

## RECORD OF UNDERSTANDINGS

1. The Parties declare their readiness to examine in the Joint Committee the possibility of extending to each other any concessions they grant or will grant to third countries with which they concluded a Free Trade Agreement or other similar agreement to which Article XXIV of the General Agreement on Tariffs and Trade applies.
2. As regards paragraph 2 of Article 4, the Parties agree 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 the period of such suspension; and that whenever a partial suspension of duties is made, the preferential margin between the Parties will be preserved.
3. The Parties agree that Article 9 does not apply when measures covered by this Article might be required for the administration of international obligations.
4. When elaborating the criteria and rules indicated in paragraph 3 of Article 23, the Parties:
  - \* shall aim at ensuring their greatest possible conformity with the relevant criteria and rules used under the Agreements establishing an Association between each of the Parties of this Agreement and the European Communities;
  - \* shall define the conditions and/or situations when temporary derogations from the provisions of paragraph 1 may be applicable.
5. Concerning the paragraph 4 of Article 23 the Joint Committee shall within one year following the entry into force of this Agreement adopt the necessary rules for the implementation of transparency measures.
6. Items in Annexes to Protocols 2 and 3 and in Annex III/c marked with an asterisk (\*) will only be covered by the provisions contained therein, provided parallel treatment of these items in trade between the Parties is granted as compared to trade between Poland and the European Communities.
7. The Parties consider that an arbitration procedure could be envisaged for disputes which cannot be settled through consultations between the Parties concerned or in the Joint Committee. Such a possibility may be further examined in the Joint Committee.

### Additional Protocol No. 1 to the CEFTA

Similarly with the signature of the Central European Free Trade Agreement the Joint Declaration was signed between the signatories. The aim of this step was to speed up as soon as possible the process of liberalization of trade between the Parties, the removal or reduction of customs barriers to establish more favorable conditions to trade by extension of customs concessions as well as by increasing of quantitative quotas for items subject to concessions.

The Additional Protocol agreed has not amended the text of the original CEFTA Agreement.

The original aim of the liberalization of mutual trade, as laid down in the Joint Declaration of December 1992 (shortening of the transitional period from 8 to 5 years), could not be achieved by signing the Additional Protocol No.1 to the CEFTA, and it does not apply to all industrial or agricultural products.

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#### Additional Protocol No.2 to the CEFTA

Additional Protocol No.2 to the CEFTA contains the results of negotiations on liberalization of trade in industrial products the aim of which was to shorten the transitional period by one year for all lists of customs concessions of industrial products, with the minimum exceptions.

The following Tables show the timetable of customs duty reduction and the shortening of the transitional period since the signature of the CEFTA Agreement, according to the sensitivity of the individual positions.

#### More sensitive products

As for the more sensitive products, customs duties have been removed in relation to Hungary and Poland as from January 1, 1996, on reciprocal basis.

Period

Protocol No.1(Hungary)

Protocol No.2(Poland)

Base Agreement

Additional. Protocol No.1

Additional. Protocol No.2

Base Agreement

Additional. Protocol No.1

Additional. Protocol No.2

July 1, 1994

Jan.1, 1995

Jan.1, 1996

Jan.1, 1997

-

2/3

1/3

0

2/3

2/3

1/3

0

2/3

2/3

0

-

2/3

1/3

0

2/3

2/3

1/3

0

2/3

2/3

0

The most sensitive products

The transitional period for the most sensitive products was shortened by one year, i.e. all customs duties have been removed from January 1, 1997.

Period

Protocol No.1(Hungary)

Protocol No.2(Poland)

Base Agreement

Additional.

Protocol No.1

Additional. Protocol No.2

Base Agreement

Additional.

Protocol No.1

Additional.

