- any pensions or annuities in respect of old age, death, industrial accident or occupational disease, or of invalidity resulting therefrom, with the exception of non-contributory benefits, shall be freely transferable at the rate applied by virtue of the law of the debtor Member State or States,

- the workers in question shall receive family allowances for the members of their family as defined above.

2. Hungary shall accord to workers who are nationals of a Member State and legally employed in its territory, and to members of their families legally resident there, treatment similar to that specified in the second and third indents of paragraph 1.

Article 39

1. The Association Council shall by decision adopt the appropriate provisions to implement the objective set out in Article 38.

2. The Association Council shall by decision adopt detailed rules for administrative cooperation providing the necessary management and control guarantees for the application of the provisions referred to in paragraph 1.

Article 40

The provisions adopted by the Association Council in accordance with Article 39 shall not affect any rights or obligations arising from bilateral agreements linking Hungary and the Member States where those agreements provide for more favourable treatment of nationals of Hungary or of the Member States.

Article 41

1. Taking into account the labour market situation in the Member State, subject to its legislation and to the respect of rules in force in that Member State in the area of mobility of workers:

- the existing facilities for access to employment for Hungarian workers accorded by Member States under bilateral agreements ought to be preserved and if possible improved,
- the other Member States shall consider favourably the possibility of concluding similar agreements.

2. The Association Council shall examine granting other improvements including facilities of access for professional training, in conformity with rules and procedures in force in the Member States, and taking account of the labour market situation in the Member States and in the Community.

Article 42

During the second stage referred to in Article 6, or earlier if so decided, the Association Council shall examine further ways of improving the movement of workers, taking into account inter alia the social and economic situation in Hungary and the employment situation in the Community. The Association Council shall make recommendations to such end.

Article 43

In the interest of facilitating the restructuring of labour resources resulting from the economic restructuring in Hungary the Community shall provide technical assistance for the establishment of a suitable social security system and labour services system in Hungary as set out in Article 88.

CHAPTER II Establishment

Article 44

1. Hungary shall, during the transitional period referred to in Article 6, facilitate the setting up of operations on its territory by Community companies and nationals as defined in Article 48. To that end, it shall:

(i) gradually, and at the latest by the end of the first stage referred to in Article 6, grant for the establishment of Community companies and nationals a treatment no less favourable than that accorded to its own nationals and companies, save for the sectors referred to in Annexes Xlla and Xllb, where such treatment shall be granted at the latest by the end of the transitional period referred to in Article 6; and

(ii) grant, from entry into force of this agreement, in the operation of Community companies and nationals established in Hungary a treatment no less favourable than that accorded to its own companies and nationals. Should the existing laws and regulations not grant such treatment of Community companies and nationals for certain economic activities in Hungary upon entry into force of this Agreement, Hungary shall amend such laws and regulations as to ensure such treatment at the latest at the end of the first stage referred to in Article 6.

2. Hungary shall, during the transitional periods referred to in paragraph 1, not adopt any new regulations or measures which introduce discrimination as regards the establishment and operations of Community companies and nationals in its territory in comparison to its own companies and nationals.

3. Each Member State shall grant, from entry into force of this Agreement, a treatment no less favourable than that accorded to its own companies and nationals for the establishment of Hungarian companies and nationals as defined in Article 48 and shall grant in the operation of Hungarian companies and nationals established in its territory a treatment no less favourable than that accorded to its own companies and nationals.

4. Notwithstanding the provisions of paragraphs 1, 2 and 3, the national treatment as described in paragraphs 1 and 3 shall be applicable for branches, agencies and nationals establishing as self-employed persons only from the start of the second stage referred to in Article 6.

5. For the purposes of this Agreement:

(a) 'establishment' shall mean:

(i) as regards nationals, the right to take up and pursue economic activities as self-employed persons and to set up and manage undertakings, in particular companies, which they effectively control. Self-employment and business undertakings by nationals shall not extend to seeking or taking employment in the labour market or confer a right of access to the labour market of another Party. The provisions of this chapter do not apply to those who are not exclusively self-employed;

(ii) as regards companies, the right to take up and pursue economic activities by means of the setting up and management of subsidiaries, branches and agencies;

(b) 'subsidiary' of a company shall mean a company which is effectively controlled by the first company;

(c) 'economic activities' shall in particular include activities of an industrial character, activities of a commercial character, activities of craftsmen and activities of the professions.

6. The Association Council shall during the transitional periods referred to in paragraph 1 (i) examine regularly the possibility of accelerating the granting of national treatment in the sectors referred to in Annexes XIIa and XIIb and the inclusion of areas or matters listed in Annex XIIc within the scope of application of the provisions of paragraphs 1, 2 and 3. Amendments may be made to these Annexes by decision of the Association Council.

Following the expiration of the transitional periods referred to in paragraph 1 (i), the Association Council may exceptionally, upon request of Hungary, and if the necessity arises, decide to prolong the duration of exclusion of certain areas or matters listed in Annexes XIIa and XIIb for a limited period of time.

7. The provisions concerning establishment and operation of Community and Hungarian companies and nationals contained in paragraphs 1, 2, 3 and 4 shall not apply to the areas or matters listed in Annex XIIc.

8. Notwithstanding the provisions of this Article, Community companies established in the territory of Hungary shall have, from entry into force of this Agreement, the right to acquire, use, rent and sell real property, and as regards natural resources, agricultural land and forestry, the right to lease, where these are directly necessary for the conduct of the economic activities for which they are established. This right does not include establishment for the purpose of dealing and agency in the area of real estate and natural resources. Hungary shall grant these rights to branches and agencies of Community companies and Community nationals established as self-employed persons in Hungary at the latest by the end of the first stage referred to in Article 6. This right does not include establishment for the purpose of dealing and agency in the area of real estate and natural resources.

Article 45

1. Subject to the provisions of Article 44, with the exception of financial services described in Annex XIIa, each Party may regulate the establishment and operation of companies and nationals on its territory, in so far as these regulations do not discriminate against companies and nationals of the other Party in comparison to its own companies and nationals.

2. In respect of financial services, described in Annex XIIa, this Agreement does not prejudice the right of the Parties to adopt measures necessary for the conduct of the Party's monetary policy, or for prudential grounds in order to ensure the protection of investors, depositors, policy holders, or to whom a fiduciary duty is owed, or to ensure the integrity and stability of the financial system. These measures shall not discriminate against companies and nationals of the other Party in comparison to its own companies and nationals.

Article 46

In order to make it easier for Community nationals and Hungarian nationals to take up and pursue regulated professional activities in Hungary and the Community respectively, the Association Council shall examine which steps are necessary to be taken to provide for the mutual recognition of qualifications. It may take all necessary measures to that end.

Article 47

The provisions of Article 45 do not preclude the application by a Contracting Party of particular rules concerning the establishment and operation in its territory of branches and agencies of companies of another Party not incorporated in the territory of the first Party, which are justified by legal or technical differences between such branches and agencies as compared to

branches and agencies of companies incorporated in its territory, or, as regards financial services, for prudential reasons. The difference in treatment shall not go beyond what is strictly necessary as a result of such legal or technical differences, or, as regards financial services, described in Annex Xlla, for prudential reasons.

Article 48

1. A 'Community company' and an 'Hungarian company' respectively shall for the purpose of this Agreement mean a company or a firm set up in accordance with the laws of a Member State or of Hungary respectively and having its registered office, central administration, or principal place of business in the territory of the Community or Hungary respectively. However, should the company or firm, set up in accordance with the laws of a Member State or of Hungary respectively, have only its registered office in the territory of the Community or Hungary respectively, its operations must possess a real and continuous link with the economy of one of the Member States or Hungary respectively.

2. With regard to international maritime transport, shall also be beneficiaries of the provisions of this Chapter and Chapter III of this Title, a national or a shipping company of the Member States or of Hungary respectively established outside the Community or Hungary respectively and controlled by nationals of a Member State, or Hungarian nationals respectively, if their vessels are registered on that Member State or in Hungary respectively in accordance with their respective legislations.

3. A Community and a Hungarian national respectively shall, for the purpose of this Agreement, mean a natural person who is a national of one of the Member States or of Hungary respectively.

4. The provisions of this Agreement shall not prejudice the application by each Party of any measure necessary to prevent the circumvention of its measures concerning third-country access to its market through the provisions of this Agreement.

Article 49

For the purpose of this Agreement 'financial services' shall mean those activities described in Annex Xlla. The Association Council may extend or modify the scope of Annex Xlla.

Article 50

During the first stage referred to in Article 6, or for the sectors included in Annexes Xlla and Xllb during the transitional period referred to in Article 6, Hungary may introduce measures which derogate from the provisions of this Chapter as regards the establishment of Community companies and nationals if certain industries:

- are undergoing restructuring, or
- are facing serious difficulties, particularly where these entail serious social problems in Hungary, or
- face the elimination or a drastic reduction of the total market share held by Hungarian companies or nationals in a given sector or industry in Hungary, or
- are newly emerging industries in Hungary.

Such measures:

- shall cease to apply at the latest two years after the expiration of the first stage referred to in Article 6, or for the sectors included in Annexes Xlla and Xllb upon the expiration of the transitional period referred to in Article 6, and
- shall be reasonable and necessary in order to remedy the situation, and

- shall only relate to establishments in Hungary to be created after the entry into force of such measures and shall not introduce discrimination concerning the operations of Community companies or nationals already established in Hungary at the time of introduction of a given measure compared to Hungarian companies or nationals.

While devising and applying such measures, Hungary shall grant whenever possible to Community companies and nationals a preferential treatment, and in no case a treatment less favourable than that accorded to companies or nationals from any third country.

Prior to the introduction of these measures, Hungary shall consult the Association Council and shall not put them into effect before a one-month period following the notification to the Association Council of the concrete measures to be introduced by Hungary, except where the threat of irreparable damage requires the taking of urgent measures in which case Hungary shall consult the Association Council immediately after their introduction.

Upon the expiration of the first stage referred to in Article 6, or for the sectors included in Annexes XIIa and XIIb upon expiration of the transitional period referred to in Article 6, Hungary may introduce such measures only with the authorization of the Association Council and under conditions determined by the latter.

Article 51

1. The provisions of this Chapter shall not apply to air transport services, inland-waterways transport services and maritime cabotage transport services.

2. The Association Council may make recommendations for improving establishment and operations in the areas covered by paragraph 1.

Article 52

1. Notwithstanding the provisions of Chapter I of this Title, the beneficiaries of the rights of establishment granted by Hungary and the Community respectively shall be entitled to employ, or have employed by one of their subsidiaries, in accordance with the legislation in force in the host country of establishment, in the territory of Hungary and the Community respectively, employees who are nationals of Member States and Hungary respectively, provided that such employees are key personnel as defined in paragraph 2 and that they are employed exclusively by such beneficiaries or their subsidiaries. The residence and work permits of such employees shall only cover the period of such employment.

2. Key personnel of the beneficiaries of the rights of establishment herein referred to as 'organization' are:

(a) senior employees of an organization who primarily direct the management of the organization, receiving general supervision or direction principally from the board of directors or shareholders of the business, including:

- directing the organization or a department or sub-division of the organization,
- supervising and controlling the work of other supervisory, professional or managerial employees,
- having the authority personally to engage and dismiss or recommend engaging, dismissing or other personnel actions;

(b) persons employed by an organization who possess high or uncommon:

- qualifications referring to a type of work or trade requiring specific technical knowledge,
- knowledge essential to the organization's service, research equipment, techniques or management.

These may include, but are not limited to, members of accredited professions.

Each such employee must have been employed by the organization concerned for at least one year preceding the detachment by the organization.

Article 53

1. The provisions of this Chapter shall be applied subject to limitations justified on grounds of public policy, public security or public health.
2. The provisions of this Chapter shall not apply to activities which in the territory of each Party are connected, even occasionally, with the exercise of official authority.

Article 54

Companies which are controlled and exclusively owned jointly by Hungarian companies or nationals and Community companies or nationals shall also be beneficiaries of the provisions of this Chapter and Chapter III of this Title.

CHAPTER III Supply of services between the Community and Hungary

Article 55

1. The Parties undertake in accordance with the provisions of this Chapter to take the necessary steps to allow progressively the supply of services by Community or Hungarian companies or nationals who are established in a Party other than that of the person for whom the services are intended taking into account the development of the services sector in the Parties.
2. In step with the liberalization process mentioned in paragraph 1, and subject to the provisions of Article 58 (1), the Parties shall permit the temporary movement of natural persons providing the service or who are employed by the service provider as key personnel as defined in Article 52 (2), including natural persons who are representatives of a Community or Hungarian company or national and are seeking temporary entry for the purpose of negotiating for the sale of services or entering into agreements to sell services for that service provider, where those representatives will not be engaged in making direct sales to the general public or in supplying services themselves.
3. The Association Council shall take the measures necessary to implement progressively the provisions of paragraph 1.

Article 56

With regard to supply of transport services between the Community and Hungary, the following replaces the provisions of Article 55:

1. With regard to international maritime transport the Parties undertake to apply effectively the principle of unrestricted access to the market and traffic on a commercial basis:
 - (a) the above provision does not prejudice the rights and obligations under the United Nations Code of Conduct for Liner Conferences, as applied by one or the other Contracting Party to this Agreement. Non-conference liners will be free to operate in competition with a conference as long as they adhere to the principle of fair competition on a commercial basis;
 - (b) the Parties affirm their commitment to a freely competitive environment as being an essential feature of the dry and liquid bulk trade.
2. In applying the principles of paragraph 1, the Parties shall:
 - (a) not introduce cargo sharing clauses in future bilateral agreements with third countries, other than in those exceptional circumstances where liner shipping companies from one or other Party

to this Agreement would not otherwise have an effective opportunity to ply for trade to and from the third country concerned;

(b) prohibit cargo sharing arrangements in future bilateral agreements concerning dry and liquid bulk trade;

(c) abolish, upon entry into force of this Agreement, all unilateral measures, administrative, technical and other obstacles which could have restrictive or discriminatory effects on the free supply of services in international maritime transport.

3. With a view to assuring a coordinated development and progressive liberalization of transport between the Parties adapted to their reciprocal commercial needs, the conditions of mutual market access in air transport and in inland transport shall be dealt with by special transport agreements to be negotiated between the Parties after the entry into force of this Agreement.

4. Prior to the conclusion of the agreements referred to in paragraph 3, the Parties shall not take any measures or actions which are more restrictive or discriminatory as compared to the situation existing on the day preceding the day of entry into force of this Agreement.

5. During the transitional period, Hungary shall progressively adapt its legislation including administrative, technical and other rules to that of the Community legislation existing at any time in the field of air and inland transport in so far as it serves liberalization purposes and mutual access to markets of the Parties and facilitates the movement of passengers and of goods.

6. In step with the common progress in the achievement of the objectives of this Chapter, the Association Council shall examine ways of creating the conditions necessary for improving freedom to provide air and inland transport services.

Article 57

The provisions of Article 53 shall apply to the matters covered by this Chapter.

CHAPTER IV General provisions

Article 58

1. For the purpose of Title IV of this Agreement, nothing in the Agreement shall prevent the Parties from applying their laws and regulations regarding entry and stay, work, labour conditions and establishment of natural persons, and supply of services, provided that, in so doing, they do not apply them in a manner as to nullify or impair the benefits accruing to any Party under the terms of a specific provision of this Agreement. This provision does not prejudice the application of Article 53.

2. The provisions of Chapters II, III and IV of Title IV shall be adjusted by decision of the Association Council in the light of the result of the negotiations on services taking place in the Uruguay Round and in particular to ensure that under any provision of this Agreement a Party grants to the other Party a treatment no less favourable than that accorded under the provisions of a future GATT Agreement.

TITLE V PAYMENTS, CAPITAL, COMPETITION AND OTHER ECONOMIC PROVISIONS, APPROXIMATION OF LAWS CHAPTER I Current payments and movement of capital

Article 59

The Contracting Parties undertake to authorize, in freely convertible currency, any payments on the current account of balance of payments to the extent that the transaction underlying the

payments concern movements of goods, services or persons between the Parties which have been liberalized pursuant to this Agreement.

Article 60

1. With regard to transactions on the capital account of balance of payments, from the entry into force of this Agreement, the Member States and Hungary respectively shall ensure the free movement of capital relating to direct investments made in companies formed in accordance with the laws of the host country and investments made in accordance with the provisions of Chapter II of Title IV, and the liquidation or repatriation of these investments and of any profit stemming therefrom. Notwithstanding the above provision, such free movement, liquidation and repatriation shall be ensured by the end of the first stage referred to in Article 6 for all investments linked to establishment of branches and agencies of Community companies and of Community nationals establishing in Hungary as self-employed persons pursuant to Chapter II of Title IV.
2. Without prejudice to paragraph 1, the Member States, as from the entry into force of this Agreement, and Hungary as from the start of the second stage referred to in Article 6, shall not introduce any new foreign exchange restrictions on the movement of capital and current payments connected therewith between residents of the Community and Hungary and shall not make the existing arrangements more restrictive.
3. The provisions of paragraph 1 and 2 shall not prevent Hungary from applying restrictions on outward investments by Hungarian nationals and companies.
4. The Parties shall consult each other with a view to facilitating the movement of capital between the Community and Hungary in order to promote the objectives of this Agreement.

Article 61

1. During the first stage referred to in Article 6 the Contracting Parties shall take measures permitting the creation of the necessary conditions for the further gradual application of Community rules on the free movement of capital.
2. During the second stage referred to in Article 6 the Association Council shall examine ways of enabling Community rules on the movement of capital to be applied in full.

CHAPTER II Competition and other economic provisions

Article 62

1. The following are incompatible with the proper functioning of the Agreement, in so far as they may affect trade between the Community and Hungary:
 - (i) 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;
 - (ii) abuse by one or more undertakings of a dominant position in the territories of the Community or of Hungary as a whole or in a substantial part thereof;
 - (iii) any public aid which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods.
2. Any practices contrary to this Article shall be assessed on the basis of criteria arising from the application of the rules of Articles 85, 86 and 92 of the Treaty establishing the European Economic Community.
3. The Association Council shall, within three years of the entry into force of this Agreement, adopt by decision the necessary rules for the implementation of paragraphs 1 and 2.

4. (a) For the purposes of applying the provisions of paragraph 1 (iii), the Parties recognize that during the first five years after the entry into force of this Agreement, any public aid granted by Hungary shall be assessed taking into account the fact that Hungary shall be regarded as an area identical to those areas of the Community described in Article 92 (3) (a) of the Treaty establishing the European Economic Community. The Association Council shall, taking into account the economic situation of Hungary, decide whether that period should be extended by further periods of five years.

(b) Each Party shall ensure transparency in the area of public aid, inter alia by reporting annually to the other Party on the total amount and the distribution of the aid given and by providing, upon request, information on aid schemes. Upon request by one Party, the other Party shall provide information on particular individual cases of public aid.

5. With regard to products referred to in Chapters II and III of Title III:

- the provisions of paragraph 1 (iii) do not apply,
- any practices contrary to paragraph 1 (i) should be assessed according to the criteria established by the Community on the basis of Articles 42 and 43 of the Treaty establishing the European Economic Community and in particular of those established in Council Regulation No 26/1962.

6. If the Community or Hungary considers that a particular practice is incompatible with the terms of paragraph 1, and:

- is not adequately dealt with under the implementing rules referred to in paragraph 3, or
- in the absence of such rules, and if such practice causes or threatens to cause serious prejudice to the interest of the other Party or material injury to its domestic industry, including its services industry,

it may take appropriate measures after consultation within the Association Council or after 30 working days following referral for such consultation.

In the case of practices incompatible with paragraph 1 (iii), such appropriate measures may, where the General Agreement on Tariffs and Trade applies thereto, only be adopted in accordance with the procedures and under the conditions laid down by the General Agreement on Tariffs and Trade and any other relevant instrument negotiated under its auspices which are applicable between the Parties.

7. Notwithstanding any provisions to the contrary adopted in accordance with paragraph 3, the Parties shall exchange information taking into account the limitations imposed by the requirements of professional and business secrecy.

8. This Article shall not apply to the products covered by the Treaty establishing the European Coal and Steel Community which are the subject of Protocol 2.

Article 63

1. The Parties shall endeavour to avoid the imposition of restrictive measures including measures relating to imports for balance of payments purposes. In the event of their introduction, the Party having introduced the same shall present to the other Party as soon as possible, a time schedule for their removal.

