

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## ACCESSION OF HUNGARY

### Memorandum on Foreign Trade Régime

The Government of Hungary has submitted the following memorandum describing its foreign trade régime.

Contracting parties wishing to put forward questions in connexion with the memorandum are requested to submit them to the secretariat in writing by 20 February 1970. These questions will be assembled by the secretariat and transmitted to the Government of Hungary for reply. Questions and replies will then be distributed to serve as background documentation for the proceedings of the Working Party on the Accession of Hungary.

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MEMORANDUM ON FOREIGN TRADE REGIME

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## PART I

### General

#### 1. Hungary's economy before the Second World War

Before the Second World War, Hungary was a backward agricultural country. Agriculture - due to favourable natural conditions - played a decisive rôle in producing the national income. There was, however, some industrialization between the two wars, but it was one-sided and due to the country's shortage of raw materials, it was based on foreign import.

Here are the most important data characterizing Hungarian national economy between the two World Wars:

- average annual growth of the national income: 1.8 per cent;
- average annual growth of industrial production: 1.45 per cent.

The backwardness of Hungarian industry is further proved by the fact that 35 per cent of industrial production came from the small-scale industry and, that it was one-sided, is shown by the predominance of light industry (textile, garment and leather industry) and food industry. The development of heavy industry was also characterized by one-sidedness: mainly material-intensive products were manufactured such as plates, rolled goods, etc., while certain branches of machine industry, like machine tool industry, were insignificant. A further proof of this one-sidedness is evident if one considers that no more than 6 to 7 per cent of industrial production was exported.

The share of foreign trade turnover in the national income was 39.6 per cent in 1925 and 21.4 per cent in 1938.

The fact that agricultural articles had a decisive rôle in the commodity pattern of exports is due to historical reasons and natural conditions. Between 1920 and 1939, 72 per cent of total exports consisted of agricultural products.

As to the geographical pattern of foreign trade, the following facts were characteristic:

Hungary had highly intensive economic relations with the countries on the territory of the present European CMEA countries (except the Soviet Union). Between 1925 and 1938 an average 26 per cent of total Hungarian exports was directed to these countries, while 38.5 per cent of Hungarian imports came from the same partners. At present, export to European CMEA member countries (except the Soviet Union) is 30 per cent of the total and import from the same partners only 29 per cent.

The geographical situation and economic interdependence is the reason why these Middle and East European countries have had a constant big share in Hungary's foreign trade for the past fifty years. The country's liberation removed the political obstacles which were put up by the feudalistic, fascist system against trade with the Soviet Union, so that trade based on the aforementioned factors and in the spirit of equality, mutual assistance and friendship, has developed and this trade has averaged 30 per cent of the total in the past twenty years.

2. The rôle of foreign trade in Hungary's economy after the Second World War

After the liberation, from a backward agrarian country, Hungary has gradually become a moderately developed industrial country where agriculture has still an important rôle. Basic changes have taken place in the structure of national economy in the course of the past twenty-five years. In the production of Hungary's national income, industry has a share of 70 per cent today, and agriculture only 20 per cent, while the remaining 10 per cent is given by trade, transport and other national economy branches.

The rate of growth of the national income is about 5 to 7 per cent per year, as compared with the annual rate of growth of 1.8 per cent in the period between the two World Wars.

The most dynamic element of the growth of the national income is the industrial production showing a rate of increase of 9.2 per cent between 1950 and 1967. The constant increase of production necessitated the increase of import which is also illustrated by the fact that between 1950 and 1967, the average 1 per cent annual growth of the national income brought about an average increase of 1.84 per cent of import.

The great significance of foreign trade is shown by the fact that in 1958 the per capita foreign trade turnover was \$123.7 and in 1967 \$317.3.

This change is manifested in the commodity pattern of foreign trade as well. Almost 60 per cent of our export is made up of manufactures, while the share of agricultural products and foodstuffs is 20 per cent. As Hungary is poor in raw materials, she has to import the raw materials indispensable for industrial production. That is why 50 per cent of the total import is constituted by raw materials and energy sources. The proportion of machinery and equipment is approximately 30 per cent in total import.

Hungary covers her import first of all by her supplies of manufactures and agricultural products. Within the group of agricultural commodities the share of processed goods has increased.

The structural change that has taken place in the foreign trade turnover is illustrated by the following figures:

Pattern of Turnover Expressed in Percentage

	1950	1968
<u>Export</u>		
Machinery	23	36
Industrial consumer goods	20	25
Raw materials, semi-manufactures	18	18
Foods	39	21
	100	100
<u>Import</u>		
Machinery	22	31
Industrial consumer goods	1	6
Raw materials, semi-manufactures	73	56
Foods	4	7
	100	100

3. The general lines of Hungarian trade policy

The basic principle of Hungarian trade policy is equality, non-discrimination and respect for mutual advantages. The Hungarian Government is ready to establish trade relations with any country which applies the above principles in her trade with Hungary.

At present Hungary has regular trade relations with eighty-one contracting parties to the GATT. Relations are based partly on commercial treaties and partly on trade agreements.

The majority of the payment agreements with contracting parties to the GATT stipulate payment in free currencies. The trade agreements with GATT Member countries are of a bilateral character. As, however, there is no legal rule or regulation in Hungary which requires the bilateral arrangement of trade, Hungary is willing to advance toward multilaterality in order to promote trade, having respect for the principle of equality and mutual advantages.

In the period after World War II, a very close relationship with the socialist countries has come into being. The interdependence of these countries due to historical reasons has got a new content, because in all these countries the dynamic economic development, which started in the period of reconstruction, continued on the basis of socialist planning introduced and consistently applied by these countries. Socialist planning has made possible an unprecedented growth of the national income, the rapid transformation of production structure, the strengthening of traditional relations dating back to the preceding historical period, the great extension of mutual turnover and the large-scale development of lasting market relations.

In a period of the policy of embargo adopted against socialist countries, a very important element of the dynamic development of trade between the socialist countries has been that no discrimination of any kind is being applied by these countries.

The trade with socialist countries and within this, the close economic co-operation between the member countries of the Council for Mutual Economic Assistance - in addition to its economic advantages - secures a rapid, harmonious development of Hungarian economy, through the full observance of the principle of complete equality and sovereignty.

Economic relations with developing countries do not look back upon a long historical past. This trade can be characterized by the establishing of relations and by dynamism.

In her trade with developing countries, Hungary adheres to the relevant principles adopted by the United Nations Conference on Trade and Development and is willing to grant tariff preferences to developing countries under proper conditions and in due time.

Our economic relations with developed market economy countries are also characterized by evolution, though there are circumstances disturbing the lasting elements of our export, first of all as a result of the agricultural policy of the European Economic Community.

In her commercial policy, Hungary endeavours to expand her trade and economic relations with developed market economy countries and is willing - provided reciprocity - to adopt the provisions of the General Agreement.

#### 4. Hungary and the international economic organizations

Hungary, as a member of the United Nations Organization, takes part in the activity of the United Nations bodies concerned with economic matters, notably in the work of the Economic Commission for Europe, UNCTAD, FAO and UNIDO.