Protocol No.2

July 1, 1994

Jan.1, 1995

Jan.1, 1996

Jan.1, 1997

Jan.1, 1998

Jan.1, 1999

Jan.1, 2000

Jan.1, 2001

90

75

60

45

30

15

0

75

75

50

25

0

75

75

50

0

100

90

75

60

45

30

15

0

75

75

50

25

0

75

75

50

0

#### Exceptions

In respect to the lists of exceptions, the transitional period was shortened by one year on reciprocal basis only in trade with Hungary. In respect to Poland, the transitional period as well as the timetable of customs duties reduction has remained unchanged.  
Period

Protocol No.1

(HUNGARY)

Protocol No.2

(POLAND)

Base Agreement

Additional.

Protocol No.1

Additional

Protocol No.2

Base Agreement

SRPR

Additional Protocol No.1

SRPR

Additional.

Protocol No.2

SRPR

July 1, 1994

Jan.1, 1995

Jan.1, 1996

Jan.1, 1997

Jan.1, 1998

Jan.1, 1999

Jan.1, 2000

Jan.1, 2001

Jan.1, 2002

100

90

75

60

45

30

15

0

100

90

75

60

45

30

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0

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90

75

60

45

30

0

100

90

75

60

45

30

15

0

6/7

6/7

5/7



5/7

4/7

3/7

2/7

1/7

0

100

90

75

60

45

30

15

0

6/7

6/7

5/7

5/7

4/7

3/7

2/7

1/7

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100

90

75

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45

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6/7

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5/7

4/7

3/7

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1/7

0

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#### Additional Protocol No. 3 to the CEFTA

During the meeting of Prime Ministers in Poznan (Poland) in November 1994 it was agreed that further reduction of barriers to mutual trade in agricultural products should speed up.

After an extensive discussion of experts group for liberalization of trade in agricultural products and bearing in mind the sensitivity of food and agricultural products, at the meeting of CEFTA countries and Slovenia Ministers for agriculture, it was agreed to

establish, for the period from January 1, 1996 till December 31, 1997, three groups of products:

- \* agricultural products with zero customs duty,
- \* agricultural products with equal customs duty applicable within the CEFTA countries,
- \* agricultural products with customs duty agreed on bilateral level, with possibility to apply tariff ceilings.

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#### Additional Protocol No. 4 to the CEFTA

Applying the Additional Protocol No. 4 to the CEFTA, Protocol 7 concerning the rules of origin have been into force is substituted by new Protocol 7, which implement „diagonal cumulation“. Protocol 7 has been elaborated according to negotiation results on unification of rules of origin between the countries of the European Union, the associated countries to EU and the EFTA countries.

Additional Protocol No. 4 to the CEFTA was signed at the Summit of the CEFTA Prime Ministers in September 13 - 14, 1996 in Jasná by the Ministers responsible for foreign trade and is provisionally applied from January 1, 1997.

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#### Additional Protocol No. 5 to the CEFTA

Additional Protocol No. 5 contains conclusions of the HS code 96 application on industrial products and the results of negotiations on further liberalization of trade in industrial products.

Additional Protocol No. 5 to the CEFTA was signed at the CEFTA Prime Ministers Summit in Jasná on September 13 - 14, 1996 by the CEFTA countries Ministers responsible for foreign trade.

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#### Additional Protocol No. 6 to the CEFTA

The Additional Protocol No.6 to the CEFTA was signed on the extraordinary session of the CEFTA Joint Committee, which took place on December 18 and 19, 1997 in Warsaw, the Republic of Poland.

The Additional Protocol No.6 contains the draft of liberalization of trade in agricultural products and food products between the initial CEFTA countries and the Republic of Slovenia. The draft is based on predating the transitional period by one year, eliminating all exceptions by January 1, 2000 as well as increasing the quotas according to bilateral negotiations.

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#### Additional Protocol No.7 to the CEFTA

The Additional Protocol No.7 to the CEFTA was signed at the meeting of the authorized representatives of the CEFTA countries, which took place on December 10, 1998 in Prague, the Czech Republic.