2. Where one or more Member States of the Community or Hungary is in serious balance of payments difficulties, or under imminent threat thereof, the Community or Hungary as the case may be, may, in accordance with the conditions established under the General Agreement on Tariffs and Trade, adopt restrictive measures, including measures relating to imports, which shall be of limited duration and may not go beyond what is necessary to remedy the balance of payments situation. The Community or Hungary, as the case may be, shall inform the other Party forthwith.

3. Any restrictive measures shall not apply to transfers related to investment and in particular to the repatriation of amounts invested or reinvested and of any kind of revenues stemming therefrom.

Article 64

With regard to public undertakings, and undertakings to which special or exclusive rights have been granted, the Association Council shall ensure that as from the third year following the date of entry into force of this Agreement, the principles of the Treaty establishing the European Economic Community, in particular Article 90, and the principles of the concluding document of the April 1990 Bonn meeting of the Conference on Security and Cooperation in Europe, in particular entrepreneurs' freedom of decision, are upheld.

Article 65

1. Hungary shall continue to improve the protection of intellectual, industrial and commercial property rights in order to provide, by the end of the fifth year from the entry into force of this Agreement, a level of protection similar to that existing in the Community, including comparable means of enforcing such rights.

2. By the end of the fifth year from the entry into force of this Agreement, Hungary shall apply to accede to the Munich Convention on the Grant of European Patents of 5 October 1973 and shall accede to the other multilateral conventions on intellectual, industrial and commercial property rights referred to in Annex XIII point 1 to which Member States are Parties, or which are de facto applied by Member States.

Article 66

1. The Contracting Parties consider the opening up of the award of public contracts on the basis of non-discrimination and reciprocity, in particular in the GATT context, to be a desirable objective.

2. Hungarian companies as defined in Article 48, shall be granted access to contract award procedures in the Community pursuant to Community procurement rules under a treatment no less favourable than that accorded to Community companies as of the entry into force of this Agreement.

Community companies as defined in Article 48 shall be granted access to contract award procedures in Hungary under a treatment no less favourable than that accorded to Hungarian companies at the latest at the end of the transitional period referred to in Article 6.

Community companies established in Hungary under the provisions of Chapter II of Title IV shall have from the entry into force of this Agreement access to contract award procedures under a treatment no less favourable than that accorded to Hungarian companies.

The Association Council shall periodically examine the possibility for Hungary to introduce access to award procedures in Hungary for all Community companies prior to the end of the transitional period.

3. As regards establishment, operations, supply of services between the Community and Hungary as well as employment and movement of labour linked to the fulfilment of public contracts, the provisions of Articles 37 to 57 are applicable.

CHAPTER III Approximation of laws

Article 67

The Contracting Parties recognize that the major precondition for Hungary's economic integration into the Community is the approximation of that country's existing and future legislation to that of the Community. Hungary shall act to ensure that future legislation is compatible with Community legislation as far as possible.

Article 68

The approximation of laws shall extend to the following areas in particular; customs law, company law, banking law, company accounts and taxes, intellectual property, protection of workers at the workplace, financial services, rules on competition, protection of health and life of humans, animals and plants, food legislation, consumer protection including product liability, indirect taxation, technical rules and standards, transport and the environment.

Article 69

The Community shall provide Hungary with technical assistance for the implementation of these measures which may include inter alia:

- the exchange of experts,
- the provision of information,
- organization of seminars,
- training activities,
- aid for the translation of Community legislation in the relevant sectors.

TITLE VI ECONOMIC COOPERATION

Article 70

1. The Community and Hungary shall establish cooperation aimed at strengthening economic links on the widest possible foundation to the benefit of both Parties and at contributing to Hungary's development.
2. Policies designed to bring about the economic and social development of Hungary, in particular policies relating to industry including the mining sector, construction industry, investment, agriculture, energy, transport, telecommunications, regional development and tourism should be guided by the principle of sustainable development. This entails ensuring that environmental considerations are fully incorporated into such policies from the outset. These policies shall also take into account the requirements of sustainable and harmonious social development.
3. Particular attention should also be devoted to measures capable of fostering regional cooperation.

Article 71

Industrial cooperation

1. Cooperation shall seek to promote the following in particular:
 - industrial cooperation between economic operators in the Community and in Hungary, with the particular aim of strengthening the private sector,
 - Community participation in Hungary's efforts in both public and private sectors to modernize and restructure its industry under conditions which ensure that the environment is protected,
 - the restructuring of individual sectors,
 - the establishment of new undertakings in areas offering potential for growth,
 - transfer of the technology and know-how.

2. Industrial cooperation initiatives take into account priorities determined by Hungary. The initiatives should seek in particular to establish a suitable and transparent framework for undertakings and to improve management know-how.

Article 72

Investment promotion and protection

1. The cooperation shall aim at maintaining and, if necessary, improving a favourable climate and legal framework for private investment, both domestic and foreign, which is essential to economic and industrial reconstruction in Hungary. The cooperation shall also aim to encourage and promote foreign investment and privatization in Hungary.

2. The cooperation shall take the following forms:

- the conclusion, where appropriate of agreements between Member States and Hungary on investment promotion and protection, including the transfer of benefits and the repatriation of capital,
- further deregulation in Hungary and improving economic infrastructure,
- exchange of information on laws, regulations and administrative practices in the field of investments,
- exchange of information on investment opportunities in the form of trade fairs, exhibitions, trade weeks and other events,
- organization of investment missions both in Hungary and in the Community.

Article 73

Industrial standards and conformity assessment

1. The aim of the cooperation is to reduce differences in the fields of standardization and conformity assessment.

2. To this end, cooperation shall seek:

- to promote the use of Community technical regulations and European standards and conformity assessment procedures,
- where appropriate, to achieve the conclusion of agreements on mutual recognition in these fields,
- to encourage the participation of Hungary in the work of specialized organizations (CEN, Cenelec, ETSI, EOTC),
- to support Hungary in the European measurement and testing programmes,
- to promote the exchange of technical and methodological information in the field of quality control of production and production processes between interested parties.

3. The Community will provide Hungary with technical assistance where appropriate.

Article 74

Cooperation in science and technology

1. The Parties shall promote cooperation in research and technological development. They shall devote special attention to the following:

- the exchange of information on each other's science and technology policies,
- the organization of joint scientific and technological development meetings (seminars and workshops),
- joint research and development (R&D) activities aimed at encouraging scientific progress and the transfer of technology and know-how,
- training activities and mobility programmes for researchers and specialists from both sides,

- the development of an environment conducive to research and the application of new technologies and adequate protection of the intellectual property results of research,
- participation in the Community programmes in accordance with paragraph 3,
- support by the Community for Hungary's participation in relevant European research and development (R& D) programmes.

Technical assistance shall be provided where appropriate.

2. The Association Council shall determine the appropriate procedures for developing cooperation.

3. Cooperation under the Community's framework programme in the field of research and technological development shall be implemented according to specific arrangements to be negotiated and concluded in accordance with the procedures adopted by each Party.

Article 75

Education and training

1. Cooperation shall aim at a harmonized development of human resources and raising the level of general education, training and professional qualifications, taking into consideration the priorities of Hungary.

2. Cooperation shall comprise the following areas:

- reform of the education and training system,
- initial training, vocational training, management training and professional higher education,
- in-service training and continuous education,
- teacher's in-service training,
- re-training and adaptation to the labour market,
- teaching of the Community languages and the Hungarian language,
- promoting teaching in the field of European studies within the appropriate institutions,
- improving the general conditions of foreign language learning,
- development of distance education and new training technologies,
- granting scholarships and fellowships,
- provision of training materials and equipment.

3. There will be established further institutional frameworks and plans of cooperation starting with the European Training Foundation, when established, and Hungary's participation in TEMPUS. Hungary's participation in other Community programmes shall also be examined in this context and in accordance with Community procedures.

4. Cooperation shall foster direct collaboration between educational institutions, and between educational institutions and enterprises, mobility and exchange of teachers, students and administrators, provide professional practice and training periods abroad, assist in developing curricula, elaborating teaching materials and equipping educational institutions.

Cooperation shall also aim at mutual recognition of periods of studies and diplomas.

5. In the field of translation, cooperation shall focus on training of translators and interpreters and promotion of Community linguistic norms and terminology.

Article 76

Agriculture and the agro-industrial sector

Cooperation in this area shall have as its aim the modernization, the restructuring and the privatization of agriculture and the agro-industrial sector in Hungary. It shall endeavour in particular to:

- develop private farms and distribution channels, methods of storage, marketing, etc.,
- modernize the rural infrastructure (transport, water supply, telecommunications),

- improve land use planning, including construction and urban planning,
- improve productivity and quality by using appropriate methods and products, provide training and monitoring in the use of anti-pollution methods connected with inputs,
- restructure, develop and modernize processing firms and their marketing techniques,
- promote industrial cooperation in agriculture and the exchange of know-how, particularly between the private sectors in the Community and Hungary,
- develop cooperation on animal health and plant health with the aim of bringing about gradual harmonization with Community standards through assistance for training and the organization of checks,
- establish and promote effective cooperation on agricultural information systems,
- develop and promote effective cooperation on quality insurance systems compatible with the Community models,
- promote integrated rural development in Hungary,
- exchange of information in respect of agricultural policy and legislation,
- technical assistance and transfer of know-how to Hungary concerning the system of milk supply to schools.

Article 77

Energy

1. Cooperation shall take place within the framework of the principles of the market economy and develop against a background of progressive integration of the energy markets in Europe.
2. Cooperation shall focus on the following in particular:
 - modernization of infrastructure,
 - improvement and diversification of supply,
 - formulation and planning of energy policy,
 - management and training for the energy sector,
 - the development of energy resources,
 - the promotion of energy saving and energy efficiency,
 - the environmental impact of energy production and consumption,
 - the nuclear energy sector,
 - the electricity, oil and gas sectors, including consideration of the possibility of interconnection of European supply networks,
 - the formulation of framework conditions for cooperation between undertakings in this sector,
 - the transfer of technology and know-how,
 - opening up the energy market to a greater degree; facilitating transit of gas and electricity.

Article 78

Nuclear safety

1. Cooperation shall primarily aim at providing for a safer use of nuclear energy.
2. Cooperation shall mainly cover the following topics:
 - nuclear safety, nuclear emergency preparedness and accident management,
 - radiation protection, including environmental radiation monitoring,
 - fuel cycle problems, safeguarding of nuclear materials,
 - radioactive waste management,
 - decommissioning and dismantling of nuclear installations,
 - decontamination.
3. Cooperation will include exchange of information and experience and R&D activities in accordance with Article 74.

Article 79

Environment

1. The Parties shall develop and strengthen their cooperation in the vital task of combating the deterioration of the environment, which they have judged to be a priority.

2. Cooperation shall centre on:

- effective monitoring of pollution levels,
- combating local, regional and transboundary air and water pollution,
- efficient energy production and consumption, safety of industrial plants,
- classification and safe handling of chemicals,
- water quality, particularly of cross-boundary waterways,
- waste reduction, recycling and safe disposal; implementation of the Basle Convention,
- the environmental impact of agriculture; soil erosion; the protection of forests and flora and fauna,
- land-use planning, including construction and urban planning,
- use of economic and fiscal instruments,
- global climate change,
- rehabilitation of environmentally heavily loaded industrial areas,
- protecting human health against environmental hazards.

3. To these ends, the Parties plan to cooperate in the following areas:

- transfer of technology and know-how,
- exchange of information and experts, including information and experts dealing with the transfer of clean technologies,
- training programmes,
- approximation of laws (Community standards),
- cooperation at regional level (including cooperation within the framework of the European Environment Agency, when established by the Community) and international level,
- development of strategies, particularly with regard to global and climatic issues,
- improvement of the environmental management, inter alia water management

Article 80

Water management

The Parties shall develop cooperation in various fields of water management with special regard to:

- environment-friendly utilization of the water of trans-boundary watershed and cross-boundary rivers and lakes,
- harmonization of regulations concerning water management, and means of technical water regulation (directives, limits, standards, normatives, logistics),
- modernization of research and development (R& D) and scientific basis of water management.

Article 81

Transport

1. The Parties shall develop and step up cooperation in order to enable Hungary to:

- restructure and modernize transport,
- improve the movement of passengers and goods and access to the transport market by removing administrative, technical and other obstacles,
- facilitate Community transit in Hungary by road, rail, river and combined transport,
- achieve operating standards comparable to those in the Community.

2. Cooperation shall include the following in particular:

- economic, legal and technical training programmes,
- the provision of technical assistance and advice, and the exchange of information (conferences and seminars),
- the provision of means to develop infrastructure in Hungary.

3. Priority areas shall be the following:

- the construction and modernization, on major routes of common interest and trans-European links, of road, inland waterway, railway, port and airport infrastructure,
- the management of railways and airports, including cooperation between the appropriate national authorities,
- land-use planning including construction and urban planning,
- the upgrading of technical equipment to meet Community standards, particularly in the fields of road-rail transport, containerization and transshipment,
- contributing to developing transport policies compatible with the transport policies applicable in the Community.

Article 82

Telecommunications, postal services and broadcasting

1. The Parties shall expand and strengthen cooperation in this area, and shall to this end initiate in particular the following actions:

- exchange information on communications policies,
- exchange technical and other information and organize seminars, workshops and conferences for experts of both sides,
- conduct training and advisory operations,
- carry out transfers of technology,
- have the appropriate bodies from both sides carry out joint projects,
- promote European standards, systems of certification and regulatory approaches,
- promote new communications, services and facilities, particularly those with commercial applications.

2. These activities shall focus on the following priority areas:

- the modernization of Hungary's telecommunications network and its integration into European and world networks,
- cooperation within the structures of European standardization,
- the integration of trans-European systems; the legal and regulatory aspects of telecommunications,
- the modernization of Hungary's postal and broadcasting services, including the legal and regulatory aspects,
- the management of telecommunications, postal and broadcasting services, in the new economic environment: organizational structures, strategy and planning, purchasing principles,
- land-use planning, including construction and urban planning.

Article 83

Banking, insurance and other financial services

1. The Parties shall cooperate with the aim of developing the banking, insurance and financial services sector in Hungary.

2. The cooperation shall focus on:

- the harmonization of the accounting system in Hungary with European standards,

- the harmonization of the supervision and regulation system of the banking and financial services,
- the preparation of translations of Community and Hungarian legislation,
- the preparation of glossaries of terminology,
- the exchange of information in particular in respect of proposed legislation,
- providing literature and supporting the setting up of an information and documentation centre in Hungary for the financial sector.

3. To this end, the cooperation shall include the provision of technical assistance and training. Inter alia the Community shall provide short term and long term on the job programmes in Community financial institutions and regulatory agencies.

Article 84

Monetary policy

At the request of the Hungarian authorities, the Community shall provide technical assistance designed to support the efforts of Hungary towards the introduction of full convertibility of the Forint and the gradual approximation of its policies to those of the European Monetary System. This will include informal exchange of information concerning the principles and the functioning of the European Monetary System.

Article 85

Audit and financial control cooperation

1. The Parties shall cooperate with the aim to developing efficient financial control and audit systems in the Hungarian administration following standard Community methods and proceedings.

2. Cooperation shall focus on:

- the exchange of relevant information on audit systems,
- the unification of audit documentation,
- training and advisors operations.

3. To this end, technical assistance shall be provided by the Community as appropriate.

Article 86

Money laundering

1. The Parties agree on the necessity of making every effort and cooperating in order to prevent the use of their financial systems for laundering of proceeds from criminal activities in general and drug offences in particular.

2. Cooperation in this area shall include administrative and technical assistance with the purpose of establishing suitable standards against money laundering equivalent to those adopted by the Community and international fora in this field, in particular the Financial Action Task Force (FATF).

Article 87

Regional development

1. The Parties shall strengthen cooperation between them on regional development and land-use planning.

2. To this end, any of the following measures are planned:

- the exchange of information by national authorities on regional and land-use planning policy, and, where appropriate, the provision of assistance to Hungary for the formulation of such policy,

- joint action by regional and local authorities in the area of economic development,
- exchange visits to explore the opportunities for cooperation and assistance,
- the exchange of civil servants,
- the provision of technical assistance with special attention to the development of disadvantaged areas,
- the establishment of programmes for the exchange of information and experience, by methods including seminars.

Article 88

Social cooperation

The Contracting Parties, recognizing the close link between economic and social development, will cooperate in various fields of social security and health, especially with the aim of:

- improving the level of protection of the health and safety of workers, taking as a reference the level of protection existing in the Community,
- upgrading job-finding, vocational training and careers-advice services in Hungary, providing back-up measures and promoting local development to assist industrial restructuring,
- adapting the Hungarian social security system to the new economic and social situation.

Cooperation shall comprise the following in particular:

- the provision of technical assistance,
- the exchange of experts,
- cooperation between firms,
- information and training operations.

Article 89

Tourism

The Parties shall step up and develop cooperation between them, in particular by:

- facilitating the tourist trade, with special emphasis on the tourism of young people,
- stepping up the flow of information through international networks, data banks, etc.,
- transferring know-how through training, exchanges, seminars,
- Hungary's participation in relevant European tourism organizations,
- joint operations such as cross-frontier projects, town-twinning, etc.,
- harmonization of the statistical systems and the rules regarding tourism.

Article 90

Small and medium-sized enterprises

1. The Parties shall aim to develop and strengthen small and medium-sized enterprises and cooperation between SMEs in the Community and Hungary.

2. They shall encourage the exchange of information and know-how in the following areas:

- improving, where appropriate, the legal, administrative, technical, tax and financial conditions necessary for the development and expansion of SMEs and for cross-border cooperation,
- the provision of the specialized services required by SMEs (management training, accounting, marketing, quality control, etc.) and the strengthening of agencies providing such services,
- the establishment of appropriate links with Community operators with the aim of improving the flow of information to SMEs and promoting cross-border cooperation (e.g. the Business Cooperation Network (BC-NET), Euro-Info Centres, conferences, etc.).

Article 91

Information and communication

1. With regard to information and communication, the Community and Hungary shall take appropriate steps to stimulate effective mutual exchange of information. Priority shall be given to programmes aimed at providing the general public with basic information about the Community and Hungary and specific circles in Hungary with more specialized information, including, where possible, access to Community data bases.
2. The Parties shall coordinate and, where appropriate, harmonize their policies regarding the regulation of cross-border broadcasts, technical standards and the promotion of European audiovisual technology.
3. Cooperation may include providing for exchange programmes, scholarships, training facilities for journalists and experts in the sectors of the media as appropriate.

Article 92

Customs

1. The aim of cooperation shall be to guarantee compliance with all the provisions scheduled for adoption in connection with trade and to achieve the approximation of Hungary's customs system to that of the Community, thus helping to ease the steps towards liberalization planned under this Agreement.
2. Cooperation shall include the following in particular:
 - the exchange of information,
 - the organization of seminars and placements,
 - the development of cross-frontier infrastructure between the Parties,
 - the introduction of the single administrative document and of an interconnection between the transit systems of the Community and Hungary,
 - the simplification of inspections and formalities in respect of the carriage of goods,
 - preparation for the adoption as soon as possible by Hungary of the combined nomenclature.Technical assistance shall be provided where appropriate.
3. Without prejudice to further cooperation provided for in this Agreement, and in particular Article 96, the mutual assistance between administrative authorities of the Contracting Parties in customs matters shall take place in accordance with the provisions of Protocol 6.

Article 93

Statistical cooperation

1. Cooperation in this area shall have as its aim the development of an efficient statistical system to provide, in a rapid and timely fashion, the reliable statistics needed to plan and monitor the process of structural reform and to contribute to the development of private enterprise in Hungary.
2. To these ends it shall in particular seek:
 - to enhance the development of an efficient statistical system and its institutional framework,
 - to bring about harmonization with standard international (and particularly Community) methods, standards and classifications,
 - to provide the data needed to maintain and monitor economic restructuring,
 - to provide private-sector economic operators with the appropriate macroeconomic and microeconomic data,
 - to guarantee the confidentiality of data.
3. Technical assistance shall be provided by the Community as appropriate.

Article 94

Economics

1. The Community and Hungary will facilitate the process of economic reforms and integration by cooperating to improve understanding of the fundamentals of their respective economies and of devising and implementing economic policy in market economies.
2. To these ends the Community and Hungary will:
 - exchange information on macro-economic performance and prospects and on strategies for development,
 - analyse jointly economic issues of mutual interest, including the framing of economic policy and the instruments for implementing it;
 - through the programme of Action for Cooperation in Economics in particular, encourage extensive cooperation among economists and managers in the Community and Hungary, in order to speed up the transfer of know-how for the drafting of economic policies, and provide for wide dissemination of the results of policy-relevant research.

Article 95

Public administration

The Parties shall promote cooperation between their public administration authorities, including the setting up of exchange programmes, in order to improve mutual knowledge of the structure and functioning of their respective systems.