Hungary participates as a contracting party in the International Sugar Agreement. She is a member of the International Cotton Advisory Committee, the International Rubber Study Group and the International Lead and Zinc Study Group. Hungary has recently adhered to the International Tin Agreement as well.

Hungary is a member of the Brussels Customs Co-operation Council and is a party to many conventions elaborated under the auspices of the Council. As an observer Hungary participates also in the Nomenclature Committee and the Valuation Committee of the Customs Co-operation Council. (For further details see paragraph 1 of Annex 1.)

Hungary is a member of the Berne Convention for the Protection of Literary and Artistic Works, the Paris Convention for the Protection of Industrial Property, and other conventions.

In accordance with her economic and trade policy interests mentioned above, the Hungarian Government wishes to extend her relations with the international economic organizations.

## 5. Planning

As already mentioned, Hungary is a planned economy country. The economic policy of the State aims at ensuring a harmony between the national economy plan and the market. The new economic management system introduced on 1 January 1968 has changed the method of planning. This essentially means that the plan conceptions are realized by economic regulators and not by obligatory plan directives given to the enterprises.

The rôle of plans (long-term, medium-term and short-term) has changed in the new system of economic management. The long-term plan including the most important elements of the development targets has been given an ever increasing significance. These main targets concern the national income, the standard of living, the production and technological development programmes.

The five-year plan contains the medium-term economic policy conceptions of the Government, on the basis of calculations of a prognostic character. Furthermore, within the five-year planning belongs the elaboration of the economic regulators aiming at the promotion of the realization of the above-mentioned conceptions.

The annual economic plan is the economic action programme of the Government.

In the new system of economic management, the control and fulfilment of the plan significantly differs from previous practice. The national economic plan containing the main conceptions of the expected economic development is not broken down to the level of enterprises. The economic processes are observed and evaluated comprehensively and it is also checked how the rules and regulations are complied with. For instance, the tax authorities check the payment of income tax by the enterprises. The various organs watch how the price regulations of the Government are observed and how their effect is felt and they keep the Government permanently informed about this.



At present the fourth Five-Year Plan is being elaborated in Hungary. The main lines of the Plan envisage a considerable increase of the national income, a rather moderate growth of industrial production, but a more intensive structural and qualitative development of industry and an appropriate growth of foreign trade turnover.

The basic content of the whole economic policy conception is the technological development and structural changes which ensure a greater efficiency of the whole of national economy.

A great emphasis will be laid by the development plans, among others, on the following directions of development: in the field of energetics, the increase of the proportion of gas and oil; efficient utilization of Hungary's natural gas resources; rapid development of the petrochemical industry; large-scale development of computer production; intensive progress of the road vehicle industry; development of the production of up-to-date semi-manufactures of the aluminium industry.

## PART II

### The Organization of Foreign Trade

#### 1. Planned guidance of foreign trade

For maintaining relations with world economy it is necessary to make manifold analyses in planning and to study constantly the lasting tendencies. Foreign trade forecasts are made basically on two fields:

##### (a) Study of external market forces

Analysis of the trade, market conditions and price tendencies of the most important commodities. Survey of the position of the international money market and of the efforts of partner countries for developing their economies.

##### (b) Study of internal factors

Examination of the general requirements and main proportions of internal economic development; comparison of the internal requirements and possibilities with the external market factors.

Basic economic calculations are indispensable for the above analyses in the circumstances of the new economic management system as well. These calculations comprise the estimations for the most important commodities and prognoses made concerning the anticipated changes of the market and the probable movements of prices.

#### 2. Relation between internal and external prices

The relationship between internal and external prices is one of the most important features of the present Hungarian economic system. This can be attributed not only to the very high share of foreign trade in the national income but also to the economic policy which aims at utilizing the resources released as a result of the changeover from the extensive method of development to the intensive one. Accordingly the aim of economic policy is to guide the enterprises towards the competitive conditions of a normalized international trade. The connexion between internal and external prices is established by the following means:

- (a) foreign trade price multipliers;
- (b) tariff system;
- (c) turnover taxation system;
- (d) price policy.

Ad (a) Foreign trade price multipliers

Hungary has no convertible currency. An organic relationship ensuring growing automatism has been established between internal and external prices by means of the so-called price multipliers. The foreign trade is effected at price multipliers being uniform both for export and import. In establishing the price multipliers it was calculated - taking into consideration a longer period - what the average cost in terms of domestic currency (forint) is of the two main foreign currencies (dollar and rouble) at the given commodity structure of Hungarian foreign trade, and at the given commercial terms and prices.

The forint costs have been calculated at domestic production prices (manufacturing costs plus calculated income). In export, the return from sales was calculated in the case of rouble payment at contractual prices; in the case of dollar payment at the prices prevailing in the foreign trade transactions, taking into consideration the direct and indirect costs of foreign trade operations.

The means of management of the new economic mechanism have to comply with a double requirement: on the one hand, it is necessary to ensure that the means regulating the basic conditions of the work of enterprises should be relatively constant for several years. On the other hand, the system of means should make it possible to adapt oneself in a flexible way to the changing conditions. The price multiplier belongs to the regulators which can generally be applied for a longer period.

In the non-commercial traffic there is a "non-commercial" exchange rate used both in rouble and dollar payment. This rate has been established on the basis of the consumer purchasing power taking into consideration the increased importance of foreign tourist traffic. Nominally, the non-commercial exchange rate of the US\$ is identical with the official surcharged rate quoted by the National Bank of Hungary.

The different ways of accounting are due to the fact that whereas in the calculation of the price multiplier the average costs of production of export was taken as a basis, in establishing the non-commercial rate of exchange the consumer purchasing power was considered.

Ad (b) Tariff system

The import is subject to customs duty on the basis of the commercial customs tariff introduced on 1 January 1968. Hungary has an efficient tariff system; the customs duty is a factor of price calculation, i.e. it is actually paid. The price influencing effect of the duty is felt by the importer or end-user.

Taking into account the experiences gained during the first eighteen months of the operation of the customs tariffs, certain modifications proved to be necessary. In the course of the work to be commenced soon, the duties, or rather their effect, will be examined in the context of their function (protection of industry and

production, commercial policy, development). The possible amendments will be effected after a complex analysis of the effect of duties.

For further details see Annex 1.

#### Ad (c) System of turnover taxation

From the point of view of external economic relations, special attention should be paid to the turnover tax payable on the goods and services sold to the consumers. The turnover tax is to be paid when the goods or services are handed over for sale to the retail trade or to the consumers. The turnover tax is paid by the organization (generally wholesale or producing company) which sells the goods to the retailer. If the goods are imported by foreign trade companies acting on consignment basis for retailers or directly for the consumer, it is the foreign trade enterprise which pays the turnover tax.

The basis for the calculation of the percentage of turnover tax is the retail cost price which is identical with the wholesale selling price. The same rates of taxes are applied both for imported and domestic products, but the rate is of different magnitude for the individual products.

A special import turnover tax is applied for goods and countries where the tariff system cannot ensure the internal harmony between the price of the foreign goods and the prices of the Hungarian internal market. The import turnover tax is payable by the importing enterprise having the right to perform foreign trade activities and it is authorized to charge the end-user passing the order, with the import turnover tax.