The Additional Protocol No.7 includes new rules of origin of goods in conformity with pan-European cumulation. The provisions stated in Annex to the Additional Protocol No.7 replace relevant provisions of Protocol 7, which is included in the Additional Protocol No.4 to the CEFTA. The Additional Protocol No.7 constitutes an integral part of the Central European Free Trade Agreement. The Declaration of the Republic of Bulgaria is attached to this Additional Protocol. In the Declaration the Republic of Bulgaria declares that it accepts the Additional Protocol No.7 to the CEFTA and shall apply this Additional Protocol from the date of application of the Agreement on Accession of the Republic of Bulgaria to the CEFTA, i.e. from January 1, 1999.

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#### Additional Protocol No. 8 to the CEFTA

The CEFTA countries Ministers responsible for foreign trade signed the Additional Protocol No.8 to the CEFTA during the meeting of Prime Ministers of the CEFTA countries, which took place on October 19 - 20, 1999 in Budapest, the Republic of Hungary.

The Additional Protocol No.8 includes the adjusted rules of origin of goods in conformity with the extended system of pan-European cumulation. The provisions stated in Annex to the Additional Protocol No.8 replace relevant provisions of Protocol 7, which is included in the Additional Protocol No.4 to the CEFTA. The Additional Protocol No.8 constitutes an integral part of the Central European Free Trade Agreement. This Additional Protocol shall be applied provisionally from January 1, 2000.

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#### ADDITIONAL PROTOCOL No. 8 TO CENTRAL EUROPEAN FREE TRADE AGREEMENT

Representatives of the Republic of Bulgaria, the Czech Republic, the Republic of Hungary, the Republic of Poland, Romania, the Slovak Republic and the Republic of Slovenia,

Having in mind the Agreed Minutes of the Central European Free Trade Agreement Joint Committee session, held on 18 June 1999 in Budapest;

Recognizing that this Additional Protocol and in particular the adjusted rules of origin of goods shall ensure the proper operation of the system of pan-European cumulation as well as shall foster the intensification of mutually beneficial trade relations among the Parties and contribute to the process of integration in Europe;

In accordance with the provisions of Articles 34, 35, 37 and 39 of the Central European Free Trade Agreement;

Have decided as follows:

##### Article 1

The provisions in Annex to this Additional Protocol shall replace the relevant provisions of Protocol 7 to the Central European Free Trade Agreement.

##### Article 2

This Additional Protocol shall constitute an integral part of the Central European Free Trade Agreement.

##### Article 3

1. This Additional Protocol shall enter into force on the thirtieth day from the date of receiving by the Depositary of the last notification of the Parties to the Central European Free Trade Agreement of the completion of procedures necessary for that purpose.

2. The Depositary shall notify all Parties of the completion of procedures necessary for the entry into force of this Additional Protocol.

3. If this Additional Protocol does not enter into force by 1 January 2000 it shall be applied provisionally from that date. However, if a Party is not in a position to apply it from 1 January 2000, that Party shall inform the other Parties about this fact as soon as possible, but not later than 21 December 1999. Concerning that Party this Additional Protocol shall be applied on the tenth day from the date of receiving by the other Parties of the notification on the completion by that Party of the internal procedures necessary for the application of this Additional Protocol.

In witness whereof the undersigned plenipotentiaries being duly authorized thereto, have signed this Additional Protocol.

Done at Budapest this 20 day of October 1999 in a single authentic copy in the English language, which shall be deposited with the Government of the Republic of Poland. The Depositary shall transmit certified copies of this Additional Protocol to all Parties to the Central European Free Trade Agreement.

Annex to the Additional Protocol No. 8

Protocol 7 to the Central European Free Trade Agreement concerning the definition of the concept of "originating products" and methods of administrative cooperation is hereby amended as follows:

1. Paragraph 4 of Article 17 shall be replaced by the following:

"4. A movement certificate EUR. 1 shall be issued by the customs authorities of a State Party if the products concerned can be considered as products originating in a State Party or in one of the other countries referred to in Article 4 and fulfil the other requirements of this Protocol."