Article 96

Drugs

1. The cooperation is in particular aimed at increasing the efficiency of policies and measures to counter the supply and illicit traffic of narcotics and psychotropic substances and the reduction of abuse of these products.
2. The Contracting Parties shall agree on the necessary methods of cooperation to attain these objectives, including the modalities of the implementation of common actions. Their actions will be based on consultation on and close coordination of the objectives and the policy measures in the fields targeted in paragraph 1.
3. The cooperation between the Contracting Parties will comprise technical and administrative assistance which could deal in particular with the following areas: the drafting and implementation of national legislation; the creation of institutions and information centres and of social and health centres; the training of personnel and research; the prevention of diversion of precursors used for the purpose of illicit manufacture of narcotic drugs or psychotropic substances.

The Parties may agree to include other areas.

TITLE VII CULTURAL COOPERATION

Article 97

1. The Parties undertake to promote cultural cooperation. This cooperation serves inter alia to raise mutual understanding and esteem between individuals, communities and peoples. Where appropriate, the Community's existing cultural cooperation programmes or those of one or more Member States may be extended to Hungary and further activities of interest to both sides developed.

This cooperation may notably cover:

- exchange of works of art and artists,
- literary translations,
- conservation and restoration of monuments and sites (architectural and cultural heritage),

- the preservation of regional cultural values,
- training for those dealing with cultural affairs,
- the organization of European-oriented cultural events,
- raising mutual awareness and contribute to the dissemination of outstanding cultural achievements.

2. The Parties shall cooperate in the promotion of the audiovisual industry in Europe. The cooperation may also include the training of Hungarian specialists in this sector. The audiovisual media in Hungary could in particular participate in activities set up by the Community in the Media programme for 1991 to 1995 in accordance with the procedures laid down by the bodies responsible for managing each activity and in accordance with the provisions of the Decision of the Council of the European Communities of 21 December 1990, which established the programme. The Community shall support the participation of the Hungarian audiovisual sector in the relevant Eureka programme.

TITLE VIII FINANCIAL COOPERATION

Article 98

In order to achieve the objectives of this Agreement and in accordance with Articles 99, 100, 102 and 103, Hungary shall benefit from temporary financial assistance from the Community in the form of grants and loans, including loans from the European Investment Bank according to the provisions of Article 18 of the Statute of the Bank.

Article 99

This financial assistance shall be covered by:

- the operation Phare measures provided for in Council Regulation (EEC) No 3906/89, as amended, until the end of 1992; thereafter grants will be made available by the Community, either within the framework of the operation Phare on a multiannual basis, or within a new financial multiannual framework established by the Community following consultations with Hungary and taking into account the considerations set out in Articles 102 and 103,
- the loan(s) provided by the European Investment Bank until the expiry date of the availability thereof; following consultations with Hungary the Community shall fix the maximum amount and period of availability of loans from the European Investment Bank for Hungary for subsequent years.

Article 100

The objectives and the areas of the Community's financial assistance shall be laid down in an indicative programme to be agreed between the two Parties. The Parties shall inform the Association Council.

Article 101

1. The Community shall, in case of special need, taking into account the availability of all financial resources, on request of Hungary and in coordination with international financial institutions, in the context of the G-24, examine the possibility of granting temporary financial assistance

- to support measures with the aim to gradually introduce and maintain the convertibility of the Hungarian currency,
- to support medium-term stabilization and structural adjustment efforts, including balance of payments assistance.

2. This financial assistance is subject to Hungary's presentation of IMF approved programmes in the context of G-24, as appropriate, for convertibility and/or for restructuring its economy, to the Community's acceptance thereof, to Hungary's continued adherence to these programmes and, as an ultimate objective, to rapid transition to reliance on finance from private sources.

3. The Association Council will be informed of the conditions under which this assistance will be provided and of the respect of the obligations undertaken by Hungary concerning such assistance.

Article 102

The Community financial assistance shall be evaluated in the light of the needs which arise and of Hungary's development level, and taking into account established priorities and the absorption capacity of the Hungarian economy, the ability to repay loans and progress towards a market economy system and restructuring in Hungary.

Article 103

In order to permit optimum use of the resources available, the Contracting Parties shall ensure that Community contributions are made in close coordination with those from other sources such as the Member States, other countries, including the G-24, and international financial institutions, such as the International Monetary Fund, the International Bank for Reconstruction and Development and the European Bank for Reconstruction and Development.

TITLE IX INSTITUTIONAL, GENERAL AND FINAL PROVISIONS

Article 104

An Association Council is hereby established which shall supervise the implementation of this Agreement. It shall meet at ministerial level once a year and when circumstances require. It shall examine any major issues arising within the framework of this Agreement and any other bilateral or international issues of mutual interest.

Article 105

1. The Association Council shall consist of the members of the Council of the European Communities and members of the Commission of the European Communities, on the one hand, and of members of the Government of Hungary, on the other.
2. Members of the Association Council may arrange to be represented, in accordance with the conditions to be laid down in its rules of procedure.
3. The Association Council shall establish its rules of procedure.
4. The Association Council shall be presided in turn by a member of the Council of the European Communities and a member of the Government of Hungary, in accordance with the provisions to be laid down in its rules of procedure.

Article 106

The Association Council shall, for the purpose of attaining the objectives of this Agreement, have the power to take decisions in the cases provided for therein. The decisions taken shall be binding on the Parties which shall take the measures necessary to implement the decisions taken. The Association Council may also make appropriate recommendations. It shall draw up its decisions and recommendations by agreement between the two Parties.

Article 107

1. Each of the two Parties may refer to the Association Council any dispute relating to the application or interpretation of this Agreement.
2. The Association Council may settle the dispute by means of a decision.
3. Each Party shall be bound to take the measures involved in carrying out the decision referred to in paragraph 2.
4. In the event of it not being possible to settle the dispute in accordance with paragraph 2, either Party may notify the other of the appointment of an arbitrator; the other Party must then appoint a second arbitrator within two months. For the application of this procedure, the Community and the Member States shall be deemed to be one Party to the dispute. The Association Council shall appoint a third arbitrator. The arbitrators' decisions shall be taken by majority vote. Each party to the dispute must take the steps required to implement the decision of the arbitrators.

Article 108

1. The Association Council shall be assisted in the performance of its duties by an Association Committee composed of representatives of the members of the Council of the European Communities and of members of the Commission of the European Communities on the one hand and of representatives of the Government of Hungary on the other, normally at senior civil servant level. In its rules of procedure the Association Council shall determine the duties of the Association Committee, which shall include the preparation of meetings of the Association Council, and how the Committee shall function.
2. The Association Council may delegate to the Association Committee any of its powers. In this event the Association Committee shall take its decisions in accordance with the conditions laid down in Article 106.

Article 109

The Association Council may decide to set up any other special committee or body that can assist it in carrying out its duties.

In its rules of procedure, the Association Council shall determine the composition and duties of such committees or bodies and how they shall function.

Article 110

An Association Parliamentary Committee is hereby established. It shall be a forum for Members of the Hungarian Parliament and the European Parliament to meet and exchange views. It shall meet at intervals which it shall itself determine.

Article 111

1. The Association Parliamentary Committee shall consist of members of the European Parliament, on the one hand, and of members of the Hungarian Parliament, on the other.
2. The Association Parliamentary Committee shall establish its rules of procedure.
3. The Association Parliamentary Committee shall be presided in turn by each the European Parliament and the Hungarian Parliament, in accordance with the provisions to be laid down in its rules of procedure.

Article 112

The Association Parliamentary Committee may request relevant information regarding the implementation of this Agreement from the Association Council, which shall then supply the Committee with the requested information.

The Association Parliamentary Committee shall be informed of the decisions of the Association Council.

The Association Parliamentary Committee may make recommendations to the Association Council.

Article 113

Within the scope of this Agreement, each Party undertakes to ensure that natural and legal persons of the other Party have access free of discrimination in relation to its own nationals to the competent courts and administrative organs of the Community and Hungary to defend their individual rights and their property rights, including those concerning intellectual, industrial and commercial property.

Article 114

Nothing in the Agreement shall prevent a Contracting Party from taking any measures:

- (a) which it considers necessary to prevent the disclosure of information contrary to its essential security interests;
- (b) which relate to the production of, or trade in, arms, munitions or war materials or to research, development or production indispensable for defence purposes, provided that such measures do not impair the conditions of competition in respect of products not intended for specifically military purposes;
- (c) which it considers essential to its own security in the event of serious internal disturbances affecting the maintenance of law and order, in time of war or serious international tension constituting threat of war or in order to carry out obligations it has accepted for the purpose of maintaining peace and international security.

Article 115

1. In the fields covered by this Agreement and without prejudice to any special provisions contained therein:

- the arrangements applied by Hungary in respect of the Community shall not give rise to any discrimination between the Member States, their nationals, or their companies or firms,
- the arrangements applied by the Community in respect of Hungary shall not give rise to any discrimination between Hungarian nationals or its companies or firms.

2. The provisions of paragraph 1 are without prejudice to the right of the Contracting Parties to apply the relevant provisions of their fiscal legislation to taxpayers who are not in identical situations as regards their place of residence.

3. The provisions of paragraph 1 shall not prevent the Parties from applying foreign exchange laws and regulations that provide different treatment for residents and non-residents within the meaning of these laws and regulations.

Article 116

Products originating in Hungary shall not enjoy more favourable treatment when imported into the Community than that applied by Member States among themselves.

The treatment granted to Hungary under Title IV and Chapter I of Title V shall not be more favourable than that accorded by Member States among themselves.

Article 117

1. The Parties shall take any general or specific measures required to fulfil their obligations under this Agreement. They shall see to it that the objectives set out in this Agreement are attained.

2. If either Party considers that the other Party has failed to fulfil an obligation under this Agreement, it may take appropriate measures. Before so doing, it shall supply the Association Council with all relevant information required for a thorough examination of the situation with a view to seeking a solution acceptable to the Parties.

In the selection of measures, priority must be given to those which least disturb the functioning of this Agreement. These measures shall be notified immediately to the Association Council and shall be the subject of consultations within the Association Council if the other Party so requests.

Article 118

This Agreement shall not, until equivalent rights for individuals and economic operators have been achieved under this Agreement, affect rights assured to them through existing agreements binding one or more Member States, on the one hand, and Hungary, on the other.

Article 119

Protocols 1, 2, 3, 4, 5, 6 and 7 and Annexes I to XIII shall form an integral part of this Agreement.

Article 120

This Agreement is concluded for an unlimited period.

Either Party may denounce this Agreement by notifying the other Party. This Agreement shall cease to apply six months after the date of such notification.

Article 121

This Agreement shall apply, on the one hand, to the territories in which the Treaties establishing the European Economic Community, the European Atomic Energy Community, and the European Coal and Steel Community are applied and under the conditions laid down in those Treaties and, on the other hand, to the territory of the Republic of Hungary.

Article 122

This Agreement is drawn up in duplicate in the Danish, Dutch, English, French, German, Greek, Italian, Portuguese, Spanish and Hungarian languages, each of these texts being equally authentic.

Article 123

This Agreement will be approved by the Contracting Parties in accordance with their own procedures

This Agreement shall enter into force on the first day of the second month following the date on which the Contracting Parties notify each other that the procedures referred to in the first paragraph have been completed.

Upon its entry into force, this Agreement shall replace the Agreement between the European Economic Community and the Republic of Hungary on trade and economic and commercial cooperation signed in Brussels on 26 September 1988, and the Protocol between the European Coal and Steel Community and the Republic of Hungary signed in Brussels on 31 October 1991.

Article 124

In the event that, pending the completion of the procedures necessary for the entry into force of this Agreement, the provisions of certain parts of this Agreement, in particular those relating to the movement of goods, are put into effect in 1992 by means of an Interim Agreement between the Community and Hungary, the Contracting Parties agree that, in such circumstances for the purposes of Title III, Articles 62 and 65 of this Agreement and Protocols 1, 2, 3, 4, 5, 6 and 7 hereto, the terms 'date of entry into force of this Agreement' shall mean:

- the date of entry into force of the Interim Agreement in relation to obligations taking effect on that date, and
- 1 January 1992 in relation to obligations taking effect after the date of entry into force by reference to the date of entry into force.

En fe de lo cual, los plenipotenciarios abajo firmantes suscriben el presente Acuerdo.

Til bekræftelse heraf har undertegnede befuldmægtigede underskrevet denne aftale.

Zu Urkund dessen haben die unterzeichneten Bevollmächtigten ihre Unterschriften unter dieses Abkommen gesetzt.

Áéò _ßóòùóç ôùí áíùò_ñù, ìé õ_ĩããñàì_ĩé _ëçñãĩ_óéíé _èãóáí ôéò õ_ĩãñáö_ò ôĩòò óôçí _ãñĩ_óá óòìòùíßá.

In witness whereof the undersigned plenipotentiaries have signed this Agreement.

En foi de quoi, les plénipotentiaires soussignés ont apposé leurs signatures au bas du présent accord.

In fede di che, i plenipotenziari sottoscritti hanno apposto le loro firme in calce al presente accordo.

Ten blijke waarvan de ondergetekende gevolmachtigden hun handtekening onder deze Overeenkomst hebben gesteld.

Em fé do que, os plenipotenciários abaixo assinados apuseram as suas assinaturas no final do presente Acordo.

Fentiek hiteléül, az arra meghatalmazottak aláírták a jelen Megállapodást.

Hecho en Bruselas, el dieciséis de diciembre de mil novecientos noventa y uno.

Udfærdiget i Bruxelles, den sekstende december nitten hundrede og enoghalvfems.

Geschehen zu Brüssel am sechzehnten Dezember neunzehnhunderteinundneunzig.

_ãéíá óóèò Âñõĩ_ëëàò, óóèò ä_éá _ìé Âãêàìãñĩõ ÷ßëéá áííéáêüóéá áíáí_íôá _íá.

Done at Brussels on the sixteenth day of December in the year one thousand nine hundred and ninety-one.

Fait à Bruxelles, le seize décembre mil neuf cent quatre-vingt-onze.

Fatto a Bruxelles, addì sedici dicembre millenovecentonovantuno.

Gedaan te Brussel, de zestiende december negentienhonderd eenennegentig.

Feito em Bruxelas, em dezasseis de Dezembro de mil novecentos e noventa e um.

Készült Brüsszelben az ezerkilencszázkilencvenegyedik év december hó tizenhatodik napján.

Pour le royaume de Belgique

Voor het Koninkrijk België

>REFERENCE TO A FILM>

På Kongeriget Danmarks vegne

>REFERENCE TO A FILM>

Für die Bundesrepublik Deutschland

>REFERENCE TO A FILM>

Áéá ôçí Âëëçíéê_ Äçĩëñáôßá

>REFERENCE TO A FILM>

Por el Reino de España

>REFERENCE TO A FILM>

Pour la République française

>REFERENCE TO A FILM>

For Ireland

Thar cheann Na hÉireann

>REFERENCE TO A FILM>

Per la Repubblica italiana

>REFERENCE TO A FILM>

Pour le Grand-Duché de Luxembourg

>REFERENCE TO A FILM>

Voor het Koninkrijk der Nederlanden

>REFERENCE TO A FILM>

Pela República Portuguesa

>REFERENCE TO A FILM>

For the United Kingdom of Great Britain and Northern Ireland

>REFERENCE TO A FILM>

Por el Consejo y la Comisión de las Comunidades Europeas

For Rådet og Kommissionen for De Europæiske Fællesskaber

Für den Rat und die Kommission der Europäischen Gemeinschaften

Άέά ôĩ Ōôĩâĩ_ëéĩ êáé ôçĩ Ā_éôñĩ__ ôùĩ Āõñù_áúê_í Êĩéĩô_ôùĩ

For the Council and the Commission of the European Communities

Pour le Conseil et la Commission des Communautés européennes

Per il Consiglio e la Commissione delle Comunità europee

Voor de Raad en de Commissie van de Europese Gemeenschappen

Pelo Conselho e pela Comissão das Comunidades Europeias

>REFERENCE TO A FILM>

A Magyar Köztársaság nevében

>REFERENCE TO A FILM>

ANNEX I

List of products referred to in Articles 8 and 18 of the Agreement

>TABLE POSITION>

ANNEX II a

List of products referred to in Article 9 (2) first subparagraph

>TABLE POSITION>

ANNEX II b

List of products referred to in Article 9 (2) second subparagraph

CN code 1991

7202 21 10

7202 21 90

7202 29 00

7601

ANNEX III (1)

List of products referred to in Article 9 (3)

>TABLE POSITION>

Annex to Annex III

>TABLE POSITION>

(1) Customs duty applicable to imports exceeding the tariff quotas and ceilings listed in this Annex will gradually be reduced to 90 % of the basic duty when the Agreement enters into force, 80 % the following year, and 70, 60 and 50 % in each successive year thereafter. Any remaining customs duty will be abolished at the end of the fifth year.

ANNEX IV

List of products referred to in Article 10 (1)

>TABLE POSITION>

ANNEX V

List of products referred to in Article 10 (3)

>TABLE POSITION>

ANNEX VI a

List of products subject to import licensing

>TABLE POSITION>

In relation to the list of products subject to import licences contained in the present Annex:

1. starting on 1 January 1995 and up to 31 December 1997, Hungary shall eliminate quantitative restrictions on imports originating in the Community of products still subject to such restrictions at 31 December 1994, up to an amount of 40 % of such imports into Hungary from the Community on the basis of last available annual statistics;

2. starting on 1 January 1998 and up to 31 December 2000 at the latest, Hungary shall eliminate all remaining quantitative restrictions;
3. following technical discussions between Parties, Hungary will, as soon as possible, and at the latest by the end of 1992, convert into harmonized system codes (HS) the product listed in the present Annex. Trade figures relating to 1993 and following years shall be based on HS codes and afterwards on the combined nomenclature once adopted;
4. for the year 1993, at the request of the Community, Hungary shall open quantitative ceilings for specific products imported from the Community still subject to import licences for which no such ceilings have been fixed in Annex VI b. Such quantities or amounts shall be annually increased by 10 %, reviewed in the Association Council and adjusted in case of a significant increase of internal consumption in Hungary in order to improve the market access conditions for the Community.

ANNEX VI b

1. Hungary shall open the following ceilings for products originating in the Community in 1992 (not covering OTP):

>TABLE POSITION>

2. These quantities or amounts shall be increased by 10 % annually until the quantitative restrictions regarding the products concerned are eliminated. However the rate of increase for passenger cars will be 7 %.

3. These quantities or amounts shall be reviewed in the Association Council in 1993 and annually afterwards and adjusted in case of a significant increase of internal consumption in Hungary in order to improve the market access conditions for the Community.

Annex to Annex VI b

>TABLE POSITION>

>TABLE POSITION>

>TABLE POSITION>

>TABLE POSITION>

>TABLE POSITION>

>TABLE POSITION>

>TABLE POSITION>

ANNEX VII

Goods referred to in Article 17

1. >TABLE POSITION>

2. >TABLE POSITION>

ANNEX VIII a

List of products referred to in Article 20 (2) (1)

The products in this Annex shall be subject to a levy reduction of 50 %

>TABLE POSITION>

(1) Notwithstanding the rules for the interpretation of the combined nomenclature, the wording for the description of the products is to be considered as having no more than an indicative value, the preferential scheme being determined, within the context of this Annex, by the coverage of the CN codes. Where ex CN codes are indicated, the preferential scheme is to be determined by application of the CN code and corresponding description taken together.

ANNEX VIII b

List of products referred to in Article 20 (2) (1)

>TABLE POSITION>

Annex to Annex VIII b

Minimum import price arrangement for certain soft fruit for processing

1. Minimum import prices are fixed for each marketing year for the following products:

>TABLE POSITION>

The minimum import prices are fixed by the Community in consultation with Hungary, taking into consideration the price evolution, imported quantities and market development in the Community.

2. The minimum import prices shall be respected in accordance with the following criteria:

- during each three month period of the marketing year the average unit value for each product listed in paragraph 1, imported into the Community, shall not be lower than the minimum import price for that product,
- during any period of two weeks the average unit value for each product listed in paragraph 1, imported in the Community shall not be lower than 90 % of the minimum import price for that product, in so far as the quantities imported during this period are not less than 4 % of the normal annual import.

3. In case of non-respect of one of these criteria the Community may introduce measures ensuring that the minimum import price is respected for each consignment of the product concerned imported from Hungary.