#### Ad (d) Price policy

In the new economic management system the price mechanism is flexible which means that only a limited range of prices are fixed by the authorities.

In order to ensure a smooth transition, however, it was not possible to make every price free and at the same time it is also necessary to establish the relative stability of the consumer price level. Consequently, fixed or maximum prices are set by the authorities for a considerable proportion of basic consumer goods as well as for some basic materials. Almost all capital goods and component parts belong to the category of free prices.

In the course of its price regulating activity, the competent authority takes into consideration the market conditions both at home and abroad and on this basis it supervises regularly and, if necessary, modifies the prices regulated officially. At present the fixed prices set by the State authorities constitute approximately 30 per cent of all prices.

The price system ensures the close relationship between foreign and domestic prices. The price of imported goods is reflected in the internal price through the price multipliers and tariffs.

Thus the components of the domestic price of imported products are: the purchase price converted into domestic currency by means of the price multiplier; the customs duty; in the case of consumer goods the turnover tax; the marketing expenses and the income margin of the enterprises.

The income of enterprises producing for export depends on the external price which can be attained in the foreign market. The producing enterprises get the foreign exchange price of the exported product after having converted it into forint by means of the price multiplier.

### 3. Licensing system

The import and export is subject to licensing in Hungary. Foreign trade contracts with foreign physical or juridical persons can be concluded only after having obtained the export or import licence issued by the Ministry of Foreign Trade. Licences can be applied for by enterprises and organizations authorized to carry on foreign trade activity. There is no fixed time-limit for presenting applications or issuing licences.

The export licence permits the conclusion of the transaction and the delivery of the goods. The import licence entitles its holder to conclude the transaction, to buy the necessary foreign exchange according to the regulations of the foreign exchange and to import the goods. This means that anybody who has obtained an import licence and has the necessary amount of national currency at his disposal, can freely buy the required amount of foreign exchange from the National Bank of Hungary which is the central body of foreign exchange monopoly and the operative foreign exchange policy.

The export and import licences can be individual or general licences.

The individual licence gives the right to conclude and transact the business to which it refers. Individual licences are issued for the import and export of goods and for other foreign trade transactions which are not subject to general licensing.

The vast majority of Hungarian imports is transacted on the basis of global licences.

The global licence empowers to the conclusion and transaction, in any country, of the foreign trade contract referring to the goods or services specified in the licence.

The functions of the licensing system are as follows:

- (a) Control of the import and export activity. The licensing system is a means of checking that only the enterprises should pursue foreign trade activity which are authorized to do so.
- (b) Control and influencing of the fulfilment of Government obligations assumed on a reciprocal basis in the bilateral agreements.

(c) Safeguarding of the balance-of-payment situation in such a way that the import can continuously increase in proportion to the increase of export.

- Enterprises importing machinery from their own financial resources and from countries of a convertible currency should pay an import deposit.

The import deposit system is a temporary measure.

In 1968 the amount of import deposit was 150 per cent, in 1969 it was reduced to 100 per cent of the value of the imported machine. The enterprise can be released from the obligation to pay deposit in such a case when the import of the equipment in question increases the export capacity of the investing enterprise and if this export is directed to a market of convertible currency.

- The import from free currency areas of certain goods being essential for the national economy is provisionally regulated by the Government through quotas. Such goods are the consumer goods, certain agricultural products and certain raw materials.

#### 4. State subsidy

A so-called "State refund" is paid by the State to enterprises being in need of assistance for which the State wants to give a chance to ensure gradually an economic production suiting the conditions of the new economic management system. Thus for some enterprises which produce with a loss as compared to the international efficiency calculated by means of the price multiplier, the State refund makes it possible to continue their export activity under defined conditions.

Introduced as a temporary measure, the refund is given to the enterprises for a fixed time and regressively in relation to the growth of turnover.

The State refund is not given to export products, but to enterprises, taking into consideration the activity as a whole of the enterprise. The fact that the refund can be obtained for enterprises and not for products, induces the enterprises to develop as economical structure of products as possible. The necessity of refunds is due to the average features of the price multipliers.

#### 5. Other questions

##### (a) Investment system

The Government, or the economic management body authorized by it, have the right of decision on large-scale investments. To this category belong, in the sphere of production, the establishment of new enterprises and big plants, the great expansion and complete reconstruction of big enterprises of a national significance and, in the non-producing sphere, the big individual investments.

The elaboration of investment suggestions is the duty of the ministry (or local administrative bodies) concerned. The National Planning Office and the ministries interested should be invited to participate in giving an opinion on the suggestion.

For a further part of investments, the Government decision sets the direction of development, the purpose and framework of development, while the detailed investment decision is made by the appointed administrative body. To this category belong investments such as the development of energy supply and in general, of the network of electric lines of the country, road construction, major development of the sewage system, and the greatest part of sanitary and educational investments.

An important rôle has been given to investments financed from bank loans. The medium-term (five-year) plans contain directives for the development of branches and envisage relatively wide limits for the distribution among branches of the investment credits. Within these limits the bank decides on the credit applications according to the potential rentability of the investment. It is up to the enterprises to decide whether they make use of the investment credit at the conditions of repayment and interest stipulated by the bank and, if so, for what purpose.

Under the circumstances of the new economic management system the enterprises have much greater possibilities to develop their own funds which can be used for investment purposes. The enterprises are free to decide upon the utilization of these funds.

#### (b) State preferences

Certain economic policy objectives affecting production and consumption can make it necessary that the price relations should be deviated, during a certain period, from the relations which would normally develop as a result of production costs and market conditions.

The price deviations connected with State preferences affect mainly the following fields:

- Deviation of the consumer price of certain consumer goods and services from the actual cost relations, for reasons of living standard considerations, public health, cultural and income policy.
- State support given to certain production branches for the promotion of development objectives decided upon centrally.

#### (c) Credit policy

The banking system grants credits on the basis of the credit policy approved by the Government which forms an integral part of the national economy plan.

The credit policy directives of the Government being valid at present prescribe a selective credit policy for the banking institutions which facilitates:

- the further development of the economic reform;
- the strengthening of the balance position of national economy and
- the fulfilment of economic policy objectives.

The directives of the credit policy comprise the principles of granting credits and of the credit resources concerning:

- long-term and medium-term investment credits;
- medium-term and short-term credits for production, servicing and marketing.

The banks practise an active credit policy. They put credits at the disposal of enterprises within the framework of credit policy directives and the credits bear an interest. Loans or other credits cannot be granted by enterprises and the enterprises can use only the loans and other credits given by the banks. The credit is granted by the bank on the basis of a contract. When the bank considers the demands for credit, it investigates the credit standing of the soliciting enterprise, but it does so as creditor and not in the capacity of a State supervisor.

Special preference is given by the credit system to the development of foreign trade. In general, the enterprises cannot avail themselves of short-term foreign commodity credits. The enterprises have to apply for the special permission of the banks to be able to enter into credit discussions concerning buying capital goods from abroad on medium-term or long-term credit conditions. This system ensures the co-ordination of the activity of raising foreign credits.