2. Article 20 shall be replaced by the following:

"Article 20

Issue of movement certificates EUR. 1 on the basis of a proof of origin issued or made out previously

When originating products are placed under the control of a customs office in a State Party, it shall be possible to replace the original proof of origin by one or more movement certificates EUR. 1 for the purpose of sending all or some of these products elsewhere within the State Party. The replacement movement certificate(s) EUR. 1 shall be issued by the customs office under whose control the products are placed."

3. In Articles 21 and 26 the word "Ecu" shall be replaced by "euro".

4. Article 30 shall be replaced by the following:

"Article 30

Amounts expressed in euro

1. Amounts in the national currency of the exporting State Party equivalent to the amounts expressed in euro shall be fixed by the exporting State Party and communicated to the importing State Party.

2. When the amounts exceed the corresponding amounts fixed by the importing State Party, the latter shall accept them if the products are invoiced in the currency of the exporting State Party. When the products are invoiced in the currency of another country referred to in Article 4, the importing State Party shall recognise the amount notified by the country concerned.

3. The amounts to be used in any given national currency shall be the equivalent in that national currency of the amounts expressed in euro as at the first working day of October 1999.

4. The amounts expressed in euro and their equivalents in the national currency of a State Party shall be reviewed by the Joint Committee at the request of a State Party. When carrying out this review, the Joint Committee shall ensure that there will be no decrease in the amounts to be used in any national currency and shall furthermore consider the desirability of preserving the effects of the limits concerned in real terms. For this purpose, it may decide to modify the amounts expressed in euro."

5. Article 39 shall be abolished.

6. Annex II shall be amended as follows:

(a) the entry for HS heading 1904 shall be replaced by:

1904

Prepared foods obtained by the swelling or roasting of cereal or cereal products (for example, corn flakes); cereals (other than maize [corn]) in grain form or in the form of flakes or other worked grains (except flour and meal), pre-cooked, or otherwise prepared, not elsewhere specified or included

Manufacture:

- from materials not classified within heading No 1806;

- in which all the cereals and flour (except durum wheat and its derivatives and Zea mays) used must be wholly obtained;<sup>1</sup>

- in which the value of any materials of Chapter 17 used does not exceed 30% of the ex-works price of the product

<sup>1</sup> The exception concerning the Zea mays is applicable until 31.12.2002.

(b) the entry for HS heading 2207 shall be replaced by:

## 2207

Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol or higher; ethyl alcohol and other spirits, denatured, of any strength

Manufacture:

- from materials not classified within heading Nos 2207 or 2208;
- in which all the grapes or any material derived from grapes used must be wholly obtained or if all the other materials used are already originating, arrack may be used up to a limit of 5% by volume

(c) the entry for HS Chapter 57 shall be replaced by:

## Chapter 57

Carpets and other textile floor coverings:

- Of needleloom felt

Manufacture from<sup>1</sup>:

- natural fibres, or
- chemical materials or textile pulp

However:

- polypropylene filament of heading No 5402, or
- polypropylene fibres of heading No 5503 or 5506, or
- polypropylene filament tow of heading No 5501, of which the denomination in all cases of a single filament or fibre is less than 9 decitex,

may be used provided their value does not exceed 40% of the ex-works price of the product

Jute fabric may be used as backing

- Of other felt

Manufacture from<sup>1</sup>:



- natural fibres not carded or combed or otherwise processed for spinning, or
- chemical materials or textile pulp
- Of other textiles materials

Manufacture from<sup>1</sup>:

- coir or jute yarn,
- synthetic or artificial filament yarn,
- natural fibres, or
- man-made staple fibres not carded or combed or otherwise processed for spinning

Jute fabric may be used as backing

<sup>1</sup> For special conditions relating to products made of a mixture of textile materials, see Introductory Note 5.

(d) the entry for HS heading 8401 shall be replaced by:

ex 8401

Nuclear fuel elements

Manufacture in which all the materials used are classified within a heading other than that of the product<sup>1</sup>

Manufacture in which the value of all the materials does not exceed 30% of the ex-works price of the final product

<sup>1</sup> This rule shall apply until 31 December 2005.