(1) Notwithstanding the rules for the interpretation of the combined nomenclature, the wording for the description of the products is to be considered as having no more than an indicative value, the preferential scheme being determined, within the context of this Annex, by the coverage of the CN codes. Where ex CN codes are indicated, the preferential scheme is to be determined by application of the CN codes and corresponding description taken together.

ANNEX IX a

>TABLE POSITION>

ANNEX IX b
>TABLE POSITION>

ANNEX X a

Arrangements for imports of live bovine animals into the Community

1. In case the number of animals fixed in the framework of the balance sheet arrangements provided for in Regulation (EEC) No 805/68 are lower than a reference quantity, a global tariff quota equal to the difference between that reference quantity and the number of animals fixed under the balance sheet arrangements will be opened to imports from Hungary, Poland and Czechoslovakia. The reference quantity shall be:

- 217 800 in 1992,
- 237 600 in 1993,
- 257 400 in 1994,
- 277 200 in 1995,
- 297 000 in 1996.

The reduced levy applicable to animals under this quota will be fixed at 25 % of the full amount of levy.

This arrangement shall apply to live bovine animals for fattening or for slaughter with a live weight of not less than 160 kg and not more than 300 kg.

2. In case forecasts show that imports into the Community may exceed 425 000 head for any given year, the Community may take safeguard measures in accordance with Regulation (EEC) No 805/68, notwithstanding any other rights given under the Agreement.

In this context, imports of live bovine animals not covered by the arrangements mentioned in paragraph 1 shall be limited to young calves with a live weight of not more than 80 kg. Such imports shall be subject to a management regime in order to ensure regular supply over the year in question.

ANNEX X b

List of products referred to in Article 20 (4) (1)

The quantities imported under the CN code referred to in this Annex with the exception of CN codes 0104 and 0204 will be subject to levy and duty reduction of 20 % in the first year, 40 % in the second year, 60 % in the successive years

>TABLE POSITION>

(1) Notwithstanding the rules for the interpretation of the combined nomenclature, the wording for the description of the products is to be considered as having no more than an indicative value, the preferential scheme being determined, within the context of this Annex, by the coverage of the CN codes. Where ex CN codes are indicated, the preferential scheme is to be determined by application of the CN codes and corresponding description taken together.

ANNEX X c

List of products referred to in Article 20 (4) (1)

>TABLE POSITION>

(1) Notwithstanding the rules for the interpretation of the combined nomenclature, the wording for the description of the products is to be considered as having no more than an indicative value, the preferential scheme being determined, within the context of this Annex, by the coverage of the CN codes. Where ex CN codes are indicated, the preferential scheme is to be determined by application to the CN code and corresponding description taken together.

ANNEX XI a

The quantities imported under the tariff headings of the Hungarian customs tariffs referred to in this Annex will be subject to reduction of the applicable duty of 10 % in the first year, 20 % in the second year, 30 % in successive years

>TABLE POSITION>

ANNEX XI b

The quantities imported under the tariff headings of the Hungarian customs tariff referred to in this Annex will be subject to reduction of the applicable duty of 15 % in the first year 30 % in the second year, 45 % in successive years

>TABLE POSITION>

ANNEX XI c

>TABLE POSITION>

ANNEX XI d

>TABLE POSITION>

ANNEX XII a Related to Articles 44 and 49

FINANCIAL SERVICES

Financial services: definitions

A financial service is any service of a financial nature offered by a financial service provider of a party. Financial services include the following activities.

A. All insurance and insurance-related services:

1. direct insurance (including co-insurance):

(i) life;

- (ii) non-life;
- 2. reinsurance and retrocession;
- 3. insurance intermediation, such as brokerage and agency;
- 4. services auxiliary to insurance, such as consultancy, actuarial, risk assessment and claim-settlement services.

B. Banking and other financial services (excluding insurance):

- 1. acceptance of deposits and other repayable funds from the public;
- 2. lending of all types, including, inter alia, consumer credit, mortgage credit, factoring and financing of commercial transaction;
- 3. financial leasing;
- 4. all payment and money transmission services, including credit charge and debit cards, travellers cheques and bankers drafts;
- 5. guarantees and commitments;
- 6. trading for own account of customers, whether on an exchange, in an over-the-counter-market or otherwise, the following:
 - (a) money market instruments (cheques, bills, certificates of deposits, etc);
 - (b) foreign exchange;
 - (c) derivative products including, but not limited to, futures and options;
 - (d) exchange rates and interest rate instruments, including products such as swaps, forward rate agreements, etc;
 - (e) transferable securities;
 - (f) other negotiable instruments and financial assets, including bullion;
- 7. participation in issues of all kinds of securities, including under-writing and placement as agent (whether publicly or privately) and provision of services related to such issues;
- 8. money broking;
- 9. asset management, such as cash or portfolio management, all forms of collective investment management, pension fund management, custodial depository and trust services.
- 10. settlement and clearing services for financial assets, including securities, derivative products, and other negotiable instruments.
- 11. advisory intermediation and other auxiliary financial services on all the activities listed in points 1 to 10 above, including credit reference and analysis, investment and portfolio research and advice, advice on acquisitions and on corporate restructuring and strategy.
- 12. provision and transfer of financial information, and financial data processing and related software by providers of other financial services.

Are excluded from the definition of financial services the following activities:

- (a) Activities carried out by central banks or by any other public institution in pursuit of monetary and exchange rate policies.
- (b) Activities conducted by central banks, government agencies or departments, or public institutions, for the account or with the guarantee of the government, except when those activities may be carried out by financial service providers in competition with such public entities.
- (c) Activities forming part of a statutory system of social security or public retirement plans, except when those activities may be carried out by financial service providers in competition with public entities or private institutions.

ANNEX XII b Concerning Article 44

- acquisition, use and rent of State-owned assets under privatization process;
- dealing and agency activities in real property and natural resources.

ANNEX XII c Concerning Article 44

- agriculture, forestry and fishing, not including processing of agriculture, forestry and fishing products or services connected with agriculture, forestry, fishing and their products,
- ownership, sale, long-term lease or user right of real property, land and national resources,
- legal services not including business consultancy involving relevant legal aspects,
- organization of gambling, betting, lotteries and other similar activities.

ANNEX XIII

1. Paragraph 2 of Article 65 concerns the following multilateral conventions:

- Protocol relating to the Madrid Agreement concerning the international registration of marks (Madrid 1989),
- International Convention for the Protection of Performers, Producers and Phonograms and Broadcasting Organizations (Rome, 1961).

2. The Association Council may decide that paragraph 2 of Article 65 shall apply to other multilateral conventions.

3. The Contracting Parties confirm the importance they attach to the obligations arising from the following multilateral conventions:

- Berne Convention for the Protection of Literary and Artistic Works (Paris Act, 1971),
- Paris Convention for the Protection of Industrial Property (Stockholm Act, 1967 and amended in 1979),
- Madrid Agreement concerning the international registration of marks (Stockholm Act, 1967 and amended in 1979),
- Nice Agreement concerning the international classification of goods and services for the purposes of the registration of marks (Geneva 1977, amended 1979),
- Budapest Treaty on the international recognition of the deposit of micro-organisms for the purposes of patent procedures (1977, modified in 1980);
- Patent Cooperation Treaty (Washington 1979, amended 1979 and modified in 1984).

4. For the purposes of paragraph 3 of this Annex and the provisions of Article 74 (1) referring to intellectual property, Contracting Parties shall be Hungary, the European Economic Community and the Member States, each in as far as they are respectively competent for matters concerning industrial, intellectual and commercial property covered by these conventions or by Article 74 (1).

5. The provisions of this Annex and the provisions of Article 74 (1) referring to intellectual property are without prejudice to the competence of the European Economic Community and its Member States in matters of industrial, intellectual and commercial property.

PROTOCOL 1 on textile and clothing products to the Europe Agreement ('the Agreement')

Article 1

This Protocol applies to the textile and clothing products (hereinafter referred to as 'textile products') listed in Annex I to the Agreement between the Community and Hungary on trade in textile products initialled on 11 July 1986 and applied since 1 January 1987, as amended by the Protocol initialled in Brussels on 24 September 1991, in so far as quantitative arrangements are concerned, and to Section XI (Chapters 50 to 63) of the combined nomenclature of the Community and, respectively, of the Hungarian customs tariff in so far as tariff aspects are concerned.

Article 2

1. Customs duties on imports applicable in the Community to textile products falling within Section XI (Chapters 50 to 63) of the combined nomenclature and originating in Hungary in accordance with the Protocol 4 of the Agreement shall be reduced, in order to arrive at their elimination at the end of a period of six years starting from the entry into force of the Agreement, as follows:

- upon entry into force of the Agreement to five-sevenths of the basic duty,
- at the start of the third year to four-sevenths of the basic duty,
- at the start of the fourth year to three-sevenths of the basic duty,
- at the start of the fifth year to two-sevenths of the basic duty,
- at the start of the sixth year to one-seventh of the basic duty,
- at the start of the seventh year the remaining duties shall be eliminated.

2. The rate of duty applied to direct imports into Hungary of textile products falling within Section XI (Chapters 50 to 63) of the Hungarian customs tariff and originating in the Community in accordance with Protocol 4 of the Agreement shall be progressively abolished as provided for in Article 10 of the Agreement.

3. The rates of duty applied to reimports into the Community of textile products falling within the categories listed in the Annex to Council Regulation (EEC) No 636/82 after processing, manufacturing or working in Hungary shall be eliminated on the date of entry into force of the Agreement.

4. The provisions of Articles 11 and 12 of the Agreement shall apply to trade in textile products between the Parties.

Article 3

1. From the date of entry into force of the Agreement and until the end of 1992, the quantitative arrangements and other related issues regarding exports of textile products originating in Hungary to the Community shall be governed by the Agreement between Hungary and the European Economic Community on trade in textile products initialled on 11 July 1986 and applied since 1 January 1987, as amended by the Protocol initialled in Brussels on 24 September 1991.

The Parties agree that, as regards exports to the Community of textile products originating in Hungary Article 25 (2) and Article 30 of the Agreement shall not apply during the period of application of the above textiles Agreement between Hungary and the European Economic Community as amended by the Protocol initialled in Brussels on 24 September 1991.

2. Hungary and the Community hereby undertake to negotiate a new Protocol on quantitative arrangements and other related issues on their trade in textile products as soon as the future regime governing international trade in textile products has emerged from the multilateral negotiations of the Uruguay Round. The modalities and period during which non-tariff barriers shall be eliminated will be determined in the new Protocol. The period shall be equal to half the period to be decided in the Uruguay Round of negotiations and it shall not be shorter than five

years starting from 1 January 1993. However, there will be asymmetry in the process of liberalization in favour of Hungary. The new Protocol shall follow on the expiration of the Agreement on textile products referred to in paragraph 1.

3. Taking into account the development of textile trade between the Parties, the degree of access of textile exports originating in the Community to Hungary and the results of the multilateral trade negotiations of the Uruguay Round, provision will be made in the new Protocol for a substantial improvement of the regime applied to imports into the Community regarding import levels, growth rates, flexibility for quantitative limitations and elimination of certain quantitative limitations after a case-by-case examination. Notwithstanding Article 25 (2) and Article 30 of the Agreement, provision for a specific textiles safeguard mechanism shall also be made in the new Protocol.

4. In no case shall non-tariff barriers be applied in trade in textile products between the Community and Hungary after the transition period provided for in Article 7 of the Agreement.

PROTOCOL 2 on products covered by the ECSC Treaty

Article 1

This Protocol applies to products listed in Annex I to the ECSC Treaty as identified in the Common Customs Tariff (1).

CHAPTER I ECSC steel products

Article 2

Customs duties on imports applicable in the Community on ECSC steel products originating in Hungary shall be progressively abolished in accordance with the following timetable:

1. each duty shall be reduced to 80 % of the basic duty on the date of entry into force of the Agreement;
2. further reductions to 60 , 40 , 20 , 10 and 0 % of the basic duty shall be made at the beginning of the second, third, fourth, fifth and sixth years respectively after the entry into force of the Agreement.

Article 3

Customs duties applicable in Hungary on imports of ECSC steel products originating in the Community shall be progressively abolished in accordance with the following timetable:

1. for products not listed in Annex I to this Protocol customs duties shall be abolished as provided for in Article 10 (3) of the Agreement;
2. for products listed in Annex I to this Protocol customs duties shall be abolished as provided for in Article 10 (1) of the Agreement.

Article 4

1. Quantitative restrictions on imports into the Community of ECSC steel products originating in Hungary shall be abolished on the date of entry into force of the Agreement.
2. Quantitative restrictions on imports into Hungary of ECSC steel products originating in the Community, as well as measures having equivalent effect, shall be abolished on the date of entry into force of the Agreement.

CHAPTER II ECSC coal products

Article 5

Customs duties on imports applicable in the Community on ECSC coal products originating in Hungary shall be progressively abolished in accordance with the following timetable:

1. on 1 January 1994 each duty shall be reduced to 50 % of the basic duty;
2. on 31 December 1995 the remaining duties shall be eliminated.

Article 6

Customs duties in imports applicable in Hungary to ECSC coal products originating in the Community shall be progressively abolished in accordance with Article 10 (3) of the Agreement.

Article 7

1. Quantitative restrictions applicable in the Community to ECSC coal products originating in Hungary shall be abolished at the latest one year after the entry into force of the Agreement, with the exception of those concerning the products and the regions described in Annex II, which shall be abolished at the latest four years after the entry into force of the Agreement.
2. Quantitative restrictions on imports applicable in Hungary to coal products originating in the Community as well as measures having equivalent effect shall be abolished as provided for in Article 10 (4) of the Agreement.

CHAPTER III Common provisions

Article 8

1. The following are incompatible with the proper functioning of the Agreement, in so far as they may affect trade between the Community and Hungary:
 - (i) all agreements of cooperative or concentrative nature 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;
 - (ii) abuse by one or more undertakings of a dominant position in the territories of the Community or of Hungary as a whole or in a substantial part thereof;
 - (iii) public aid in any form whatsoever except derogations allowed pursuant to the ECSC Treaty.
2. Any practices contrary to this Article shall be assessed on the basis of criteria arising from the application of the rules of Articles 65 and 66 of the Treaty establishing the ECSC, Article 85 of the EEC Treaty, and the rules on State aids, including the secondary legislation.
3. The Association Council shall, within three years of the entry into force of the Agreement, adopt the necessary rules for the implementation of paragraphs 1 and 2.
4. The Parties recognize that during the first five years after the entry into force of the Agreement, and by derogation to paragraph 1 (iii), Hungary may exceptionally, as regards ECSC steel products, grant public aid for restructuring purposes leading to the viability of the benefiting firms and aiming at a global reduction of capacity in Hungary, provided that the amount and intensity of such aid are strictly limited to what is absolutely necessary in order to reach these goals and that they are progressively reduced.
5. Each Party shall ensure transparency in the area of public aid by a full and continuous exchange of information to the other Party, including amount, intensity and purpose of the aid and detailed restructuring plan.
6. If the Community or Hungary considers that a particular practice is incompatible with the terms of the first paragraph as amended by paragraph 4, and

- is not adequately dealt with under the implementing rules referred to in paragraph 3, or
- in the absence of such rules, and if such practice causes or threatens to cause prejudice to the interests of the other Party or material injury to its domestic industry,
the affected Party may take appropriate measures if no solution is found within 30 days through consultation. Such consultation shall be held in 30 days.
In the case of practices incompatible with paragraph 1 (iii), such appropriate measures may only cover measures adopted in conformity with the procedures and under the conditions laid down by the General Agreement on Tariffs and Trade and any other relevant instrument negotiated under its auspices which are applicable between the Parties.

Article 9

The provisions of Articles 11, 12 and 13 of the Agreement shall apply to trade between the Parties in ECSC products.

Article 10

The Parties agree that one of the special bodies established by the Association Council shall be a contact group which will discuss the implementation of this Protocol.

(1) OJ No L 247, 10. 9. 1990.

ANNEX I

List of products referred to in Article 3 (2)

7202 11
7203 10
7203 90
7219 11
7219 12
7219 13
7219 14
7219 21
7219 22
7219 23
7219 24
7219 31
7219 32
7219 33
7219 34
7219 35
7219 90
7220 11
7220 12
7220 20
7220 90
7221
7222 10

7222 30

7222 40

ANNEX II

Products and regions referred as exceptions in Article 7 of the ECSC Protocol

Products

Products listed under 'Coal products' of Annex I to the ECSC Treaty as identified in the Common Customs Tariff (1).

Regions

All regions of the:

- Federal Republic of Germany,
- Kingdom of Spain.

(1) OJ No L 247, 10. 9. 1990.

PROTOCOL 3 on trade between Hungary and the Community in processed agricultural products not covered by Annex II to the EEC Treaty

Article 1

1. The Community and Hungary agree to grant the tariff concessions referred to in Annex II for processed agricultural products of the other Party to this agreement, within the limits of the quantities set out in Annex I to this Protocol.

2. The Association Council may:

- add to the list of processed agricultural products referred to in this Protocol,
- increase the quantities of processed agricultural products eligible for the tariff concessions established by this Protocol.

3. The Association Council may replace the concessions referred to in paragraph 1 with a system of compensatory amounts with no quantity limits, established on the basis of the differences found between the prices on the Community and Hungarian markets of the agricultural products actually used to produce the processed agricultural products covered by this Protocol. The Association Council shall draw up a list of the products to which the compensatory amounts are applicable and a list of basic products. It shall adopt general implementing rules to that end.

Article 2

For the purposes of the Articles which follow, the definitions given below shall apply:

- 'goods': the processed agricultural products referred to in this Protocol,
- 'agricultural component of the levy': the part of the levy corresponding to the quantity of agricultural products incorporated into the processed product and deducted from the levy applicable when such agricultural products are imported unprocessed,

- 'non-agricultural component of the levy': the part of the levy remaining when the agricultural component is deducted from the total levy,
- 'basic products': the agricultural products considered as having been used in the production of goods within the meaning of Regulation (EEC) No 3033/80,
- 'base quantity': the quantity of a basic product calculated in the manner stipulated in Article 6 of Regulation (EEC) No 3033/80 and which is used to determine the variable component applicable to goods of a given type, in accordance with the terms of the same Regulation.

Article 3

The tariff quotas applicable to imports into the Community of goods originating in Hungary are set out in Table 1 of Annex I. The tariff quotas applicable to imports into Hungary of goods originating in the Community are set out in Table 2 of Annex I.

Article 4

1. Once this Agreement enters into force, the Community shall phase out the non-agricultural component of the levy in accordance with the timetable set out in Table 1 of Annex II. Where appropriate, there shall be no quantity limit.
2. For the goods for which Table 1 of Annex II stipulates a variable component (MOB), the latter shall be identical to that applying in the case of third countries.
3. For the goods for which Table 1 of Annex II stipulates a reduced variable component (MOBR), the level of the latter shall be calculated by reducing the base quantities of the basic products for which a levy reduction is granted by 20 % in 1992, 40 % in 1993 and 60 % from 1994. In the case of other basic products, the corresponding reductions, for the same years, shall be 10, 20 and 30 %. This reduction of the variable component will be granted only within the limits of the tariff quotas established in Table 1 of Annex I. For quantities in excess of those quotas, the variable component applying to all third countries is restored.
4. The duties shown in column 3 shall apply to amounts of the goods listed in Table 1 of Annex II which are in excess of the tariff quotas listed in Table 1 of Annex I. Hungarian goods which are not accompanied by a certificate of origin shall be subject to the duties applied by the Community to all third countries to which preferences do not apply.

Article 5

1. Hungary shall progressively reduce its import duties from 1995. The rates of reduction are shown in Table 2 of Annex II.
2. Quantities of goods which are in excess of the tariff quotas listed in Table 2 of Annex 1 and Community goods which are not accompanied by a certificate of origin shall be subject to the duties applied by Hungary to all third countries to which preferences do not apply.

Article 6

Without prejudice to Article 7, processed agricultural products originating in the Community and subject to quantitative restrictions in Hungary shall enjoy conditions not less favourable than any most favoured third country with regard to access to import licences.

Article 7

Hungary shall issue import licences for the quantities referred to in Table 2 of Annex I automatically at the request of any applicant.

Article 8

The reductions of the variable component which are referred to in Article 4 (3) shall apply only from 1 May 1992.