(d) Co-operation with foreign firms

It is the intention of the Hungarian Government to establish production co-operation in the country and abroad in the widest possible forms. The possibility for production co-operation with foreign firms is given. In recent years more than fifty industrial and production co-operation contracts have been concluded with foreign firms of GATT countries. The Hungarian Government regards the industrial co-operations established with foreign firms as an efficient means of technological development and of participating in the international division of labour and encourages co-operation by appropriate economic means.

In each case the forms of international production co-operation are created on the basis of the co-operation contract concluded between the two partner companies. The necessary licences are given within the framework of the general export and import licensing system.



The system of credit preferences serves to encourage industrial and production co-operation. Moreover, on the basis of reciprocity, the Hungarian Government is willing to grant tariff facilities or drawback for the import transacted within the production co-operation contracts. On the basis of mutual agreement the Hungarian imports connected with industrial and production co-operation supplies can be permitted over and above the quotas fixed in the bilateral agreements.

(e) Balance of payment

In her economic policy Hungary endeavours to keep in equilibrium the balance of payments during the medium-term (five-year) plan periods. Hungary does not participate in the international monetary and financial mechanisms aiming at overbridging the financial balance conditions. Due to different factors (relatively developed industry, comparatively restricted internal market and shortage in raw materials), the Hungarian national economy is greatly dependent on the international division of labour. That is why the economic regulators should be determined in such a way as to ensure the equilibrium of the balance of payments also when the market mechanism is more effectively utilized and the quantitative restrictions are gradually eliminated.

### PART III

#### Legal Set-up

#### 1. Organizational structure of economic ministries and national authorities

Under the new economic management system the independence of enterprises has greatly increased. Consequently, the instruments and methods of management have also changed and the ministries controlling the different branches of economy have modified tasks and authorities.

The national economy has the following branches: heavy industry; light industry; transport and communication; housing and public construction; agriculture and food industry, forestry and basic wood industry; home trade and foreign trade.

The ministries controlling the individual branches of economy enforce the specific points of view of their branch when the decisions of the Government are made. They are responsible for implementing in their own field the economic policy of the Government and for reporting the development of their branch to the Government.

The Ministry of Foreign Trade:

- takes part in elaborating the foreign trade aspects of the national economy plans and in preparing and passing decisions concerning the general economic regulators designed for the implementation of foreign trade policy;
- implements the foreign trade policy in harmony with the overall economic policy of the Government; it elaborates and enforces, together with the Ministry of Finance, the special economic regulators serving the foreign trade policy;
- prepares and concludes inter-governmental arrangements on trade; participates in the conclusion of other inter-governmental arrangements affecting foreign trade; represents the country's interests in the international economic organizations;
- takes care of the uniform, co-ordinated control of the foreign trade branch; safeguards the foreign trade State monopoly.

Ministries and bodies performing functions that affect not only a single economic branch, but the whole national economy are: the National Planning Office, the National Board of Materials and Prices and the Ministry of Finance.

The National Planning Office, in the long-term and medium-term projections, prepares the possible alternatives to the economic development conceptions for the Government's economic policy. When the economic policy directives are accepted,

it elaborates the co-ordinated suggestions for the national economy plan. In the course of the planning process it co-ordinates the working out of the system of economic regulators which ensure the fulfilment of objectives.

The National Board of Materials and Prices is responsible for elaborating - in the system determined by the Government - the suggestions and directives of the price policy; it develops the system and methods of the official price regulation and controls in a relatively narrow sphere the allocation of materials.

The Ministry of Finance is concerned with the elaboration of directives and measures with regard to matters of financial policy.

## 2. Legal status of enterprises

In Hungary the production, distribution, transportation and other services are carried out, for the most part, by State or co-operative enterprises. These enterprises are autonomous legal persons, independent of each other and of the State, with their own, separate assets and civil responsibilities to the extent of their assets.

The enterprises can associate to set up share companies or limited liability companies, or can enter into a partnership for one or more particular venture. If the Hungarian State sets up a new enterprise, it gives a certain amount of capital for starting its operation. Afterwards the enterprise uses this amount as it thinks it best. According to considerations of income and other economic interests, it decides of its own what to produce, whether to procure what it needs from a domestic source or from abroad; to market its product on the internal or external market. There are no prescriptions for its obligations (taxation, etc.) other than the laws and regulations in force.

When making economic decisions, the enterprises aim at ensuring a maximum of the volume of income for a longer period. The enterprises and their employees are interested in increasing the total volume of benefits.

## 3. Enterprises dealing with foreign trade

Under the present system of Hungarian economic management the foreign trade State monopoly means that the foreign trade activity can be pursued only by enterprises authorized to carry on foreign trade by the Ministry of Foreign Trade.

A considerable part of foreign trade activity is performed by State enterprises which have been established with the sole purpose of pursuing foreign trade activity. The number of these specialized foreign trade enterprises being now in operation is thirty-one. The basis of their operation is the interestedness in commercial benefits.

In addition to this, there is an ever increasing number of producing and commercial enterprises performing independent foreign trade activities. At present sixty-five such enterprises are in operation. They build up their foreign trade organization according to their own economic and commercial interests.

In other cases it is not worthwhile for an enterprise to build up an independent foreign trade organization of its own. Thus three or four such enterprises join to form a foreign trade enterprise working under their control as a share company. The enterprises transact their foreign trade through the foreign trade company controlled by them. At present there are three Hungarian share companies of such a nature.

In Hungary the foreign firms can be represented by agencies established for this special purpose operating in the form of share companies or limited liability companies. The agencies carry out the commercial instructions of their consigners and charge a commission for their services. The agencies are not specialized; the foreign firm can select any of them and, in case it is not satisfied with the agent's work, it can entrust another one. At present there are nine such agencies in Hungary.

If an enterprise, institute, factory, etc. having no foreign trade rights wishes to transact some import or export business - the nature of which makes advisable a direct transaction, without the intermediation of an enterprise authorized to foreign trade - it is possible for such an enterprise, institute, factory, etc. to solicit and obtain the necessary specific permission in each case separately.

#### 4. Different forms of foreign trade activities

Foreign trade enterprises, enterprises granted foreign trade rights as well as domestic producing and end-user enterprises are free to choose the type of contract they wish to conclude with one another in connexion with the foreign trade activity. It is entirely up to the partners to determine the contents of the contract.

Within the framework stated in legal rules, the producing (commercial) enterprises having no foreign trade rights can choose, without prejudice to external market interests, from among two or more enterprises performing foreign trade functions to transact either export or import deals.

#### Partnership contracts

The partners agree to co-operate in production and internal trade activity on the one hand, and in foreign trade marketing or procuring on the other hand, or in any of these activities, and they share in the result achieved. The contract does not affect the independence of the partners.

Contracts on commission basis

The domestic consigner commissions the foreign trade enterprise to conclude the foreign trade contract, against commission, in its own name, according to the terms and conditions included in the commission. On the other hand, the consignee undertakes to proceed for the conclusion of the foreign trade contract with the due care of a specialized foreign trade enterprise. (See Annex 2.) In 1968 approximately 70 per cent of total import turnover was transacted on the basis of commission contracts.