(e) the following shall be inserted between the entries for HS heading Nos 9606 and 9612:

9608

Ball-point pens; felt-tipped and other porous-tipped pens and markers; fountain pens; stylograph pens and other pens; duplicating stylos; propelling or sliding pencils; pen-holders, pencil-holders and similar holders; parts (including caps and clips) of the foregoing articles, other than those of heading No 9609

Manufacture in which all the materials used are classified within a heading other than that of the product. However, nibs or nib-points classified within the same heading may be used

7. In Annex IV the Polish version of the invoice declaration shall be replaced by the following:

"Polish version:

Eksporter produktów objętych tym dokumentem (upoważnienie władz celnych nr .....1) deklaruje, że z wyjątkiem, gdzie jest to wyraźnie określone, produkty te mają ..... preferencyjne pochodzenie."

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#### The Agreement Provisions - in Detail

The parties agreed to establish free trade area during a transitional period ending on January 1, 2001 at the latest.

The Agreement's basis is the trade liberalisation of industrial and agricultural products.

#### Industrial Products

For each product the basic duty to which the successive reduction is applied is the Most Favoured Nation rate of duty applied on February 29, 1992. However, if after entry into force of the Agreement, any tariff reduction is applied on an erga omnes basis, in particular reductions implemented as a result of the Uruguay round of multilateral trade negotiations, such reduced duties will replace the basic duties.

The parties to the Agreement abolished in their industrial products trade:

- \* all charges having equivalent effect to import duties
- \* fiscal duties
- \* all customs duties on exports and charges having equivalent effect

Quantitative restrictions on imports and measures having equivalent effect will be abolished by the Czech Republic and the Slovak Republic by the end of the transitional period; the Republic of Hungary will also abolish them by the end of transitional period

(annual ceiling has been opened for products originating in the Czech Republic, the Republic of Poland and the Slovak Republic); the Republic of Poland will abolish the prohibition of imports of cars, chassis and bodies of 10 years or older by January 1, 2002. The Republic of Slovenia does not apply any quantitative restrictions on imports and measures having equivalent effect.

Quantitative restrictions on exports and measures having equivalent effect are still applied for some sensitive products (waste and scrap) by the Czech Republic, the Slovak Republic, the Republic of Hungary, and the Republic of Poland, while the Republic of Slovenia does not apply any of them.

The Republic of Hungary also applies 4% duty surcharge to imports due to the payments balance difficulties, however it is supposed to abolish them by July 1, 1997.

The CEFTA countries (including the Republic of Slovenia) signed the Additional Protocol No. 5 to the CEFTA on September 13, 1996 in the Slovak Republic. The Protocol is provisionally applied from January 1, 1997. The Additional Protocol No. 5 to the CEFTA is an integral part of the Central European Free Trade Agreement and encompasses provisions on further liberalisation of industrial products trade among the CEFTA countries.

In trade among the Republic of Slovenia and the Czech Republic and the Slovak Republic all customs duties on imports of industrial products were abolished.

In trade between the Republic of Slovenia and the Republic of Hungary most of the customs duties on imports of industrial products were abolished. Customs duties on imports for sensitive products were reduced to 60 % of the basic duty on January 1, 1997 and will be abolished on January 1, 2001.

In trade between the Republic of Slovenia and the Republic of Poland most of the customs duties on imports of industrial products were abolished. Customs duties on imports applied in the Republic of Poland for some motor cars were reduced in some cases to five-sevenths and in other cases to six-sevenths of the basic duty. They will be abolished on January 1, 2002. The Republic of Slovenia abolished all customs duties for the products originating in Poland, except for some sensitive products. For these products customs duties were reduced to 70% of basic duty and will be abolished on January 1, 2001.

#### Agricultural Products

An integral part of the Central European Free Trade Agreement are also Protocols granting mutual agricultural concessions between the parties. The reductions of customs duties are related to the Most Favoured Nation duty rates applied at the time of actual importation.