ANNEX I

>TABLE POSITION>

>TABLE POSITION>

ANNEX II

>TABLE POSITION>

>TABLE POSITION>

PROTOCOL 4 concerning the definition of the concept of originating products and methods of administrative cooperation

TITLE I DEFINITION OF THE CONCEPT OF 'ORIGINATING PRODUCTS'

Article 1

Origin criteria

For the purpose of implementing the Agreement, and without prejudice to the provisions of Article 2 of this Protocol, the following products shall be considered as:

1. products originating in the Community:

- (a) products wholly obtained in the Community;
- (b) products obtained in the Community in the manufacture of which products other than those referred to in (a) are used, provided that the said products have undergone sufficient working or processing within the meaning of Article 4. This condition shall not apply, however, to products which, within the meaning of this protocol, originate in Hungary;

2. products originating in Hungary:

- (a) products wholly obtained in Hungary;
- (b) products obtained in Hungary in the manufacture of which products other than those referred to in (a) are used, provided that the said products have undergone sufficient working or processing within the meaning of Article 4. This condition shall not apply, however, to products which, within the meaning of this Protocol, originate in the Community.

Article 2

Cumulation and allocation of origin

1. Inasmuch as trade between the Community and Poland and the Czech and Slovak Federal Republic, hereinafter referred to as 'the CSFR', and between Hungary and those two countries, and also between each of those countries themselves, is governed by agreements containing rules identical to those in this Protocol, the following products shall also be considered as:

A. products originating in the Community: those products referred to in Article 1 (1) which, after being exported from the Community, have undergone no working or processing in Poland or the CSFR or have not undergone sufficient working or processing there to confer on them the

status of products originating in any of those countries by virtue of provisions corresponding to those of Article 1 (1) (b) or (2) (b) of this Protocol contained in the agreements referred to above;

B. products originating in Hungary: those products referred to in Article 1 (2) which, after being exported from Hungary have undergone no working or processing in Poland or the CSFR or have undergone working or processing insufficient to confer on them the status of products originating in either of those countries by virtue of provisions corresponding to those of Article 1 (1) (b) or (2) (b) of this Protocol contained in the agreements referred to above.

2. Notwithstanding the provisions of Article 1 (1) (b) and (2) (b) and those of paragraph 1 above, and provided that all the conditions laid down therein are nevertheless fulfilled, the products obtained shall not continue to be considered as products originating in the Community or in Hungary respectively unless the value of the products worked or processed originating in the Community or in Hungary represents the highest percentage of the value of the products obtained. If this is not so, the latter products are considered as originating in the country where the added value acquired represents the highest percentage of their value.

'Added value' shall be taken to be the ex-works price minus the customs value of each of the products incorporated which originated in another of the countries referred to in paragraph 1 of the present Article.

Article 3

Wholly obtained products

1. Within the meaning of Article 1 (1) (a) and (2) (a), the following shall be considered as wholly obtained either in the Community or in Hungary:

- (a) mineral products extracted from their soil or from their seabed;
- (b) vegetable products harvested there;
- (c) live animals born and raised there;
- (d) products from live animals raised there;
- (e) products obtained by hunting or fishing conducted there;
- (f) products of sea fishing and other products taken from the sea by their vessels;
- (g) products made aboard their factory ships exclusively from products referred to in subparagraph (f);
- (h) used articles collected there fit only for the recovery of raw materials;
- (i) waste and scrap resulting from manufacturing operations conducted there;
- (j) goods produced there exclusively from the products specified in subparagraphs (a) to (i).

2. The term 'their vessels' in paragraph 1 (f) shall apply only to vessels:

- which are registered or recorded in Hungary or in a Member State of the Community,
- which sail under the flag of Hungary or of a Member State of the Community,
- which are owned to an extent of at least 50 % by nationals of Hungary or of Member States of the Community, or by a company with its head office in one of these States or in Hungary, of which the manager or managers, chairman of the board of directors or the supervisory board, and the majority of the members of such boards are nationals of Hungary or of Member States of the Community and of which, in addition, in the case of partnerships or limited companies, at least half the capital belongs to these States, to Hungary, to their public bodies or to their nationals,
- of which the master and officers are nationals of Hungary or of Member States of the Community,
- of which at least 75 % of the crew are nationals of Hungary or of Member States of the Community,

3. The terms 'Hungary' and 'the Community' shall also cover the territorial waters which surround Hungary and the Member States of the Community.

Sea-going vessels, including factory ships on which the fish caught is worked or processed, shall be considered as part of the territory of the Community or of Hungary provided that they satisfy the conditions set out in paragraph 2.

Article 4

Sufficiently processed products

1. For the purposes of Article 1, non-originating materials are considered to be sufficiently worked or processed when the product obtained is classified in a heading which is different from that in which all the non-originating materials used in its manufacture are classified, subject to paragraphs 2 and 3.

The expressions 'chapters' and 'headings' used in this Protocol shall mean the chapters and the headings (four-digit codes) used in the nomenclature which makes up the harmonized commodity description and coding system (hereinafter referred to as the 'Harmonized System' or HS).

The expression 'classified' shall refer to the classification of a product or material under a particular heading.

2. For a product mentioned in columns 1 and 2 of the list in Annex II, the conditions set out in column 3 for the product concerned must be fulfilled instead of the rule in paragraph 1.

(a) Where in the list in Annex II a percentage rule is applied in determining the originating status of a product obtained in the Community or in Hungary, the value added by the working or processing shall correspond to the ex-works price of the product obtained, less the value of third-country materials imported into the Community or Hungary.

(b) The term 'value' in the list in Annex II shall mean the customs value at the time of the import of the non-originating materials used or, if this is not known and cannot be ascertained, the first ascertainable price paid for these materials in the territory concerned.

Where the value of the originating materials used needs to be established, the provisions of the above subparagraph shall be applied *mutatis mutandis*.

(c) The term 'ex-works price' in the list in Annex II shall mean the price paid for the product obtained to the manufacturer in whose undertaking the last working or processing is carried out, provided the price includes the value of all the materials used in manufacture, minus any internal taxes which are, or may be repaid when the product obtained is exported.

(d) 'Customs value' shall be understood as the value determined in accordance with the Agreement on implementation of Article VII of the General Agreement on Tariffs and Trade, established in Geneva on 12 April 1979.

3. For the purpose of implementing paragraphs 1 and 2 the following shall be considered as insufficient working or processing to confer the status of originating products, whether or not there is a change of heading:

(a) operations to ensure the preservation of products in good condition during transport and storage (ventilation, spreading out, drying, chilling, placing in salt, sulphur dioxide or other aqueous solutions, removal of damaged parts, and like operations);

(b) simple operations consisting of removal of dust, sifting or screening, sorting, classifying, matching (including the making-up of sets of articles), washing, painting, cutting up;

(c) (i) changes of packaging and breaking up and assembly of consignments;

(ii) simple placing in bottles, flasks, bags, cases, boxes, fixing on cards or boards etc., and all other simple packaging operations;

(d) affixing marks, labels and other like distinguishing signs on products or their packaging;

- (e) simple mixing of products, whether or not of different kinds, where one or more components of the mixture do not meet the conditions laid down in this Protocol to enable them to be considered as originating either in the Community or in Hungary;
- (f) simple assembly of parts of articles to constitute a complete article;
- (g) a combination of two or more operations specified in subparagraphs (a) to (f);
- (h) slaughter of animals.

Article 5

Neutral elements

In order to determine whether a product originates in the Community or in Hungary, it shall not be necessary to establish whether the electrical power, fuel, plant and equipment and machines and tools used to obtain such product or whether any materials or products used in the course of production which do not enter and which were not intended to enter into the final composition of the product originate in third countries or not.

Article 6

Accessories, spare parts and tools

Accessories, spare parts and tools dispatched with a piece of equipment, machine, apparatus or vehicle which are part of the normal equipment and included in the price thereof or are not separately invoiced are regarded as one with the piece of equipment, machine, apparatus or vehicle in question.

Article 7

Sets

Sets, as defined in General Rule 3 of the harmonized system, shall be regarded as originating when all component articles are originating products. Nevertheless, when a set is composed of originating and non-originating articles, the set as a whole shall be regarded as originating provided that the value of the non-originating articles does not exceed 15 % of ex-works price of the set.

Article 8

Direct transport

1. The preferential treatment provided for under the Agreement applies only to products or materials which are transported between the territories of the Community and of Hungary or, when the provisions of Article 2 are applied, of Poland or the CSFR, without entering any other territory. However, goods originating in Hungary or in the Community and constituting one single consignment which is not split up may be transported through territory other than that of the Community or Hungary or, when the provisions of Article 2 apply, of Poland or the CSFR, with, should the occasion arise, transshipment or temporary warehousing in such territory, provided that the goods have remained under the surveillance of the customs authorities in the country of transit or of warehousing and that they have not undergone operations other than unloading, reloading or any operation designed to preserve them in good condition.

2. Evidence that the conditions referred to in paragraph 1 have been fulfilled shall be supplied to the responsible customs authorities by the production of:

- (a) a single transport document issued in the exporting country covering the passage through the country of transit;
- (b) or a certificate issued by the customs authorities of the country of transit:
 - giving an exact description of the goods,

- stating the dates of unloading and reloading of the goods or of the embarkation or disembarkation, identifying the ships or other means of transport used, and
 - certifying the conditions under which the goods remained in the transit country,
- (c) or failing these, any substantiating documents.

Article 9

Territorial requirement

The conditions set out in this title relative to the acquisition of originating status must be fulfilled without interruption in the Community or in Hungary except as provided for in Article 2.

If originating products exported from the Community or Hungary to another country are returned, except in so far as provided for in Article 2, they must be considered as non-originating unless it can be demonstrated to the satisfaction of the customs authorities that:

- the goods returned are the same goods as those exported, and
- they have not undergone any operation beyond that necessary to preserve them in good condition while in that country.

TITLE II PROOF OF ORIGIN

Article 10

Movement certificate EUR.1

Evidence of originating status of products, within the meaning of this Protocol, shall be given by a movement certificate EUR.1, a specimen of which appears in Annex III to this Protocol.

Article 11

Normal procedure for the issue of certificates

1. A movement certificate EUR.1 shall be issued only on application having been made in writing by the exporter or, under the exporter's responsibility, by his authorized representative. Such application shall be made on a form, a specimen of which appears in Annex III to this Protocol, which shall be completed in accordance with this Protocol.

Applications for movement certificates EUR.1 must be preserved for at least two years by the customs authorities of the exporting State.

2. The exporter or his representative shall submit with his request any appropriate supporting document proving that the products to be exported are such as to qualify for the issue of a movement certificate EUR.1.

He shall undertake to submit, at the request of the appropriate authorities, any supplementary evidence they may require for the purpose of establishing the correctness of the originating status of the products eligible for preferential treatment and shall undertake to agree to any inspection of his accounts and to any check on the processes of the obtaining of the above products carried out by the said authorities.

Exporters must keep for at least two years the supporting documents referred to in this paragraph.

3. A movement certificate EUR.1 may be issued only where it can serve as the documentary evidence required for the purpose of implementing the Agreement.

4. The movement certificate EUR.1 shall be issued by the customs authorities of a Member State of the European Economic Community if the goods to be exported can be considered as products originating in the Community within the meaning of Article 1 (1) of this Protocol. The movement certificate EUR.1 shall be issued by the customs authorities of Hungary if the goods

to be exported can be considered as products originating in Hungary within the meaning of Article 1 (2) of this Protocol.

5. Where the cumulation provisions of Article 1 or 2 are applied, the customs authorities of the Member States of the Community or of Hungary may issue movement certificates EUR.1 under the conditions laid down in this Protocol if the goods to be exported can be considered as originating products within the meaning of this Protocol and provided that the goods covered by the movement certificates EUR.1 are in the Community or in Hungary.

In these cases movement certificates EUR.1 shall be issued subject to the presentation of the proof of origin previously issued or made out. This proof of origin must be kept for at least two years by the customs authorities of the exporting State.

6. Since the movement certificate EUR.1 constitutes the documentary evidence for the application of the preferential tariff arrangements laid down in the Agreement, it shall be the responsibility of the customs authorities of the exporting country to take any steps necessary to verify the origin of the goods and to check the other statements on the certificate.

7. For the purpose of verifying whether the conditions for issuing EUR.1 certificates have been met, the customs authorities shall have the right to call for any documentary evidence or to carry out any check which they consider appropriate.

8. It shall be the responsibility of the customs authorities of the exporting State to ensure that the forms referred to in paragraph 1 are duly completed. In particular, they shall check whether the space reserved for the description of the products has been completed in such a manner as to exclude all possibility of fraudulent additions. To this end, the description of the products must be indicated without leaving any blank lines. Where the space is not completely filled a horizontal line must be drawn below the last line of the description, the empty space being crossed through.

9. The date of issue of the movement certificate must be indicated in the part of the certificate reserved for the customs authorities.

10. A movement certificate EUR.1 shall be issued by the customs authorities of the exporting State when the products to which it relates are exported. It shall be made available to the exporter as soon as actual export has been effected or ensured.

Article 12

Long-term certificates EUR.1

1. Notwithstanding the provisions of Article 11 (10), a movement certificate EUR.1 may be issued by the customs authorities of the exporting State when only part of the products to which it relates are exported, in the case of a certificate covering a series of exportations of the same products from the same exporter to the same importer, over a maximum period of one year from the date of issue, hereinafter referred to as an 'LT certificate'.

2. LT certificates shall be issued, in accordance with the provisions of Article 11, at the discretion of the customs authorities of the exporting State and according to their own judgment of the need for this procedure, only where the originating status of the goods to be exported is expected to remain unchanged for the period of validity of the LT certificate. If any goods are no longer covered by the LT certificate, the exporter shall immediately inform the customs authorities who issued the certificate.

3. Where the LT certificate procedure applies, the customs authorities of the exporting State may prescribe the use of EUR.1 certificates bearing a distinctive sign by which they may be identified.

4. Box 11 'Customs endorsement' of the EUR.1 certificate must be endorsed as usual by the customs authorities of the exporting State.

5. One of the following phrases shall be entered in box 7 of the EUR.1 certificate:

'CERTIFICADO LT VÁLIDO HASTA EL . . . '

'LT-CERTIFICAT GYLDIGT INDTIL . . . '

'LT-CERTIFICAT GÜLTIG BIS . . . '

'ÉÓŌĪ ĪĒÇŌĒĒĪ LT ÉÓ_ŌĪ ĪĀ_NĒ . . . '

'LT-CERTIFICATE VALID UNTIL . . . '

'CERTIFICAT LT VALABLE JUSQU'AU . . . '

'CERTIFICATO LT VALIDO FINO AL . . . '

'LT-CERTIFICAAT GELDIG TOT EN MET . . . '

'LT-CERTIFICADO VALIDO ATE . . . '

'LT-'SWIADECTWO WAZNE DO . . . '

'LT-BIZONYITVANY ÉRVÉNYES . . . -IG'

'LT-OSV OED OCENÍ PLATNÉ DO . . . '

(date indicated in Arabic numerals).

6. Reference is not required in box 8 and box 9 of the LT certificate to the marks and numbers and number and kind of packages and the gross weight (kg or other measures (litres, m_, etc.)). Box 8 must, however, contain a description and designation of the goods which is sufficiently precise to allow for their identification.

7. Notwithstanding Article 17, the LT certificate must be submitted to the customs office of import at or before the first importation of any goods to which it relates. When the importer carries out the customs clearance at several customs offices in the State of importation, the customs authorities may require him to produce a copy of the LT certificate to all of those offices.

8. Where an LT certificate has been submitted to the customs authorities, the evidence of the originating status of the imported goods shall, during the validity of the LT certificate, be given by invoices which satisfy the following conditions:

(a) when an invoice includes both goods originating in the Community or in one of the countries referred to in Article 2 of this Protocol and non-originating goods, the exporter shall distinguish clearly between these two categories;

(b) the exporter shall state on each invoice the number of the LT certificate which covers the goods and the date of expiry of the certificate and the names of the country or countries in which the goods originate.

The statement on the invoice made by the exporter of the number of the LT certificate with the indication of the country of origin shall constitute a declaration that the goods fulfill the conditions laid down in this Protocol for the acquisition of preferential origin status in trade between the Community and Hungary.

The customs authorities of the exporting State may require that the entries which, under the above provisions, must appear on the invoice, be supported by the manuscript signature followed by the name of the signatory in clear script;

(c) the description and the designation of the goods on the invoice shall be in sufficient detail to show clearly that the goods are also listed on the LT certificate to which the invoice refers;

(d) the invoices can be made out only for the goods exported during the period of validity of the relevant LT certificate. They may however be produced at the customs office of importation within four months of their being made out by the exporter.

9. In the framework of the LT certificate procedure, invoices which satisfy the conditions of this Article may be made out and/or transmitted using telecommunications or electronic data-processing methods. Such invoices shall be accepted by the customs of the importing State as

evidence of the originating status of the goods imported in accordance with the procedures laid down by the customs authorities there.

10. Should the customs authorities of the exporting State identify that a certificate and/or invoice issued under the provisions of this Article is invalid in relation to any goods supplied, they shall immediately notify the customs authorities of the importing State of the facts.

11. The provisions of this Article shall not prejudice application of the rules of the Community, the Member States and Hungary on customs formalities and the use customs documents.

Article 13

Issue of EUR.1 retrospectively

1. In exceptional circumstances a movement certificate EUR.1 may also be issued after export of the products to which it relates if it was not issued at the time of export because of errors or involuntary omissions or special circumstances.

2. For the implementation of paragraph 1, the exporter must in the written application:

- indicate the place and date of export of the products to which the certificate relates,
- certify that no movement certificate EUR.1 was issued at the time of export of the products in question, and state the reasons.

3. The customs authorities may issue a movement certificate EUR.1 retrospectively only after verifying that the information supplied in the exporter's application agrees with that in the corresponding file.

Certificates issued retrospectively must be endorsed with one of the following phrases:

'NACHTRÄGLICH AUSGESTELLT', 'DÉLIVRÉ A POSTERIORI', 'RILASCIATO A POSTERIORI', 'AFGEGEVEN A POSTERIORI', 'ISSUED RETROSPECTIVELY', 'UDSTEDT EFTERFØLGENDE', 'ÂÊÄÏËÄÏ ÂÊ ÕÛÏ ÖÖÖÄÑÛÏ', 'EXPEDIDO A POSTERIORI', 'EMITADO A POSTERIORI', 'WYSTAWIONE RETROSPEKTYWNIÉ', 'KIADVA VISSZAMENÖLEGES HATÁLLYAL', 'VYSTAVENO DODAT OECN OE'.

4. The endorsement referred to in paragraph 3 shall be inserted in the 'Remarks' box on the movement certificate EUR.

Article 14

Issue of a duplicate EUR.1

1. In the event of the theft, loss or destruction of a movement certificate EUR.1, the exporter may apply in writing to the customs authorities which issued it for a duplicate made out on the basis of the export documents in their possession.

2. The duplicate issued in this way must be endorsed with one of the following words:

'DUPLIKAT', 'DUPLICATA', 'DUPLICATO', 'DUPLICAAT', 'DUPLICATE', 'ÁÍÔËÃÑÁÖÏ', 'DUPLICADO', 'SEGUNDA VIA', 'DUPLIKÁT', 'MÁSOLAT'.

3. The endorsement referred to in paragraph 2 shall be inserted in the 'Remarks' box on the movement certificate EUR.1.

4. The duplicate, which must bear the date of issue of the original movement certificate EUR. 1, shall take effect as from that date.

Article 15

Simplified procedure for the issue of certificates

1. By way of derogation from Articles 11, 13 and 14 of this Protocol, a simplified procedure for the issue of EUR.1 movement certificates can be used in accordance with the following provisions.

2. The customs authorities in the exporting State may authorize any exporter, hereinafter referred to as 'approved exporter', making frequent shipments for which EUR.1 movement certificates may be issued and who offers, to the satisfaction of the competent authorities, all guarantees necessary to verify the originating status of the products, not to submit to the customs office of the application for an EUR.1 certificate relating to those goods, for the purpose of obtaining an EUR.1 certificate under the conditions laid down in Article 11 of this Protocol.

3. The authorization referred to in paragraph 2 shall stipulate, at the choice of the competent authorities, that box 11 'Customs endorsement' of the EUR.1 movement certificate must:

- (a) either be endorsed beforehand with the stamp of the competent customs office of the exporting State and the signature, which may be a facsimile, of an official of that office; or
- (b) be endorsed by the approved exporter with a special stamp which has been approved by the customs authorities of the exporting State and corresponds to the specimen given in Annex V of this Protocol. Such stamp may be pre-printed on the forms.