The legal rules provide the possibility for specialized foreign trade enterprises to transact an export or import business for own account. In this case the enterprise buys the goods in the domestic market or imports them or sells the goods in the domestic market or exports them in accordance with its own commercial interests.

ANNEX 1

Customs Tariff System

1. Legal rules in force referring to customs duties and customs procedures

Law-Decree No. 2 of 1966 on the regulation of customs law.

- 9/1966 (5 February) Government Decree on the Customs and Finance Guard, and on the execution of the Law-Decree No. 2 on the regulation of customs law.
- 48/1967 (19 November) Government Decree on the Commercial Customs Tariff.
- 3/1968 (2 July) Joint Decree of the Minister of Foreign Trade and the 12/1968 Minister of Finance and 21 December 1968, Joint Decree of the Minister of Foreign Trade and the Minister of Finance on the amendment of the text of some sub-headings and some tariff rates fixed in Columns II and III of the Commercial Customs Tariff.
- 4/1967 (23 December) Joint Decree of the Minister of Finance and the Minister of Foreign Trade on establishing the detailed rules of customs law and on the regulation of the customs procedure, amended by:
- 23/1969 (15 July) Joint Decree of the Minister of Finance and the Minister of Foreign Trade and
- 27/1969 (17 August) Joint Decree of the Minister of Finance and the Minister of Foreign Trade.

The enacting clause of the above Decree has been issued by the Ministry of Foreign Trade under No. 16/1969 (KKE 23) on 22 November 1969.

- 4/1967 (23 December) Decree of the Minister of Foreign Trade stating those countries for the goods of which the tariff rates of Column II of the Commercial Customs Tariff should be applied.

Supplementary decrees:

extension of the application of Column II to Lichtenstein by Decree 1/1968 (5 May) of the Minister of Foreign Trade;  
to Malaysia by Decree No. 8/1968 (14 December) of the Minister of Foreign Trade and  
to Peru by Decree No. 1/1969 (15 January) of the Minister of Foreign Trade.

- 9/1968 (21 December) Joint Decree of the Minister of Foreign Trade and the Minister of Finance fixing the customs surcharge.
- 11/1968 (21 December) Joint Decree of the Minister of Foreign Trade and the Minister of Finance on the establishment of customs quotas, and fixing the goods which can be imported in the frame of the duty concession (permit-slip) procedure and on the temporary suspension of certain rates of the Commercial Customs Tariff.

This legal rule has been amended by:

- 6/1969 (29 June) Joint Decree of the Minister of Foreign Trade and the Minister of Finance;
- 25/1968 (19 September) Decree of the Minister of Finance on the procedures referring to offences against financial, customs and foreign exchange regulations.

Hungary has acceded to the following international conventions concerning customs matters:

- Customs convention of 8 June 1961 - declared by the Law-Decree No. 8 of 1963 - on the concessions permitted with regard to the entry of goods to be displayed or used on exhibitions, fairs, congresses or similar occasions, as well as to the temporary admission of working tools.
- Customs convention concluded on 6 December 1961 in Brussels on the ATA carnet for the temporary admission of goods. Customs convention concluded in Brussels on 1 March 1956 and amended on 15 June 1960 on the recommendation of the Customs Co-operation Council, declared by Law-Decree No. 5 of 1966, on the ECS carnets for commercial samples.
- Customs convention concluded on 15 December 1950 in Brussels and declared by the Law-Decree No. 2 of 1969 on the establishment of the Customs Co-operation Council.
- Customs convention concluded on 18 May 1956 in Geneva and declared by the Law-Decree No. 30 of 1957 on the temporary importation of commercial road vehicles and the temporary importation of containers as well as of vessels and motor vehicles for personal use.
- Customs convention concluded on 15 January 1959 in Geneva and declared by the Law-Decree No. 6 of 1962 on the international transportation of goods with TIR carnet.
- Convention signed in New York on 4 June 1954 on customs facilities for the tourist traffic, as well as the additional Protocols declared by the Law-Decree No. 2 of 1964.

- Convention concluded in Berlin on 5 July 1962 on co-operation and mutual assistance in customs matters, declared by the Law-Decree No. 12 of 1963.
- European convention concluded on 9 December 1960 in Geneva on the customs clearance of way-bills used in international transportation, declared by the Law-Decree No. 23 of 1963.
- Convention of 22 November 1928 and its amendment in the Protocol signed on 10 May 1948 on international exhibitions, declared by the Law-Decree No. 11 of 1961.
- Agreement on the transit trade of land-locked States signed on 8 July 1965 in New York, declared by the Law-Decree No. 10 of 1969.

## 2. The Hungarian Commercial Customs Tariff

The tariff rates of the Commercial Customs Tariff are applied at the customs clearance for home use of dutiable goods imported by foreign trade.

The dutiable goods are regarded as imported by foreign trade if they are imported on the basis of a valid foreign trade contract by a foreign trade enterprise or other company or co-operative authorized to carry on foreign trade activity.

The Government Decree No. 48/1967 (19 November) provides for the Commercial Customs Tariff.

The Commercial Customs Tariff is applied first of all for the following purposes:

- (1) as a trade policy means, for the granting of reciprocal customs concessions bilaterally or multilaterally;
- (2) as an economic regulator, to regulate the quantity and commodity pattern of import;
- (3) as an instrument of protection of domestic production;
- (4) as a means of granting preferences to developing countries.

The Commercial Customs Tariff does not include contractual tariff rates. If, however, a valid inter-State agreement establishes a more favourable rate for some commodity than the rate fixed in Column II of the Commercial Customs Tariff, this more favourable rate should be applied for goods originating from the countries participating in the said agreement as well as from countries enjoying most-favoured-nation treatment, at the clearance of such goods for home use.



The Government Decree authorizes the Minister of Foreign Trade and the Minister of Finance to pass decrees in agreement with the President of the National Board of Materials and Prices for the application of the Commercial Customs Tariff.

This authorization may comprise:

- (a) the fixing of customs quotas;
- (b) the fixing of goods that can be imported within the frame of the duty-concession (permit slip) procedure and of the tariff rates which can be applied;
- (c) increase, decrease or temporary suspension, for a determined period, of the application of the tariff rates fixed in Column I, II and III of the Commercial Customs Tariff or the tariff rates referring to different commodities;
- (d) modification, for a determined period, of the text of the sub-headings of the Customs Tariff as well as of the rates belonging to these sub-headings.

The Minister of Foreign Trade is also authorized to determine by decree, in agreement with the Minister of Finance, those countries to which most-favoured-nation treatment will be accorded and those countries to which the Hungarian People's Republic wishes to apply preferential customs treatment.

Finally, the Minister of Finance has been authorized to pass decrees, if necessary, in agreement with the President of the National Board of Materials and Prices and with the Minister of Foreign Trade, on the fixing of customs turnover tax.

On the basis of this Government Decree, a Customs Tariff Commission has been set up, whose task is to examine various questions relating to the Commercial Customs Tariff, such as:

- amendment of the Commercial Customs Tariff,
- regulation by means of inter-State agreements of the measures concerning the Commercial Customs Tariff,
- co-ordination of the ministerial decrees to be passed according to the authorization of the Government Decree,
- examination of matters in which the Ministry of Finance, the Ministry of Foreign Trade or the National Board of Materials and Prices consult the Customs Tariff Commission.