In trade among the Republic of Slovenia and the Czech Republic and the Slovak Republic customs duties on imports on some agricultural goods were reduced by 50% percent on January 1, 1996 within the limits of tariff quotas. Customs duties on selected number of

agricultural goods were reduced on January 1, 1997 to 60% of the basic duty and will be further reduced to 50% on January 1, 1998. Rate of duty on import of beer was reduced to 15 % in the Czech Republic and the Slovak Republic and to 12% in the Republic of Slovenia on January 1, 1996.

In trade between the Republic of Slovenia and the Republic of Hungary customs duties on imports were reduced by 50% within the limits of quotas on January 1, 1996.

In trade between the Republic of Slovenia and the Republic of Poland customs duties on imports were reduced by 50% within the limits of quotas on January 1, 1996.

In the Accession Agreement the Republic of Slovenia obliged itself to replace by July 1, 1996 at the latest the Protocols on agricultural concessions with new ones which will be in accordance with the rules on liberalisation applied within the provision of the Central European Free Trade Agreement.

The Czech Republic, the Republic of Hungary, the Republic of Poland and the Slovak Republic signed the Additional Protocol No. 3 to the CEFTA (further trade liberalisation with agricultural products among them) on December 21, 1995. The Republic of Slovenia did not participate at the negotiations or signed these Additional Protocol No. 3 to the CEFTA.

The Republic of Slovenia is willing to replace the Protocols 11, 12 and 13 to the Agreement on Accession of the Republic of Slovenia to the CEFTA in accordance with the rules on liberalisation applied within the provisions of the CEFTA.

The negotiations on the new protocols are still in progress due to the different opinions what the rules on liberalisation mean. Slovenia is willing to accept the further liberalisation of trade in agricultural products in the form of list A (zero customs duty), list B (common customs duty) and list C and D (bilateral concessions) but the initial CEFTA countries request from Slovenia to take over the list A and B as they were agreed among them without the participation of Slovenia. Thus, the Republic of Slovenia is not ready to accept such lists of products as they were agreed without the Republic of Slovenia among the initial CEFTA countries in Additional Protocol No. 3 to the CEFTA and is asking for some exemptions which the initial CEFTA countries have not approved so far..

#### Rules of Origin

The rules of origin and co-operation in customs administrative were settled in Protocol 7 to the CEFTA. This Protocol 7 was replaced by new one with the Additional Protocol No. 4 to the CEFTA; signed on September 13, 1996 and it is provisionally applied from January 1, 1997. The new rules of origin are harmonised with the rules applied within the European Union. This protocol encompasses provisions on multilateral cumulation among the CEFTA countries and the Pan-European diagonal cumulation of origin. The Republic of Hungary and the Republic of Poland do not apply either the provisions of diagonal cumulation of origin (Article 4) or the provision of prohibition of drawback (Article 15).

## General Provisions

The parties to the Agreement will ensure that any state monopoly of commercial character is adjusted so that no discrimination regarding the conditions under which goods are procured and marketed exists between nationals by the end of the fifth year after the entry into force of the Agreement. Further more, they will progressively develop their respective regulations for public procurement by the end of the transitional period, except in relation between the Republic of Slovenia and the Czech Republic where the parties shall develop them by 31 December 1998 and between the Republic of Slovenia and the Slovak Republic where the parties developed the regulations by January 1, 1996. The parties will ensure the protection of intellectual property rights on a non-discriminatory basis by the end of the fifth year after the entry into force of the Agreement.

Customs duties on imports applicable in the Party introduced by structural adjustment measures concerning infant industries, or certain sectors undergoing restructuring or facing serious difficulties may not exceed 25% ad valorem and will maintain element of preference. The total value of imports of the products which are subject to these measures may not exceed 15% of total imports of industrial products during the last year for which statistics are available. These measures may be applied for a period not exceeding five years, unless longer duration is authorised by the Joint Committee. They shall cease to apply at the latest at the expiration of the transitional period.

The parties set up the Joint Committee, which supervises and administers the implementation of the Agreement. For the proper implementation the Joint Committee meets whenever necessary but at least once a year.