4. In the cases referred to in paragraph 3 (a), one of the following phrases shall be entered in box 7 'Remarks' of the EUR.1 movement certificate:

'PROCEDIMIENTO SIMPLIFICADO', 'FORENKLET PROCEDURE', 'VEREINFACHTES VERFAHREN', 'Ä_ËÏÖÖÄÖÏÄÏÇ ÄÉÄÄÉÉÄÖÉÄ', 'SIMPLIFIED PROCEDURE', 'PROCÉDURE SIMPLIFIÉE', 'PROCEDURA SEMPLIFICATA', 'VEREENVOUDIGDE PROCEDURE', 'PROCEDIMENTO SIMPLIFICADO', 'UPROSZCZONA PROCEDURA', 'EGYSZERUSÍTETT ELJÁRÁS', 'ZJEDNODUSENÉ RÍZENÍ'.

5. Box 11 'Customs endorsement' of the EUR.1 certificate shall be completed if necessary by the approved exporter.

6. The approved exporter shall, if necessary, indicate in box 13 'Request for verification' of the EUR.1 certificate the name and address of the authority competent to verify such certificate.

7. Where the simplified procedure is applied, the customs authorities of the exporting State may prescribe the use of EUR.1 certificates bearing a distinctive sign by which they may be identified.

8. In the authorization referred to in paragraph 2 the competent authorities shall specify in particular:

- (a) the conditions under which the applications for EUR.1 certificates are to be made;
- (b) the conditions under which these applications are to be kept for at least two years;
- (c) in the cases referred to in paragraph 3 (b) the authority competent to carry out the subsequent verification referred to in Article 27 of this Protocol.

9. The customs authorities of the exporting State may declare certain categories of goods ineligible for the special treatment provided for in paragraph 2.

10. The customs authorities shall refuse the authorization referred to in paragraph 2 to exporters who do not offer all the guarantees which they consider necessary. The competent authorities may withdraw the authorization at any time. They must do so where the approved exporter no longer satisfies the conditions or no longer offers these guarantees.

11. The approved exporter may be required to inform the competent authorities, in accordance with the rules which they lay down, of the goods to be dispatched by him, so that such authorities may make any verification they think necessary before the departure of the goods.

12. The customs authorities of the exporting State may carry out any check on approved exporters which they consider necessary. Such exporters must allow this to be done.

13. The provisions of this Article shall be without prejudice to the application of the rules of the Community, the Member States and Hungary concerning customs formalities and the use of customs documents.

Article 16

Replacement of certificates

1. It shall at any time be possible to replace one or more movement certificates EUR.1 by one or more other certificates provided that this is done by the customs office or other competent authorities responsible for controlling the goods.
2. When products originating in the Community or in Hungary and imported into a free zone under cover of an EUR.1 certificate undergo treatment or processing, the authorities concerned must issue a new EUR.1 certificate at the exporter's request if the treatment or processing undergone is in conformity with the provisions of this Protocol.
3. The replacement certificate shall be regarded as a definite movement certificate EUR.1 for the purpose of the application of this Protocol, including the provisions of this Article.
4. The replacement certificate shall be issued on the basis of a written request from the re-exporter, after the authorities concerned have verified the information supplied in the applicant's request. The date and serial number of the original movement certificate EUR.1 shall be given in box 7.

Article 17

Validity of certificates

1. A movement certificate EUR.1 must be submitted, within four months of the date of issue by the customs authorities of the exporting State, to the customs office of the importing State where the products are entered.
2. Movement certificates EUR.1 which are submitted to the customs authorities of the importing State after the final date of presentation specified in paragraph 1 may be accepted for the purpose of applying preferential treatment, where the failure to submit the certificates by the final date set is due to reasons of force majeure or exceptional circumstances.
3. In other cases of belated presentation, the customs authorities of the importing State may accept the certificates where the products have been submitted to them before the said final date.

Article 18

Exhibitions

1. Products sent from the Community or Hungary for exhibition in a country other than Hungary or a Member State of the Community and sold after the exhibition for importation into Hungary or the Community shall benefit on importation from the provisions of the Agreement on condition that the products meet the requirements of this Protocol entitling them to be recognized as originating in the Community or in Hungary and provided that it is shown to the satisfaction of the customs authorities that:
 - (a) an exporter has consigned these products from the Community or Hungary to the country in which the exhibition is held and has exhibited them there;
 - (b) the products have been sold or otherwise disposed of by that exporter to someone in the Community or Hungary;
 - (c) the products have been consigned during the exhibition or immediately thereafter to the Community or Hungary in the state in which they were sent for exhibition;
 - (d) the products have not, since they were consigned for exhibition, been used for any purpose other than demonstration at the exhibition.
2. A movement certificate EUR.1 must be produced to the customs authorities in the normal manner. The name and address of the exhibition must be indicated thereon. Where necessary,

additional documentary evidence of the nature of the products and the conditions under which they have been exhibited may be required.

3. Paragraph 1 shall apply to any trade, industrial, agricultural or crafts exhibition, fair or similar public show or display which is not organized for private purposes in shops or business premises with a view to the sale of foreign products, and during which the products remain under customs control.

Article 19

Submission of certificates

Movement certificates EUR.1 shall be submitted to the customs authorities in the importing State in accordance with the procedures laid down by that State. The said authorities may require a translation of a certificate. They may also require the import declaration to be accompanied by a statement from the importer to the effect that the products meet the conditions required for the implementation of the Agreement.

Article 20

Importation by instalments

Without prejudice to Article 4 (3) of this Protocol, where at the request of the person declaring the goods at the customs, a dismantled or non-assembled article falling within Chapter 84 or 85 of the harmonized system is imported by instalments on the conditions laid down by the competent authorities, it shall be considered to be a single article and a movement certificate may be submitted for the whole article upon import of the first instalment.

Article 21

Preservation of certificates

Movement certificates EUR.1 shall be preserved by the customs authorities of the importing State in accordance with the rules in force in that State.

Article 22

Form EUR.2

1. Notwithstanding Article 10, the evidence of originating status, within the meaning of this Protocol, for consignments containing only originating products and whose value does not exceed ECU 5 110 per consignment, shall be given by a form EUR.2, a specimen of which appears in Annex IV to this Protocol.
2. The form EUR.2 shall be completed and signed by the exporter or, under the exporters responsibility, by his authorized representative in accordance with this Protocol.
3. A form EUR.2 shall be completed for each consignment.
4. The exporter who applied for the form EUR.2 shall submit at the request of the customs authorities of the exporting State all supporting documents concerning the use of this form.
5. Articles 17, 19 and 21 shall apply mutatis mutandis to forms EUR.2.

Article 23

Discrepancies

The discovery of slight discrepancies between the statements made in the movement certificate EUR.1 or in the form EUR.2 and those made in the documents submitted to the customs office for the purpose of carrying out the formalities for importing the products shall not ipso facto render the document null and void if it is duly established that it corresponds to the products submitted.

Article 24

Exemptions from proof of origin

1. Products sent as small packages from private persons to private persons or forming part of traveller's personal luggage shall be admitted as originating products without requiring the production of a movement certificate EUR.1 or the completion of form EUR.2, provided that such products are not imported by way of trade and have been declared as meeting the conditions required for the application of the Agreement, and where there is no doubt as to the veracity of such declaration.
2. Imports which are occasional and consist solely of products for the personal use of the recipients or travellers or their families shall not be considered as imports by way of trade if it is evident from the nature and quantity of the products that no commercial purpose is in view. Furthermore, the total value of these products must not exceed ECU 365 in the case of small packages or ECU 1 025 in the case of the contents of traveller's personal luggage.

Article 25

Amounts expressed in ecus

1. Amounts in the national currency of the exporting State equivalent to the amounts expressed in ecus shall be fixed by the exporting State and communicated to the other parties to the Agreement. When the amounts are more than the corresponding amounts fixed by the importing State, the latter shall accept them if the goods are invoiced in the currency of the exporting State or of another of the countries mentioned in Article 2 of this Protocol. If the goods are invoiced in the currency of another Member State of the Community the importing State shall recognize the amount notified by the country concerned.
2. Up to and including 30 April 1993, the ecu, to be used in any given national currency shall be the equivalent in that national currency of the ecu as at 3 October 1990. For each successive period of two years, it shall be the equivalent in that national currency of the ecu as at the first working day in October in the year immediately preceding that two-year period.

TITLE III ARRANGEMENTS FOR ADMINISTRATIVE COOPERATION

Article 26

Communication of stamps and addresses

The customs authorities of the Member States and of Hungary shall provide each other, through the Commission of the European Communities, with specimen impressions of stamps used in their customs offices for the issue of EUR.1 certificates and with the addresses of the customs authorities responsible for issuing movement certificates EUR.1 and for verifying those certificates and forms EUR.2.

Article 27

Verification of movement certificates EUR.1 and of forms EUR.2

1. Subsequent verification of movement certificates EUR.1 and of forms EUR.2 shall be carried out at random or whenever the customs authorities of the importing State have reasonable doubts as to the authenticity of the document or the accuracy of the information regarding the true origin of the products in question.
2. For the purpose of the subsequent verification of movement certificates EUR.1, the customs authorities of the exporting State must keep copies of the certificates, as well as any export documents referring to them, for at least two years.

3. In order to ensure the proper application of this Protocol, Hungary and the Member States of the Community shall assist each other, through their respective customs administrations, in checking the authenticity of movement certificates EUR.1, including those issued under Article 11 (5), and the forms EUR.2 and the accuracy of the information concerning the actual origin of the products concerned.

4. Where an EUR.1 certificate has been issued under the conditions laid down in Article 11 (5), and relates to goods re-exported in the same state, the customs authorities of the country of destination must be able to obtain, by means of administrative cooperation, true copies of the EUR.1 certificate or certificates issued previously relating to those goods.

5. For the purpose of implementing paragraph 1, the customs authorities of the importing State shall, return the movement certificate EUR.1 or form EUR.2, or a photocopy thereof, to the customs authorities of the exporting State, giving, where appropriate, the reasons of form or substance for an enquiry.

The relevant commercial documents or a copy thereof, shall be attached to the certificate EUR.1 or form EUR.2 and the customs authorities shall forward any information that has been obtained suggesting that the particulars given on the said certificate or the said form are inaccurate.

6. If the customs authorities of the importing State decide to suspend execution of the provisions of the Agreement while awaiting the results of the verification, they shall offer to release the products to the importer subject to any precautionary measures judged necessary.

7. The customs authorities of the importing State shall be informed of the results of the verification as soon as possible. These results must be such as to make it possible to determine whether the disputed movement certificate EUR.1 or form EUR.2 apply to the products in question and whether those products can, in fact, qualify for the application of the preferential arrangements.

If in cases of reasonable doubt there is no reply within 10 months of the date of the verification request, or if the reply does not contain sufficient information to determine the authenticity of the document in question or the real origin of the products, the requesting authorities shall refuse, except in the case of force majeure or exceptional circumstances, any benefit from the preferential treatment laid down in the Agreement.

8. Disputes which cannot be settled between the customs authorities of the importing State and those of the exporting State, or which raise a question as to the interpretation of this Protocol, shall be submitted to the Customs Cooperation Committee.

9. In all cases the settlement of disputes between the importer and the customs authorities of the importing State shall be under the legislation of the said State.

10. Where the verification procedure or any other available information appears to indicate that the provisions of this Protocol are being contravened, the Community or Hungary shall on its own initiative or at the request of the other Party carry out appropriate enquiries or arrange for such enquiries to be carried out with due urgency to identify and prevent such contraventions, and for this purpose the Community or Poland may invite the participation of the other Party in these enquiries.

11. Where the verification procedure or any other available information appears to indicate that the provisions of this Protocol are being contravened, the products would be accepted as originating products under this Protocol only after completion of such aspects of administrative cooperation set down in this Protocol which may have been activated, including in particular the verification procedure.

Likewise, products would be refused treatment as originating products under this Protocol only after the completion of the verification procedure.

Article 28

Penalties

Penalties shall be imposed on any person who draws up, or causes to be drawn up, a document which contains incorrect particulars for the purpose of obtaining preferential treatment for products.

Article 29

Free zones

The Member States and Hungary shall take all necessary steps to ensure that products traded under cover of a movement certificate EUR.1, which in the course of transport use a free zone situated in their territory, are not substituted by other goods and that they do not undergo handling other than normal operations designed to prevent their deterioration.

TITLE IV CEUTA AND MELILLA

Article 30

Application of the Protocol

1. The term 'Community' used in this Protocol does not cover Ceuta or Melilla. The term 'products originating in the Community' does not cover products originating in these zones.
2. This Protocol shall apply *mutatis mutandis* to products originating in Ceuta and Melilla, subject to particular conditions set out in Article 31.

Article 31

Special conditions

1. The following provisions shall apply instead of Article 1 and references to that Article shall apply *mutatis mutandis* to this Article.
2. Providing they have been transported directly in accordance with the provisions of Article 8, the following shall be considered as:
 - (1) products originating in Ceuta and Melilla:
 - (a) products wholly obtained in Ceuta and Melilla;
 - (b) products obtained in Ceuta and Melilla in the manufacture of which products other than those referred to in (a) are used, provided that:
 - (i) the said products have undergone sufficient working or processing within the meaning of Article 4 of this Protocol; or that
 - (ii) those products are originating in Hungary or the Community within the meaning of this Protocol, provided that they have been submitted to working or processing which goes beyond the insufficient working or processing referred to in Article 4 (3);
 - (2) products originating in Hungary:
 - (a) products wholly obtained in Hungary;
 - (b) products obtained in Hungary in the manufacture of which products other than those referred to in (a) are used, provided that:
 - (i) the said products have undergone sufficient working or processing within the meaning of Article 4 of this Protocol; or that
 - (ii) those products are originating in Ceuta and Melilla or the Community within the meaning of this Protocol, provided that they have been submitted to working or processing which goes beyond the insufficient working or processing referred to in Article 4 (3).
3. Ceuta and Melilla shall be considered as a single territory.

4. The exporter or his authorized representative shall enter 'Hungary' and 'Ceuta and Melilla' in box 2 of movement certificates EUR.1. In addition, in the case of products originating in Ceuta and Melilla, this shall be indicated in box 4 of movement certificates EUR.1.

5. The Spanish customs authorities shall be responsible for the application of this Protocol in Ceuta and Melilla.

TITLE V FINAL PROVISIONS

Article 32

Amendments to the Protocol

The Association Council shall examine at two-yearly intervals, or whenever Hungary or the Community so request, the application of the provisions of this Protocol, with a view to making any necessary amendments or adaptations.

Such examination shall take into account in particular the participation of the Contracting Parties in free-trade zones or customs unions with third countries.

Article 33

Customs Cooperation Committee

1. A Customs Cooperation Committee shall be set up, charged with carrying out administrative cooperation with a view to the correct and uniform application of this Protocol and with carrying out any other task in the customs field which may be entrusted to it.

2. The Committee shall be composed, on the one hand, of experts of the Member States and of officials of the department of the Commission of the European Communities who are responsible for customs questions and, on the other hand, of experts nominated by Hungary.

Article 34

Petroleum products

The products set out in Annex VI shall be temporarily excluded from the scope of this Protocol. Nevertheless, the arrangements regarding administrative cooperation shall apply, *mutatis mutandis*, to these products.

Article 35

Annexes

The Annexes to this Protocol shall form an integral part thereof.

Article 36

Implementation of the Protocol

The Community and Hungary shall each take the steps necessary to implement this Protocol.

Article 37

Arrangements with Poland and the CSFR

The Contracting Parties shall take any measures necessary for the conclusion of arrangements with Poland and the CSFR enabling this Protocol to be applied. The Contracting Parties shall notify each other of measures taken to this effect.

Article 38

Goods in transit or storage

The provisions of the Agreement may be applied to goods which comply with the provisions of this Protocol and which on the date of entry into force of the Agreement are either in transit or are in the Community or in Hungary or, in so far as the provisions of Article 2 are applicable, in Poland or the CSFR, in temporary storage in bonded warehouses or in free zones, subject to the submission to the customs authorities of the importing State, within four months of that date, of a certificate EUR.1 endorsed retrospectively by the competent authorities of the exporting State together with the documents showing that the goods have been transported directly.

ANNEX I

NOTES

Foreword

These notes shall apply, where appropriate, to all manufactured products using non-originating materials, even if they are not subject to specific conditions contained in the list in Annex II but are subject instead to the change of heading rule set out in Article 4 (1).

Note 1

1.1. The first two columns in the list describe the product obtained. The first column gives the heading number or chapter number used in the Harmonized System and the second column gives the description of goods used in that system for that heading or chapter. For each entry in the first two columns a rule is specified in column 3. Where, in some cases, the entry in the first column is preceded by an 'ex', this signifies that the rule in column 3 applies only to the part of that heading or chapter as described in column 2.

1.2. Where several heading numbers are grouped together in column 1 or a chapter number is given and the description of products in column 2 is therefore given in general terms, the adjacent rule in column 3 applies to all products which, under the Harmonized System, are classified in headings of the chapter or in any of the headings grouped together in column 1.

1.3. Where there are different rules in the list applying to different products within a heading, each indent contains the description of that part of the heading covered by the adjacent rule in column 3.

Note 2

2.1. The term 'manufacture' covers any kind of working or processing including 'assembly' or specific operations. However, see Note 3.5 below.

2.2. The term 'material' covers any ingredient, raw material, component or part, etc., used in the manufacture of the product.

2.3. The term 'product' refers to the product being manufactured, even if it is intended for later use in another manufacturing operation.

2.4. The term 'goods' covers both materials and products.

Note 3

3.1. In the case of any heading not in the list or any part of a heading that is not in the list, the 'change of heading' rule set out in Article 4 (1) applies. If a 'change of heading' condition applies to any entry in the list, then it is contained in the rule in column 3.

3.2. The working or processing required by a rule in column 3 has to be carried out only in relation to the non-originating materials used. The restrictions contained in a rule in column 3 likewise apply only to the non-originating materials used.

3.3. Where a rule states that 'materials of any heading' may be used, materials of the same heading as the product may also be used, subject, however, to any specific limitations which may also be contained in the rule. However, the expression 'manufacture from materials of any heading, including other materials of heading No . . . ' means that only materials classified in the same heading as the product of a different description than that of the product as given in column 2 of the list may be used.

3.4. If a product made from non-originating materials which has acquired originating status during manufacture by virtue of the change of heading rule or its own list rule is used as a material in the process of manufacture of another product, then the rule applicable to the product in which it is incorporated does not apply to it.

For example:

An engine of heading No 8407, for which the rule states that the value of the non-originating materials which may be incorporated may not exceed 40 % of the ex-works price, is made from 'other alloy steel roughly shaped by forging' of heading No 7224.

If this forging has been forged in the country concerned from a non-originating ingot then the forging has already acquired origin by virtue of the rule for heading No ex 7224 in the list. It can then count as originating in the value calculation for the engine regardless of whether it was produced in the same factory or another. The value of the non-originating ingot is thus not taken into account when adding up the value of the non-originating materials used.

3.5. Even if the change of heading rule or the other rules contained in the list are satisfied, a product shall not acquire originating status if the processing carried out, taken as a whole, is insufficient within the meaning of Article 4 (3).

3.6. The unit of qualification for the application of the origin rules shall be the particular product which is considered as the basic unit when determining classification using the nomenclature of the Harmonized System. In the case of sets of products which are classified by virtue of General Rule 3 for the interpretation of the Harmonized System, the unit of qualification shall be determined in respect of each item in the set: this provision is equally applicable to sets of headings Nos 6308, 8206 and 9605.

Accordingly, it follows that:

- when a product composed of a group or assembly of articles is classified under the terms of the Harmonized System in a single heading, the whole constitutes the unit of qualification,
- when a consignment consists of a number of identical products classified under the same heading of the Harmonized System, each product must be taken individually when applying the origin rules,
- where, under General Rule 5 of the Harmonized System, packing is included with the product for classification purposes, it shall be included for the purposes of determining origin.

Note 4

4.1. The rule in the list represents the minimum amount of working or processing required and the carrying out of more working or processing also confers originating status; conversely, the carrying out of less working or processing cannot confer origin. Thus if a rule says that non-

originating material at a certain level of manufacture may be used, the use of such material at an earlier stage of manufacture is allowed and the use of such material at a later stage is not.

4.2. When a rule in the list specifies that a product may be manufactured from more than one material, this means that any one or more materials may be used. It does not require that all be used.

For example:

The rule for fabrics says that natural fibres may be used and that chemical materials, among other materials, may also be used. This does not mean that both have to be used; one can use one or the other or both.

If, however, a restriction applies to one material and other restrictions apply to other materials in the same rule, then the restrictions only apply to the materials actually used:

For example:

The rule for sewing machines specifies that both the thread tension mechanism used and the zigzag mechanism used must originate; these two restrictions only apply if the mechanisms concerned are actually incorporated into the sewing machine.

4.3. When a rule in the list specifies that a product must be manufactured from a particular material, the condition obviously does not prevent the use of other materials which, because of their inherent nature, cannot satisfy the rule.