The Customs Tariff Commission is a consultative body, its members are: the deputy of the Foreign Trade Minister appointed as chairman of the Customs Tariff Commission, the representatives designated by the Minister of Finance, the Minister of Foreign Affairs, the President of the National Planning Office, as well as the ministers concerned in the particular matter and by the leaders of national authorities interested.

The Commercial Customs Tariff is based on the Brussels Nomenclature, although the Hungarian People's Republic has not yet adhered to the Nomenclature Convention of the Customs Co-operation Council. The Commercial Customs Tariff includes about 3,000 tariff rates.

The Commercial Customs Tariff consists of three columns marked I, II and III.

- (a) The tariff rates of Column I will be applied for the clearance for home use of dutiable goods originating from countries enjoying preferential customs treatment in Hungary. The tariff rates belonging to this column have not yet been fixed.
- (b) The tariff rates of Column II are applied for the clearance for home use of dutiable goods originating from countries to which Hungary grants most-favoured-nation treatment. At present more than 90 per cent of total Hungarian import is transacted with countries belonging to this category.
- (c) The tariff rates of Column III should be applied for the clearance for home use of dutiable goods originating from those countries where neither the preferential nor the most-favoured-nation treatment can be applied. To this category belong the countries which do not grant most-favoured-nation treatment to Hungarian export goods with regard to customs duties.

The average level of tariff rates of Column II of the Commercial Customs Tariff is approximately 30 per cent. The rate fixed for raw materials ranges between 0-5 per cent, for semi-manufactures between 5-20 per cent, for manufactures and consumer goods between 40-50 per cent.

The average level of tariff rates of Column III is approximately twice as high as the level of Column II. As an official publication, the Explanatory Notes to the Commercial Customs Tariff were published together with the Customs Tariff itself; this is the Hungarian translation of the Explanatory Notes to the Brussels Tariff Nomenclature, so that it does not contain the explanatory notes to sub-headings of the Hungarian customs tariff. Arrangements are being made for the publishing of the explanatory notes to the sub-headings as well.

### 3. Application of the Customs Tariff

In accordance with the Government Decree No. 48/1967 (19 November), from 1 January 1968, the customs duty for dutiable goods imported through foreign trade to the Hungarian People's Republic should be paid according to the tariff rate fixed in the Commercial Customs Tariff. The Joint Decree No. 4/1967 (23 December) of the Minister of Finance and the Minister of Foreign Trade provides that the customs duty should be settled as the budget income of the Ministry of Finance. The customs duty imposed on goods imported through foreign trade should be paid by the importing foreign trade enterprise which, in turn, can charge it together with other expenses incurred with the clearance, to the domestic company passing the order. The foreign trade enterprise importing the goods has to present a customs declaration to the customs office where the goods are cleared. Among other details, the customs declaration should contain the value of the dutiable goods and its origin. The value for customs purposes is the total amount of all costs to be borne in connexion with the goods up to the Hungarian border. The value for customs purposes should be certified by a customs invoice. The customs authorities do not check in each case the customs value indicated in the customs invoice. (As has been mentioned in Part I, paragraph 4, of the Memorandum, Hungary is not a contracting party to the Convention on the Valuation of Goods for Customs Purposes of the Customs Co-operation Council.) The amount indicated in foreign exchange as customs value is converted into national currency at the customs rate of exchange of the foreign currency.

The tariff rates have been fixed in relation to the internal prices. Due to temporary difficulties, a certain number of tariff rates have been waived by way of decrees (for 1968 by the Joint Decree No. 5/1967 (23 December) of the Minister of Foreign Trade and the Minister of Finance, and for 1969 by the Joint Decree No. 11/1968 (21 December) of the Minister of Foreign Trade and the Minister of Finance).

The waivers can take place in the following forms:

#### (a) Customs quotas

Customs quotas were fixed in those cases when the waiver of tariff rates was considered desirable for the import of a certain quantity or a certain value of goods. In 1968 the number of customs quotas was fifty-six, in 1969 it was thirty-nine.

If there is no rate given for a tariff number regulated by the separate decree, this means a total exemption from duty up to the fixed value or quantity. If a tariff rate is indicated with the tariff number, then the duty is assessed on the basis of the tariff rate given separately, and not according to the rate fixed in the Commercial Customs Tariff.

The customs facility available under the customs quota can be claimed by the enterprises according to the following procedure:

The enterprise has to present its valid import licence to the National Customs Administration where the utilization of the customs quotas is registered. Here a register number is written on the import licences, and on the basis of this the foreign trade enterprise can give the customs declaration. Thus the customs quotas are not allocated to the foreign trade enterprises, they are available to them "in the order of arrival".

(b) Duty-concession (permit-slip) procedure

Goods belonging to customs tariff numbers determined in the separate decree can be cleared in the duty-concession (permit-slip) procedure. This kind of duty procedure is, however, available only for goods to be used for special purposes (for instance BTN No. 19.05 baby-food) or for specified users (e.g. BTN No. 84.12 for the Ministry of Health). In 1968 there were 149 cases of this procedure and in 1969 there were 56 cases. If a tariff rate is indicated with the tariff number, the concession can be given only at this rate. If there is no rate indicated with the tariff number, a total exemption of duty is granted. If the duty concession procedure is authorised according to the separate decree, the tariff number is marked with an asterisk. The commodities belonging to tariff numbers marked with an asterisk can be cleared according to this procedure only on the joint permission of the Ministries of Foreign Trade and Finance respectively. The permissions of these ministries are granted taking into consideration the circumstances of internal production, internal prices and balance-of-payment situation.

The enterprises can apply for the duty concession procedure under the following conditions. They have to present their application to the National Customs Administration (in case of tariff numbers marked with an asterisk, the application should be presented to the Ministry of Foreign Trade) and in this application they ask for clearance of a determined quantity of goods according to the duty concession procedure. On the basis of this application the National Customs Administration issues a so-called permit-slip, which authorizes the enterprise to ask for clearance in this procedure at the competent customs office.

(c) Suspension of tariff rates

Tariff rates belonging to tariff numbers determined in the separate decree have been suspended for a given period. In 1968 the number of suspended rates was 335, and in 1969 it was forty-three. If a tariff rate is indicated with the tariff number, it means that the suspension should be understood only up to the amount of the tariff rate. If there is no tariff rate with the tariff number, it means a complete suspension of the rate fixed in the Commercial Customs Tariff.

The enterprises need not apply separately for the customs facility involved in the suspension, it is sufficient to indicate the number of the respective decree in the corresponding customs declarations.

The above possibilities of waivers of certain tariff rates are usual in almost all countries having an efficient customs tariff system. The waivers apply to any goods imported from any country enjoying most-favoured-nation treatment, and therefore they do not have a discriminative nature.

4. Effect of customs tariffs on Hungarian national economy

As already mentioned in Part II, paragraph 2(b) of the Memorandum, the Hungarian tariff system - in the procedures described in the following, fifth part - imposes the duties fixed in the Commercial Customs Tariff and collects them from the importer, in this way the customs duties influence the decisions of the importer, i.e. the consumer through the prices and the income.

The tariff system can have this effect only if other economic factors make it possible. The most important economic factors in this respect are:

- There should be no administrative measure to restrict the freedom of decision of the importer or end-user. There are exceptions, of course, such as the descriptions of public health, plant protection, etc. applied in a non-discriminative way, and the licensing regulations maintained for balance-of-payment reasons, the necessity of which is internationally recognized.
- The freedom of decision of the importer (end-user) should not be limited by foreign exchange allocations.
- The price formation should be free.

The new system of economic management in Hungary, with the introduction of these economic factors, has made it possible to a significant extent that the effect of tariffs should be felt. The reform secures an almost complete freedom for enterprises to make economic decisions.

As far as the special factors enumerated above are concerned:

- As pointed out in paragraph 3 of Part II of the Memorandum, the Hungarian licensing system covers all imports and its operation is not discriminatory.
- As mentioned in the Memorandum, it is not necessary to apply for a separate foreign exchange allocation, because anybody who had obtained the import licence and has the necessary amount in national currency at his disposal, can freely buy the required foreign exchange.
- As explained in paragraph 2(d) of Part II of the Memorandum, the internal price of imported goods is a free price in a sufficiently wide sphere to make it possible that in general the customs duty should definitely influence the formation of prices.

- There is no administrative regulation to limit the income of enterprises, but the income is subject to income taxation.

A certain flexibility of the operation of the customs tariff is ensured by Article 7 of the order of the Minister of Foreign Trade No. 31/1967/KKE 1/1968. According to the provisions of this order, the legal person who is liable to pay duty is entitled to submit an application for exemption from duty, duty concession, reduction of duty or duty reimbursement with regard to goods imported in foreign trade. The request should be submitted to the Customs Policy Department of the Ministry of Foreign Trade which hands it over for a concurrent consideration to the Ministry of Finance. Concessions for individual requests of enterprises can be given in such cases when the request of enterprises is based on a co-operation contract which ensures the possibility of Hungarian export at reciprocally advantageous tariff rates; or, in exceptional cases, when the financial and foreign trade authorities state that essential export interests are threatened which cannot otherwise be avoided; or the authorities find that circumstances causing the impossibility of performance of the enterprise have arisen which justify the exceptional treatment. The request is subject to fees fixed by the Minister of Finance.

The introduction of the new customs tariff system took place at the same time of adopting the regulators of the new economic policy. Simultaneously with the launching of the new economic management system, it would not have been favourable to allow bigger concentrated price movements. Recognizing this, in 1968 the effect of 578 tariff items was wholly or partly waived, in accordance with the provisions of the legal rules. The temporary nature of this measure is illustrated by the fact that in 1969 the number of waived tariff items was reduced to 141.

## 5. Description of customs procedures

### Customs organization

The control of the movement of goods across the national borders of the Hungarian People's Republic and the customs service are carried out by the members of the National Customs and Finance Guard.

The supervising authority of the Customs and Finance Guard is the Ministry of Finance.

According to its organizational set-up, the sphere of competence of the organizations of the National Customs and Finance Guard is divided as follows:

- (a) At the lower level of the organization are the customs offices, the frontier customs posts and the units of customs and finance guards. Their competence covers the control of the movement of goods across the border, the control of dutiable goods, imposing and collecting of duties and other taxes to be collected together with customs duties, forming judgment on the breach of customs and foreign exchange regulations.

- (b) The medium level organs are the county offices of the customs organization which act as an authority of the first instance in customs matters falling within their competence according to the provisions of customs law. They pass judgments as an authority of the second instance on the appeals lodged against the judgment of the organs of the lower level.
- (c) The high level organ is the National Headquarters of Customs and Finance Guard which acts as an authority of the first instance in customs matters falling within its competence according to the provisions of customs law. It passes judgment as an authority of the second instance on the appeals lodged against the judgment of the county offices. It supervises the measures of the organs of the lower and medium level, examines complaints in connexion with these measures and controls other matters relegated to its competence by the provision of law.

#### Dutiable goods

The Hungarian customs law provides that the goods imported from abroad should be considered as dutiable goods as long as they are not cleared for home use. The dutiable goods are subject to lien up to the amount of the duty. The customs office can exercise a lien by withholding the dutiable goods and can pay off the duty by selling the dutiable goods.

The debts owed for the duty of dutiable goods not kept under the direct control of the customs office should be secured by a deposit. The customs deposit can be given in the form of cash or surety.

#### Customs territory, duty-free territory, bonded warehouse

The customs territory is identical with the territory of State of the Hungarian People's Republic, except for the duty-free territory.

The duty-free territory is a territory separated from the customs territory and to this territory the goods can be admitted without the obligation to pay duty. The marked duty-free territory comprises the bonded warehouses established in this territory, as well as its facilities. This territory and the movement of goods effected in it are under customs control. Any operation with the goods placed in bonded warehouses can be carried out without separate permission and without the control of the customs office.

#### Obligation concerning the presentation and declaration of goods at the border

Goods imported or exported and vehicles entering into or leaving the country across the State borders should be presented to the customs office for inspection. The presentation should be made by the forwarding company or by the person that carries the goods or vehicle across the border. When the forwarding company presents the goods transported by it, it has to give a general customs declaration in writing to the customs office.

### Customs inspection

The entering or leaving vehicle and the imported or exported merchandise are subject to customs inspection. The customs inspection consists of check inspection and goods survey.

The check inspection is effected only at the frontier customs office when the goods or vehicles enter or leave the country.

The goods survey consists of internal and external survey which can be effected both by the frontier and by the regional customs offices.

The survey of dutiable goods can be carried out also at the frontier customs offices, provided that the necessary conditions are secured and this does not hinder the movement of goods. Otherwise the dutiable goods should be forwarded to the regional customs office for clearance.

### Customs declaration

The customs clearance of all goods imported from or exported to abroad should be requested by presenting a written customs declaration.

Customs declaration for import should be given:

- by those who take along with them the dutiable goods;
- as long as the way-bill is not delivered, by the forwarding company;
- after delivery of the way-bill, by the consignee of the dutiable goods, or the person who holds the deed of conveyance;
- in case of dutiable goods imported in foreign trade, by the foreign trade enterprise or the company authorized to carry on foreign trade, or by its agent; or, if the goods are not stored in warehouse, by the consignee of the goods.

Customs declaration for export should be given:

- by the person who takes along the goods;
- if the goods are handed over for transportation, by the consignor of the goods.

A transit customs declaration should be given by the person (company) that takes along or forwards the dutiable goods.

### Customs procedures

The Hungarian customs law practises the following customs procedures:

- (a) forwarding of goods;
- (b) storing;
- (c) customs clearance for home use;
- (d) duty-concession (permit-slip) procedure;
- (e) procedure in temporary admission;
- (f) control of exportation;
- (g) temporary exportation.