For example:

The rule for heading No 1904 which specifically excludes the use of cereals or their derivatives does not prevent the use of mineral salts, chemicals and other additives which are not produced from cereals.

For example:

In the case of an article made from non-woven materials, if the use of only non-originating yarn is allowed for this class of article, it is not possible to start from non-woven cloth - even if non-woven cloths cannot normally be made from yarn. In such cases, the starting material would normally be at the stage before yarn - that is the fibre stage.

See also Note 7.3 in relation to textiles.

4.4. If in a rule in the list two or more percentages are given for the maximum value of non-originating materials that can be used, then these percentages may not be added together. The maximum value of all the non-originating materials used may never exceed the highest of the percentages given. Furthermore, the individual percentages must not be exceeded in relation to the particular materials they apply to.

Note 5

5.1. The term 'natural fibres' is used in the list to refer to fibres other than artificial or synthetic fibres and is restricted to the stages before spinning takes place, including waste, and, unless otherwise specified, the term 'natural fibres' includes fibres that have been carded, combed or otherwise processed but not spun.

5.2. The term 'natural fibres' includes horsehair of heading No 0503, silk of heading Nos 5002 and 5003 as well as the wool fibres, fine or coarse animal hair of heading Nos 5101 to 5105, the cotton fibres of heading Nos 5201 to 5203 and the other vegetable fibres of heading Nos 5301 to 5305.

5.3. The terms 'textile pulp', 'chemical materials' and 'paper-making materials' are used in the list to describe the materials not classified in chapters 50 to 63, which can be used to manufacture artificial, synthetic or paper fibres or yarns.

5.4. The term 'man-made staple fibres' is used in the list to refer to synthetic or artificial filament tow, staple fibres or waste, of headings Nos 5501 to 5507.

Note 6

6.1. In the case of the products classified within those headings in the list to which a reference is made to this Note, the conditions set out in column 3 of the list shall not be applied to any basic textile materials used in their manufacture which, taken together, represent 10 % or less of the total weight of all the basic textile materials used (but see also Notes 6.3 and 6.4 below).

6.2. However, this tolerance may only be applied to mixed products which have been made from two or more basic textile materials.

The following are the basic textile materials:

- silk,
- wool,
- coarse animal hair,
- fine animal hair,
- horsehair,
- cotton,
- paper-making materials and paper,
- flax,
- true hemp,
- jute and other textile bast fibres,
- sisal and other textile fibres of the genus Agave,
- coconut, abaca, ramie and other vegetable textile fibres,
- synthetic man-made filaments,
- artificial man-made filaments,
- synthetic man-made staple fibres,
- artificial man-made staple fibres.

For example:

A yarn of heading No 5205 made from cotton fibres of heading No 5203 and synthetic staple fibres of heading No 5506 is a mixed yarn. Therefore, non-originating synthetic staple fibres that do not satisfy the origin rules (which require manufacture from chemical materials or textile pulp) may be used up to a weight of 10 % of the yarn.

For example:

A woollen fabric of heading No 5112 made from woollen yarn of heading No 5107 and synthetic yarn of staple fibres of heading No 5509 is a mixed fabric. Therefore synthetic yarn which does not satisfy the origin rules (which require manufacture from chemical materials or textile pulp) or woollen yarn that does not satisfy the origin rules (which require manufacture from natural fibres, not carded or combed or otherwise prepared for spinning) or a combination of the two may be used up to a weight of 10 % of the fabric.

For example:

Tufted textile fabric of heading No 5802 made from cotton yarn of heading No 5205 and cotton fabric of heading No 5210 is only a mixed product if the cotton fabric is itself a mixed fabric being made from yarns classified in two separate headings or if the cotton yarns used are themselves mixtures.

For example:

If the tufted textile fabric concerned had been made from cotton yarn of heading No 5205 and synthetic fabric of heading No 5407, then, obviously, the yarns used are two separate basic textile materials and the tufted textile fabric is accordingly a mixed product.

For example:

A carpet with tufts made from both artificial yarns and cotton yarns and with a jute backing is a mixed product because three basic textile materials are used. Thus, any non-originating materials that are at a later stage of manufacture than the rule allows may be used, provided their total weight taken together does not exceed 10 % of the weight of the textile materials in the carpet. Thus, both the jute backing and/or the artificial yarns could be imported at that stage of manufacture, provided the weight conditions are met.

6.3. In the case of fabrics incorporating 'yarn made of polyurethane segmented with flexible segments of polyether whether or not gimped' this tolerance is 20 % in respect of this yarn.

6.4. In the case of fabrics incorporating strip consisting of a core of aluminium foil or of a core of plastic film whether or not coated with aluminium powder, of a width not exceeding 5 mm, sandwiched by means of an adhesive between two films of plastic film, this tolerance is 30 % in respect of this strip.

Note 7

7.1. In the case of those textile products which are marked in the list by a footnot referring to this note, textile materials with the exception of linings and interlinings which do not satisfy the rule set out in the list in column 3 for the made up products concerned may be used provided that they are classified in a heading other than that of the product and that their value does not exceed 8 % of the ex-works price of the product.

7.2. Any non-textile trimmings and accessories or other materials used which contain textiles do not have to satisfy the conditions set out in column 3 even though they fall outside the scope of Note 4.3.

7.3. In accordance with Note 4.3, any non-originating non-textile trimmings and accessories or other product, which do not contain any textiles, may, anyway, be used freely where they cannot be made from the materials listed in column 3.

For example:

If a rule in the list says that for a particular textile item, such as a blouse, yarn must be used, this does not prevent the use of metal items, such as buttons, because they cannot be made from textile materials.

7.4. Where a percentage rule applies, the value of trimmings and accessories must be taken into account when calculating the value of the non-originating materials incorporated.

ANNEX II

>TABLE POSITION>

ANNEX III

MOVEMENT CERTIFICATES EUR.1

1. Movement certificates EUR.1 shall be made out on the form of which a specimen appears in this Annex. This form shall be printed in one or more of the languages in which the Agreement is drawn up. Certificates shall be made out in one of these languages and in accordance with the provisions of the domestic law of the exporting State. If they are handwritten, they shall be completed in ink and in capital letters.

2. Each certificate shall measure 210 _ 297 mm; a tolerance of up to minus 5 mm or plus 8 mm in the length may be allowed. The paper used must be white, sized for writing, not containing mechanical pulp and weighing not less than 25 g/m_. It shall have a printed green guilloche pattern background making any falsification by mechanical or chemical means apparent to the eye.

3. The competent authorities of the Member States of the Community and of Hungary may reserve the right to print the certificates themselves or may have them printed by approved printers. In the latter case each certificate must include a reference to such approval. Each certificate must bear the name and address of the printer or a mark by which the printer can be identified. It shall also bear a serial number, either printed or not, by which it can be identified.

MOVEMENT CERTIFICATE

>START OF GRAPHIC<

1. Exporter (Name, full address, country)

3. Consignee (Name, full address, country) (Optional)

EUR.1 No A 000.000

See notes overleaf before completing this form

2. Certificate used in preferential trade between

.....

and

.....

(Insert appropriate countries, groups of countries or territories)

4. Country, group of countries or territory in which the products are considered as originating

5. Country, group of countries or territory of destination

6. Transport details (Optional)

7. Remarks

8. Item number; Makes and numbers; Number and kind of packages (_); Description of goods

9. Gross

weight (kg)

or other

measure

(litres,

m_, etc.)

10. Invoices

(Optional)

11. CUSTOMS ENDORSEMENT

Declaration certified

Export document (_)

Form No

Customs office

Issuing country or territory

.....

.....

Date

Stamp

12. DECLARATION BY THE EXPORTER

I, the undersigned, declare that the goods described above meet the conditions required for the issue of this certificate.

Place and date

.....

(Signature)

.....

(Signature)

(_) If goods are not packed, indicate number of articles or state 'in bulk' as appropriate.

(_) Complete only where the regulations of the exporting country or territory require.¹³

REQUEST FOR VERIFICATION, to:

14. RESULT OF VERIFICATION,

Verification carried out shows that this certificate (_)

☐

was issued by the customs office indicated and that the information contained therein is accurate.

☐

does not meet the requirements as to authenticity and accuracy (see remarks appended).

Verification of the authenticity and accuracy of this certificate is requested.

.....

(Place and date)

.....

(Place and date)

Stamp

Stamp

.....

(Signature)

.....

(Signature)

(_) Insert X in the appropriate box. NOTES

1. Certificates must not contain erasures or words written over one another. Any alterations must be made by deleting the incorrect particulars and adding any necessary corrections. Any such alteration must be initialled by the person who completed the certificate and endorsed by the customs authorities of the issuing country or territory.

2. No spaces must be left between the items entered on the certificate and each item must be preceded by an item number. A horizontal line must be drawn immediately below the last item. Any unused space must be struck through in such a manner as to make any later additions impossible.

3. Goods must be described in accordance with commercial practice and with sufficient detail to enable them to be identified. >END OF GRAPHIC<

APPLICATION FOR A MOVEMENT CERTIFICATE

>START OF GRAPHIC<

1. Exporter (Name, full address, country)

3. Consignee (Name, full address, country) (Optional)

EUR.1 No A 000.000

See notes overleaf before completing this form

2. Application for a certificate to be used in preferential trade between

.....

and

.....

(Insert appropriate countries, groups of countries or territories)

4. Country, group of countries or territory in which the products are considered as originating

5. Country, group of countries or territory of destination

6. Transport details (Optional)

7. Remarks

8. Item number; Makes and numbers; Number and kind of packages (___); Description of goods

9. Gross

weight (kg)

or other

measure

(litres,

m_, etc.)

10. Invoices

(Optional)

(_) If goods are not packed, indicate number of articles or state 'in bulk' as appropriate.

DECLARATION BY THE EXPORTER

I, the undersigned, exporter of the goods described overleaf,

DECLARE that the goods meet the conditions required for the issue of the attached certificate;

SPECIFY as follows the circumstances which have enabled these goods to meet the above conditions:

.....

.....

.....

.....

SUBMIT the following supporting documents (___):

.....

.....

.....

.....

UNDERTAKE to submit, at the request of the appropriate authorities, any supporting evidence which these authorities may require for the purpose of issuing the attached certificate, and undertake, if required, to agree to any inspection of my accounts and to any check on the processes of manufacture of the above goods, carried out by the said authorities;

REQUEST the issue of the attached certificate for these goods.

.....

(Place and date)

.....

(Signature)

(_) For example: import documents, movement certificates, invoices, manufacturer's declarations, etc., referring to the products used in manufacture or to the goods re-exported in the same state.>

END OF GRAPHIC>

ANNEX IV

FORM EUR.2

1. Form EUR.2 shall be made out on the form of which a specimen appears in this Annex. This form shall be printed in one or more of the languages in which the Agreement is drawn up. Forms shall be made out in one of these languages and in accordance with the provisions of the domestic law of the exporting State. If they are handwritten, they shall be completed in ink and in capital letters.
2. Each form EUR.2 shall measure 210 _ 148 mm; a maximum tolerance of up to minus 5 mm or plus 8 mm in the length may be allowed. The paper used must be white, sized for writing, not containing mechanical pulp and weighing not less than 64 g/m_.
3. The competent authorities of the Member States of the Community and of Hungary may reserve the right to print the forms themselves or may have them printed by approved printers. In the latter case each form must include a reference to such approval. Each form must bear the name and address of the printer or a mark by which the printer can be identified. It shall also bear a serial number, either printed or not, by which it can be identified.

>START OF GRAPHIC<

FORM EUR.2 No

1

Form used in preferential trade
between () and

2

Exporter (Name, full address, country)

3

Declaration by exporter

I, the undersigned, exporter of the goods described below, declare that the goods comply with the requirements for the completion of this form and that the goods have obtained the status of originating products within the provisions governing preferential trade shown in box 1.

4

Consignee (Name, full address, country)

5

Place and date

6

Signature of exporter

7

Remarks ()

8

Country of origin ()

9

Country of destination (4)

10

Gross weight (kg)

11

Marks; Numbers of consignment; Description of goods

12

Authority in the exporting country (4)

responsible for verification of the declaration by the exporter

(_) Insert the countries, groups of countries or territories concerned.

(_) Refer to any verification already carried out by the appropriate authorities.

(_) The term 'country of origin' means country, group of countries or territory where the goods are considered to be originating.

(4) The term 'country' means country, group of countries or territory of destination.(RECTO)

Before completing this form read carefully the instructions on the other side.

13

Request for verification

14

Result of verification

The verification of the declaration by the exporter on the front of this form is requested (*)

Verification carried out shows that (_)

O

the statements and particulars given in this form are accurate

O

this form does not meet the requirements as to accuracy and authenticity (see remarks appended)

..... ,

(Place and date)

.....

Stamp

19

..... ,

(Place and date)

.....

Stamp

19

.....

(Signature)

.....

(Signature)

(_) Insert X in the appropriate box.

(*) Subsequent verifications of forms EUR.2 shall be carried out at random or whenever the customs authorities of the importing State have reasonable doubt as to the accuracy of the information regarding the authenticity of the forms and the true origin of the goods in question.Instructions for the completion of form EUR.2

1. A form EUR.2 may be made out only for goods which in the exporting country fulfil the conditions specified by the provisions governing the trade referred to in box 1. These provisions must be studied carefully before the form is completed.

2. In the case of a consignment by parcel post the exporter attaches the form to the dispatch note. In the case of a consignment by letter post he encloses the form in a package. The reference 'EUR.2' and the serial number of the form should be stated on the customs green label declaration C1 or on the customs declaration C2/CP3, as appropriate.

3. These instructions do not exempt the exporter from complying with any other formalities required by customs or postal regulations.

4. An exporter who uses this form is obliged to submit to the appropriate authorities any supporting evidence which they may require and to agree to any inspection by them of his accounts and of the processes of manufacture of the goods described in box 11 of this form.
(VERSO)>END OF GRAPHIC<

ANNEX V

Specimen impression of the stamp mentioned in Article 15 (3) (b)

>START OF GRAPHIC<

JHH

30 mm

HHj

JHH

30 mm

HHj

(_)

EUR.1

(_)

(_) Initials or coat of arms of the exporting State.

(_) Such information as is necessary for the identification of the approved exporter.>END OF GRAPHIC<

ANNEX VI

>TABLE POSITION<

PROTOCOL 5 to the Europe Agreement ('the Agreement')

CHAPTER I Specific provisions relating to trade between Spain and Hungary

Article 1

The provisions of the Agreement relating to trade in Title III shall be amended as follows in order to take account of the measures and undertakings listed in the Act of Accession of the Kingdom of Spain and the Portuguese Republic to the European Communities (hereinafter called 'the Act of Accession').

Article 2

Under the Act of Accession Spain shall not grant to products originating in Hungary more favourable treatment than it provides for imports originating or in free circulation in other Member States.

Article 3

1. Customs duties on imports applicable by the Kingdom of Spain to industrial products originating in Hungary and referred to in Article 9 of the Agreement and in Protocols 1 and 2 and to the non-agricultural components of products included in Protocol 3 shall be abolished according to the procedure and timetables set forth in this Article.
2. Tariff dismantling shall start from the duties actually charged by the Kingdom of Spain in its trade with third countries on 1 January 1985 in accordance with the following timetable:
 - from the entry into force of the Agreement the difference between those duties and the duties applied by the Community of Ten on that date shall be reduced to 10 %,
 - on 1 January 1993 duties shall be aligned on those applied by the Community of Ten.

Article 4

1. Duties applied by the Kingdom of Spain to agricultural products as defined in Article 18 of the Agreement originating in Hungary and listed in Annexes VIII and X of the Agreement shall be progressively aligned with those applied by the Community of Ten in accordance with the procedure and timetables set out in Articles 75 (2) and 75 (3) of the Act of Accession.
2. Levies applied by the Kingdom of Spain to agricultural products referred to in Article 20 (2) of the Agreement originating in Hungary and listed in Annex VIII, and to the agricultural component of products referred to in Protocol 3 originating in Hungary, shall be the levies applied each year by the Community of Ten adjusted by the accession compensatory amounts as set out in the Act of Accession.

Article 5

The implementation by Spain of the undertakings covered by Article 3 (4) of the Agreement shall take place at the time set for the remaining Member States always provided that Hungary has been removed from the scope of Regulations (EEC) No 1765/82 and (EEC) No 3420/83 on import arrangements for products originating in State-trading countries.

Article 6

Quantitative restrictions may be applied to imports into Spain of products originating in Hungary:

- (a) until 31 December 1992 in respect of the products listed in Annex A;
- (b) until 31 December 1995 in respect of the products listed in Annex B.

Article 7

Application of the provisions of this Protocol shall be without prejudice to Council Regulation (EEC) No 1911/91 of 26 June 1991 on the application of the provisions of Community law to the Canary Islands or Council Decision 91/314/EEC of 26 June 1991 setting up a programme of options specific to the remote and insular nature of the Canary Islands (Poseican).

CHAPTER II Specific provisions relating to trade between Portugal and Hungary

Article 8

The provisions of the Agreement relating to trade in Title III shall be amended as follows in order to take account of the measures and undertakings listed in the Act of Accession.

Article 9

Under the Act of Accession Portugal shall not grant Hungary more favourable treatment than is provided for imports originating in other Member States.

Article 10

1. The duties applicable by the Portuguese Republic to industrial products originating in Hungary and referred to in Article 9 of the Agreement and in Protocols 1 and 2 and to the non-agricultural components of products included in Protocol 3 shall be phased out according to the procedure and timetables set forth in this Article.

2. In respect of industrial products other than those included in Annexes II and III to the Agreement tariff dismantling shall take as its basic starting point the duties actually applied by the Portuguese Republic in its trade with the Community of Ten on 1 January 1985:

- from the entry into force of the Agreement provided that this does not occur before 1 January 1992, duties shall be reduced to 15 % of the basic duty,
- on 1 January 1993 duties shall be aligned on those applied by the Community of Ten.

However, for products referred to in Annex XXXI of the Act of Accession tariff dismantling shall be carried out according to the same timetable and start from the duties actually applied by the Portuguese Republic in its trade with third countries on 1 January 1985.

3. For products included in Annex II to the Agreement tariff dismantling shall start from the duties actually charged by the Portuguese Republic in its trade with third countries on 1 January 1985 in accordance with the following timetable:

- from the entry into force of the Agreement the difference between those duties and the duties applied by the Community of Ten on that date shall be reduced to 15 %,
- on 1 January 1993 duties shall be aligned on those applied by the Community of Ten.

4. For products included in Annex III of the Agreement, and within the limits set by the Community tariff quotas referred to in Article 9 (3) of the Agreement, reductions in duties shall be carried out in accordance with the procedure and timetables set out in paragraph 2 of this Article.

Beyond the limits set by Community tariff quotas the rules laid down in paragraph 3 of this Article shall apply.

Article 11

1. The duties applied by the Portuguese Republic to agricultural products as defined in Article 18 of the Agreement originating in Hungary and listed in Annexes VIII and X of the Agreement shall be progressively aligned with those applied by the Community of Ten in accordance with the procedure and timetables set out below in this Article.

2. For agricultural products other than those referred to in paragraph 3 of this Article the Portuguese Republic shall reduce its tariffs from those actually applied by it in its trade with third countries on 1 January 1985. Each year the difference between those tariffs and those applied by the Community of Ten shall be reduced in accordance with the following timetable:

- from the entry into force of the Agreement the difference shall be reduced to 36,3 % of the original difference,
- on 1 January 1993 the difference shall be reduced to 27,2 % of the original difference,
- on 1 January 1994 the difference shall be reduced to 18,1 % of the original difference,
- on 1 January 1995 the difference shall be reduced to 9 % of the original difference,
- from 1 January 1996 the Portuguese Republic shall apply the same duties as the Community of Ten.

3. The Portuguese Republic shall apply a duty to the agricultural products referred to in Regulations (EEC) No 136/66, (EEC) No 804/68, (EEC) No 805/68, (EEC) No 1035/72, (EEC) No 2727/75, (EEC) No 2759/75, (EEC) No 2771/75, (EEC) No 2777/75, (EEC) No 1418/76

and (EEC) No 822/87, which reduces the difference between the duty actually applied on 31 December 1990 and the preferential duty in accordance with the following timetable:

- from the entry into force of the Agreement the difference shall be reduced to 66,6 % of the initial difference,

- on 1 January 1993 the difference shall be reduced to 49,9 % of the initial difference,

- on 1 January 1994 the difference shall be reduced to 33,2 % of the initial difference,

- on 1 January 1995 the difference shall be reduced to 16,5 % of the initial difference.

Portugal shall apply preferential rates in full from 1 January 1996.

Article 12

The implementation by Portugal of the undertakings covered by Article 9 (4) of the Europe Agreement shall take place at the time set for the remaining Member States always provided that Hungary has been removed from the scope of Regulations (EEC) No 1765/82 and (EEC) No 3420/83 on import arrangements for products originating in State-trading countries.

Article 13

Quantitative restrictions may be applied to imports into Portugal of products originating in Hungary:

- (a) until 31 December 1992 in respect of the products listed in Annex C;

- (b) until 31 December 1995 in respect of the products in Annex D.

ANNEXES A and B

>TABLE POSITION>

ANNEX C

>TABLE POSITION>

ANNEX D

0103 10 00

0103 91 10

0103 92 11

0103 92 19

0701 10 00

0701 90 10

0701 90 51

0701 90 59

0803 00 10

0803 00 90

0804 30 00

2204 21 10

2204 21 21

2204 21 23

2204 21 25
2204 21 29
2204 21 31
2204 21 33
2204 21 35
2204 29 10
2204 29 21
2204 29 23
2204 29 25
2204 29 29
2204 29 31
2204 29 33
2204 29 35
2204 29 39

PROTOCOL 6 on mutual assistance in customs matters

Article 1

Definitions

For the purposes of this Protocol:

- (a) 'customs legislation' shall mean provisions applicable in the territories of the Contracting Parties governing the import, export, transit of goods and their placing under any other customs procedure, including measures of prohibition, restriction and control adopted by the said Parties;
- (b) 'customs duties' shall mean all duties, taxes, fees or any other charges which are levied and collected in the territories of the Contracting Parties, in application of customs legislation, but not including fees and charges which are limited in amount to the approximate costs of services rendered;
- (c) 'applicant authority' shall mean a competent administrative authority which has been appointed by a Contracting Party for this purpose and which makes a request for assistance in customs matters;
- (d) 'requested authority' shall mean a competent administrative authority which has been appointed by a Contracting Party for this purpose and which receives a request for assistance in customs matters;
- (e) 'contravention' shall mean any violation of the customs legislation as well as any attempted violation of such legislation.

Article 2

Scope

1. The Contracting Parties shall assist each other, in the manner and under the conditions laid down in this Protocol, in ensuring that customs legislation is correctly applied, in particular by the prevention, detection and investigation of contraventions of this legislation.
2. Assistance in customs matters, as provided for in this Protocol, applies to any administrative authority of the Contracting Parties which is competent for the application of this Protocol. It shall not prejudice the rules governing mutual assistance in criminal matters. Nor shall it cover information obtained under powers exercised at the request of the judicial authority, unless those authorities so agree.

Article 3

Assistance on request

1. At the request of the applicant authority, the requested authority shall furnish it with all relevant information to enable it to ensure that customs legislation is correctly applied, including information regarding operations noted or planned which contravene or would contravene such legislation.
2. At the request of the applicant authority, the requested authority shall inform it whether goods exported from the territory of one of the Contracting Parties have been properly imported into the territory of the other Party, specifying, where appropriate, the customs procedure applied to the goods.
3. At the request of the applicant authority, the requested authority shall take the necessary steps to ensure that a surveillance is kept on:
 - (a) natural or legal persons of whom there are reasonable grounds for believing that they are contravening or have contravened customs legislation;
 - (b) movement of goods notified as possibly giving rise to substantial contraventions of customs legislation;
 - (c) means of transport for which there are reasonable grounds for believing that they have been, are or may be used in the contravening of customs legislation.

Article 4

Spontaneous assistance

The Contracting Parties shall within their competences provide each other with assistance if they consider that to be necessary for the correct application of customs legislation, particularly when they obtain information pertaining to:

- operations which have contravened, contravene or would contravene such legislation and which may be of interest to other Contracting Parties,
- new means or methods employed in realizing such operations,
- goods known to be subject to substantial contravention of customs legislation on import, export, transit or any other customs procedure.

Article 5

Delivery/Notification

At the request of the applicant authority, the requested authority shall in accordance with its legislation take all necessary measures in order:

- to deliver all documents, and
- to notify all decisions

falling within the scope of this Protocol to an addressee, residing or established in its territory.

In such a case Article 6 (3) is applicable.

Article 6

Form and substance of requests for assistance

1. Requests pursuant to this Protocol shall be made in writing. Documents necessary for the execution of such requests shall accompany the request. When required because of the urgency of the situation, oral requests may be accepted, but must be confirmed in writing immediately.
2. Requests pursuant to paragraph 1 shall include the following information:
 - (a) the applicant authority making the request;
 - (b) the measure requested;
 - (c) the object of and the reason for the request;

- (d) the laws, rules, and other legal elements involved;
 - (e) indications as exact and comprehensive as possible on the natural or legal persons being the target of the investigations;
 - (f) a summary of the relevant facts, except in cases provided for in Article 5.
3. Requests shall be submitted in an official language of the requested authority or in a language acceptable to such authority.
 4. If a request does not meet the formal requirements, its correction or completion may be demanded; the ordering of precautionary measures may, however, take place.

Article 7

Execution of requests

1. In order to comply with a request for assistance, the requested authority or, when the latter cannot act on its own, the administrative department to which the request has been addressed by this authority, shall proceed, within its competence and available resources, as though it were acting on its own account or at the request of other authorities of that same Contracting Party, by supplying information already possessed, by carrying out appropriate enquiries or by arranging for them to be carried out.
2. Requests for assistance will be executed in accordance with the laws, rules, and other legal instruments of the requested Contracting Party.
3. Duly authorized officials of a Contracting Party may, with the agreement of the other Contracting Party involved and within the conditions laid down by the latter, obtain from the offices of the requested authority or other authority for which the requested authority is responsible, information relating to the contravention of customs legislation which the applicant authority needs for the purposes of this Protocol.
4. Officials of a Contracting Party may, with the agreement of the other Contracting Party, be present at enquiries carried out in the latter's territory.

Article 8

Form in which information is to be communicated

1. The requested authority shall communicate results of enquiries to the applicant authority in the form of documents, certified copies of documents, reports and the like.
2. The documents provided for in paragraph 1 may be replaced by computerized information produced in any form for the same purpose.

Article 9

Exceptions to the obligation to provide assistance

1. The Contracting Parties may refuse to give assistance as provided for in this Protocol, where to do so would:
 - (a) be likely to prejudice sovereignty, public policy (l'ordre publique), security or other essential interests; or
 - (b) involve currency or tax regulations other than regulations concerning customs duties; or
 - (c) violate an industrial, commercial or professional secret.
2. Where the applicant authority asks for assistance which it would itself be unable to provide if so asked, it shall draw attention to that fact in its request. It shall then be left to the requested authority to decide how to respond to such a request.
3. If assistance is withheld or denied, the decision and the reasons therefore must be notified to the applicant authority without delay.

Article 10

Obligation to observe confidentiality

1. Any information communicated in whatsoever form pursuant to this Protocol shall be of a confidential nature. It shall be covered by the obligation of official secrecy and shall enjoy the protection extended under the relevant laws applicable in the Contracting Party which received it and the corresponding provisions applying to the Community authorities.
2. Nominative data shall not be transmitted whenever there are reasonable grounds to believe that the transfer or the use made of the data transmitted would be contrary to the basic legal principles of one of the Parties, and, in particular, if the person concerned would suffer undue disadvantages. Upon request, the receiving Party shall inform the furnishing Party of the use made of the information supplied and of the results achieved.
3. Nominative data may only be transmitted to customs authorities and, in the case of need for prosecution purposes, to public prosecution and judicial authorities. Other persons or authorities may obtain such information only upon previous authorization by the furnishing authority.
4. The furnishing Party shall verify the accuracy of the information to be transferred. Whenever it appears that the information supplied was inaccurate or to be deleted, the receiving Party shall be notified without delay. The latter shall be obliged to carry out the correction or deletion.
5. Without prejudice to cases of prevailing public interest, the person concerned may obtain, upon request, information on the data stores and the purpose of this storage.

Article 11

Use of information

1. Information obtained shall be used solely for the purposes of this Protocol and may be used within each Contracting Party for other purposes only with the prior written consent of the administrative authority which furnished the information and shall be subject to any restrictions laid down by that authority. These provisions are not applicable to information concerning offences relating to narcotic drugs and psychotropic substances. Such information may be communicated to other authorities directly involved in the combatting of illicit drug traffic, within the limits of Article 2.
2. Paragraph 1 shall not impede the use of information in any judicial or administrative proceedings subsequently instituted for failure to comply with customs legislation.
3. The Contracting Parties may, in their records of evidence, reports and testimonies and in proceedings and charges brought before the courts, use as evidence information obtained and documents consulted in accordance with the provisions of this Protocol.

Article 12

Experts and witnesses

An official of a requested authority may be authorized to appear, within the limitations of the authorization granted, as expert or witness in judicial or administrative proceedings regarding the matters covered by this Protocol in the jurisdiction of another Contracting Party, and produce such objects, documents or authenticated copies thereof, as may be needed for the proceedings. The request for an appearance must indicate specifically on what matter and by virtue of what title or qualification the official will be questioned.

Article 13

Assistance expenses

The Contracting Parties shall waive all claims on each other for the reimbursement of expenses incurred pursuant to this Protocol, except, as appropriate, for expenses to experts and witnesses and to interpreters and translators who are not dependent upon public services.

Article 14

Implementation

1. The management of this Protocol shall be entrusted to the central customs authorities of Hungary on the one hand, and the competent services of the Commission and, where appropriate, the customs authorities of the Member States on the other. They shall decide on all practical measures and arrangements necessary for its application, taking into consideration rules in the field of data protection. They may recommend to the competent bodies amendments which they consider should be made to this Protocol.
2. The Contracting Parties shall consult each other and subsequently keep each other informed of the detailed rules of implementation which are adopted in accordance with the provisions of this Article.

Article 15

Complementarity

1. This Protocol shall complement and not impede application of any agreements on mutual assistance which have been concluded or may be concluded between individual or several Member States and Hungary. Nor shall it preclude more extensive mutual assistance granted under such agreements.
2. Without prejudice to Article 11, these agreements shall not prejudice Community provisions governing the communication between the competent services of the Commission and the customs authorities of the Member States of any information obtained in customs matters which could be of Community interest.

PROTOCOL 7 on concessions with annual limits

The Parties agree that if the Agreement comes into force after 1 January in any year, any concession given within the limits of annual quantities will be adjusted pro rata with the exception of those Community concessions contained in Annexes III and VIII.

In respect of Annexes III and VIII, products for which import certificates have been issued under the EEC Council Regulations applying generalized tariff preferences between 1 January and the entry into force of the Agreement will be counted against the tariff quota or tariff ceiling quantities contained in such Annexes.

FINAL ACT

The plenipotentiaries of:

THE KINGDOM OF BELGIUM,

THE KINGDOM OF DENMARK,

THE FEDERAL REPUBLIC OF GERMANY,

THE HELLENIC REPUBLIC,

THE KINGDOM OF SPAIN,

THE FRENCH REPUBLIC,

IRELAND,

THE ITALIAN REPUBLIC,
THE GRAND DUCHY OF LUXEMBOURG,
THE KINGDOM OF THE NETHERLANDS,
THE PORTUGUESE REPUBLIC,
THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND,
Contracting Parties to the Treaty establishing the EUROPEAN ECONOMIC COMMUNITY, the
Treaty establishing the EUROPEAN COAL AND STEEL COMMUNITY and the Treaty establishing
the EUROPEAN ATOMIC ENERGY COMMUNITY, hereinafter referred to as 'Member States`, and of
the EUROPEAN ECONOMIC COMMUNITY, the EUROPEAN COAL AND STEEL COMMUNITY and the
EUROPEAN ATOMIC ENERGY COMMUNITY, hereinafter referred to as 'the Community`,
of the one part, and
the plenipotentiaries of the REPUBLIC OF HUNGARY, hereinafter referred to as 'Hungary`,
of the other part,
meeting at Brussels, this sixteenth day of December in the year one thousand nine hundred and
ninety-one for the signature of the Europe Agreement establishing an association between the
European Communities and their Member States, of the one part, and the Republic of Hungary,
of the other part ('the Europe Agreement`), have adopted the following texts:
the Europe Agreement, and the following Protocols:

>TABLE POSITION>

The plenipotentiaries of the Member States and of the Community and the plenipotentiaries of
Hungary have adopted the texts of the joint declarations listed below and annexed to this Final
Act:

Joint declaration on Article 7 (4) of the Agreement,
Joint declaration on Article 37 (1) of the Agreement,
Joint declaration on Article 37 of the Agreement,
Joint declaration on Article 38 of the Agreement,
Joint declaration on Chapter II of Title IV of the Agreement,
Joint declaration on Article 47 of the Agreement,
Joint declaration on Chapter III of Title IV of the Agreement,
Joint declaration on Chapter II, III and IV of Title IV of the Agreement,
Joint declaration on Article 56 (3) of the Agreement,
Joint declaration on Article 58 of the Agreement,
Joint declaration on Article 59 of the Agreement,
Joint declaration on Article 62 of the Agreement,
Joint declaration on Article 65 of the Agreement,
Joint declaration on Article 5 of Protocol 6 to the Agreement.

The plenipotentiaries of the Member States and of the Community and the plenipotentiaries of
Hungary have also taken note of the following exchanges of letters annexed to this Final Act:
agreement in the form of an exchange of letters concerning Article 66 of the Agreement,
agreement in the form of an exchange of letters concerning certain arrangements in the pig and
poultry sectors,
exchange of letters concerning transit,
exchange of letters concerning land transport infrastructure.

The plenipotentiaries of Hungary have taken note of the declarations listed below and annexed
to this Final Act:

Community declaration on Chapter I of Title IV of the Agreement,
Community declaration on Article 8 (4) of Protocol 2 on ECSC products.

The plenipotentiaries of the Member States and of the Community have taken note of the declarations listed below and annexed to this Final Act:

declaration by Hungary concerning Article 7 of the Agreement,

declaration by Hungary concerning Article 10 of the Agreement,

declaration by Hungary concerning Article 44 of the Agreement,

letter from the Government of Hungary concerning Protocol 2 of the Agreement,

declaration by Hungary concerning Annexes IXa and Xlc of the Agreement.

Hecho en Bruselas, el dieciséis de diciembre de mil novecientos noventa y uno.

Udfærdiget i Bruxelles, den sekstende december nitten hundrede og enoghalvfems.

Geschehen zu Brüssel am sechzehnten Dezember neunzehnhunderteinundneunzig.

„ăéíă ôôèò Āñōî_ëëàò, ôôèò ä_éá _îé Āăëâîăñîō ÷îëéá âîíéâëüóéá âîâî_îôá _îá.

Done at Brussels on the sixteenth day of December in the year one thousand nine hundred and ninety-one.

Fait à Bruxelles, le seize décembre mil neuf cent quatre-vingt-onze.

Fatto a Bruxelles, addì sedici dicembre millenovecentonovantuno.

Gedaan te Brussel, de zestiede december negentienhonderd eenennegentig.

Feito em Bruxelas, em dezasseis de Dezembro de mil novecentos e noventa e um.

Készült Brüsszelben az ezerkilencszázkilencvenegyedik év december hó tizenhatodik napján.

Pour le royaume de Belgique

Voor het Koninkrijk België

>REFERENCE TO A FILM>

På Kongeriget Danmarks vegne

>REFERENCE TO A FILM>

Für die Bundesrepublik Deutschland

>REFERENCE TO A FILM>

Āéá ôçî Āëëçîéê_ Āçîîëñáôîá

>REFERENCE TO A FILM>

Por el Reino de España

>REFERENCE TO A FILM>

Pour la République française

>REFERENCE TO A FILM>

For Ireland

Thar cheann Na hÉireann

>REFERENCE TO A FILM>

Per la Repubblica italiana

>REFERENCE TO A FILM>

Pour le Grand-Duché de Luxembourg

>REFERENCE TO A FILM>

Voor het Koninkrijk der Nederlanden

>REFERENCE TO A FILM>

Pela República Portuguesa

>REFERENCE TO A FILM>

For the United Kingdom of Great Britain and Northern Ireland

>REFERENCE TO A FILM>

Por el Consejo y la Comisión de las Comunidades Europeas

For Rådet og Kommissionen for De Europæiske Fællesskaber

Für den Rat und die Kommission der Europäischen Gemeinschaften

Āéá ôî Óôîâî_ëéî éáé ôçî Ā_éôñî__ ôûî Āôñû_áúê_í Ēîíîô_ôûî

For the Council and the Commission of the European Communities
Pour le Conseil et la Commission des Communautés européennes
Per il Consiglio e la Commissione delle Comunità europee
Voor de Raad en de Commissie van de Europese Gemeenschappen
Pelo Conselho e pela Comissão das Comunidades Europeias

>REFERENCE TO A FILM>

A Magyar Köztársaság nevében

>REFERENCE TO A FILM>

JOINT DECLARATIONS

1. Article 7 (4)

The Community and Hungary confirm that where a reduction of duties is effected by way of a suspension of duties made for a particular period of time, such reduced duties shall replace the basic duties only for a period of such suspension, and that whenever a partial suspension of duties is made, the preferential margin between the Parties will be preserved.

2. Article 37 (1)

Is is understood that the concept 'conditions and modalities applicable in each Member State` includes Community rules where appropriate.

3. Article 37

Is is understood that the notion 'children` is defined in accordance with national legislation of the host country concerned.

4. Article 38

Is is understood that the notion 'members of their family` is defined in accordance with the national legislation of the host country concerned.

5. Chapter II of Title IV

Without prejudice of the provisions of Chapter IV of Title IV, the Parties agree that treatment of the nationals or companies of one Party shall be considered to be less favourable than that accorded to those of the other Party if such treatment is either formally or de facto less favourable than the treatment accorded to those of the other Party.

6. Article 47

The Parties agree that the particular rules referred to in Article 48 may, inter alia, be aimed at the protection of creditors and business partners.

7. Chapter III of Title IV

The Parties shall endeavour to achieve a mutually satisfactory result in the framework of the current negotiations on services taking place in the Uruguay Round.

8. Chapters II, III and IV of Title IV

Should any problems arise from the implementation of the Hungarian Act XVI of 1991 on concessions, upon request of the Community, consultations shall be held in the Association Council.

9. Article 56 (3)

The Parties declare that the Agreements referred to in Article 56 (3) should aim at the highest possible extension of the transport regulations and policies applicable in the Community and in the Member States to the relations between the Community and Hungary in the field of transport.

10. Article 58

The sole fact of requiring a visa for national persons of certain Parties and not for those of others shall not be regarded as nullifying or impairing benefits under a specific commitment.

11. Article 59

Whenever the Association Council is called upon to take measures for further liberalization in the areas of services or persons, it shall also determine for which transactions related to such measures payments are to be authorized in freely convertible currency.

12. Article 62

The Parties shall not make improper use of provisions on professional secrecy to prevent the disclosure of information in the field of competition.

13. Article 65

The Parties agree that for the purpose of this Association Agreement 'intellectual, industrial and commercial property' is to be given a similar meaning as in Article 36 of the EEC Treaty and includes in particular protection of copyright and neighbouring rights, patents, industrial designs, trade marks and service marks, software, topographies of integrated circuits, geographical indications, as well as protection against unfair competition and protection of undisclosed information on know-how.

14. Article 5 of Protocol 6

The Contracting Parties stress that the reference which is made in this Article to their own legislation may cover, where appropriate, any international commitment they could have contracted, such as the Convention on the service abroad of judicial and extra-judicial documents in civil or commercial matters, concluded in The Hague on 15 November 1965.

Declarations by the European Community

1. Chapter I of Title IV

The Community declares that nothing in the provisions of Chapter I 'Movement of workers' shall be construed as impairing any competence of Member States as to the entry into and stay on their territories of workers and their family members.

2. Article 8 (4) of Protocol 2 on ECSC products

It is understood that the possibility of an exceptional extension of the five-year period is strictly limited to the particular case of Hungary and does not impair the position of the Community in relation to other cases nor prejudice international commitments. The possible derogation foreseen in paragraph 4 takes into account the particular difficulties of Hungary in restructuring the steel sector and the fact that this process has been launched very recently.

Declaration concerning Annexes IXa and XIc of the Agreement

Hungary confirms its intention to increase on a regular basis, after consultation with the European Community, the number of products included in the list in Annex IXa during the transitional period of five years, so that at the end of this period a substantial number of products currently included in Annex XIc will not be subject to any quantitative restriction.

End of the document

Document delivered on: 11/03/1999