Ad (a) Forwarding of goods

Goods which cannot be cleared at the customs office where the goods are registered or goods for which the declaring person asks for clearance by the acting customs office, should be forwarded to that acting customs office; goods being in transit or to be exported should be forwarded to the frontier customs office of departure. The forwarding of goods has to be requested by the written customs declaration presented to the customs office where the goods are registered. The identification of goods forwarded and the establishment of the debt of duty which may arise are carried out by the customs office.

In general the customs office which forwards the goods effects only external survey of the goods. An internal survey takes place only if it is necessary for determining the amount of the customs deposit or if it is requested by the person giving the customs declaration. The acting customs office hands over the goods to the forwarder. The forwarder or the consignee of the goods is obliged to present the goods within the time prescribed for presentation to the customs office designated to arrange clearance. Failure to present the goods or delayed presentation constitute a breach of the customs regulations.

Ad (b) Storing

Dutiable goods not intended to be cleared directly for home use after importation can be stored in warehouses. Warehousing of dutiable goods can be effected in customs warehouses, in petty warehouses of customs offices, in the wharfs and warehouses of forwarding companies, in customs warehouses of companies set up on the basis of the prior permission of the customs administration and in consignment warehouses.

Concerning dutiable goods which, due to their nature, cannot be placed in customs warehouses or the storing of which would be complicated in customs warehouses, the customs law provides that the goods can be stored in the place to be designated by the owner of the goods on condition that proper security is provided.

Warehousing can be requested by a written customs declaration designed for this purpose to be presented to the customs office which controls the warehouse. No separate customs declaration should be presented when storing in the wharfs and warehouses of forwarding companies is requested.

Except when the goods are stored in the wharfs and warehouses of forwarding companies, the acting customs office makes an internal survey of the goods in each case. Goods are placed in warehouses or wharfs of forwarding companies on the basis of an external survey of goods.

A register should be kept on dutiable goods placed in consignment warehouses being not controlled directly by the customs office. These goods can be used without special permission. Each month a customs declaration should be given on the goods used and the duty should be paid for them.

When clearance of goods after warehousing is effected, the nature of the dutiable goods (type, variety, quality, condition) as well as the value and quantity should be taken into consideration which exist at the time of clearance.

After expiration of the warehousing period, the customs organization can sell the stored dutiable goods.

Ad (c) Customs clearance for home use

If the importer intends to dispose of dutiable goods freely from the customs point of view, the goods should be cleared for home use. This procedure consists of customs inspection, determination of the obligation to any duty, imposing of duty and collection of duty.

Clearance should be requested by presenting a written customs declaration. The organ applying for clearance should indicate in the declaration not only the particulars of the goods but also the dutiable value as well as any other circumstance which influences the imposition of duty. The clearance can be requested when the goods enter the customs territory at the frontier or inside the country. Customs clearance of goods for home use can be effected at the frontier in those cases when it is possible to survey the goods at the frontier easily and satisfactorily. Such cases are: unpacked goods and "mass" goods transported in bulk. Clearance of these goods involves in each case a detailed internal survey of goods by the customs office.

Under the provisions of the customs law, the duty should be paid by the legal person:

- (a) who asks for the clearance of the dutiable goods for home use (or requests it through his representative);
- (b) who puts the dutiable goods on the home market illegally or who takes part in illegal marketing;
- (c) who procures dutiable goods concerning which he is aware or, if using due care, should have been aware that a duty is imposed on it.

All the legal persons who may be required to pay duty in accordance with the above points are jointly responsible for the debt owed for duty on the same dutiable goods.

The obligation to pay duty involves an obligation to pay all the taxes, fees and charges imposed together with the duty. On the other hand, the exemption from duty means only an exemption from paying the duty itself.

Unless otherwise provided for in the relevant legal rule, the provisions of the customs law should be applied for taxes, fees and charges which are to be paid together with the duty.

The duty should be assessed and communicated when the clearance for home use is effected. The duty is imposed according to the legal rule in force on the day of clearance. If goods to be re-exported are cleared (temporary admission), the duty should be imposed according to the legal rule in force on the day of declaration for home marketing but, at the latest, on the day of expiry of the re-exportation date. If the goods are put on the market contrary to the law, the duty is imposed according to the legal rule in force on the day of the breach of customs regulation or defraudation of customs or, if this day cannot be determined, according to the legal rule in force on the day of disclosure of the defraudation. The duty on goods re-admitted after provisional exportation, the value of which increased when being abroad, should be assessed according to the tariff rate of the finished goods.

The basis of duty imposed is the customs value of the dutiable goods.

The customs value serving as a basis for the imposition of duty should be verified by a customs invoice.

The duty imposed should be communicated immediately after its imposition.

The payment of duty is due on the day when it is communicated. In justified cases a respite for payment or instalment payment can be granted.

The duty has to be paid in cash, but it is also possible to arrange for its remittance through the bank.

The customs organs give a customs receipt on the effected payment of duty.

#### Rectification and refund of duty

The customs legal rule provides the possibility that the duty should be rectified within the term of limitation, if a too high or too low amount has been imposed contrary to the legal rule. The rectification can take place ex officio or on the basis of the request of the person liable to pay duty. The overpaid amount is refunded and the difference of duty not received is collected additionally.

Drawback is possible in the following cases:

- (a) if the dutiable goods cleared for home use is delivered abroad unchanged, to the address of the original consigner or according to the consigner's instruction within one year from the day of the duty becoming due, and if the competent customs organ can incontestably ascertain in the course of delivery that the goods are identical with that cleared for home use and the frontier customs office verifies its departure to abroad;

- (b) if, within six months from the day of clearance for home use, it is requested that the goods cleared should be subsequently entered for provisional importation, for warehousing, or if a customs clearance facility is requested concerning which no liability for payment of duty arises;
- (c) if the dutiable goods have been imported for replacement and it is certified that re-export was effected within six months;
- (d) if the goods cleared have been imported on the basis of an inter-State agreement.

The customs legal rule authorizes the National Customs and Finance Guard to permit drawback, in agreement with the Ministry of Foreign Trade, in cases not enumerated above as well.

The right to claim duty not communicated at the time of clearance for home use becomes void within one year from the day of clearance. The right to collect the legally determined duty and the claim for refunding duty which was fixed at a higher amount due to an error, become void after one year from the due date.

The person obliged to present the goods declaration can request the denaturation of the dutiable goods in the declaration presented for customs clearance.

The dutiable goods can be destroyed only if the goods requested to be destroyed can be used neither for its original intended purpose nor for any other purpose.

Ad (d) Duty-concession (permit-slip) procedure

See paragraph 3, point (b).

Ad (e) Procedure in temporary admission

Goods imported with the obligation to return them can be cleared according to the procedure of temporary admission. This regulation authorizes the customs organs to clear the goods according to temporary admission procedure if these goods are:

- dutiable goods or packings intended to be filled which are imported without compensation, for provisional use, trial, experimental or technical testing purposes;
- samples of goods of commercial travellers; dutiable goods brought in for display in international contests, exhibitions, fairs, competitions and for purposes of public demonstration and for repair;

- dutiable goods brought in free of charge and used for the production of an export product manufactured according to the wishes of the client;
- dutiable goods brought in free of charge for processing;
- dutiable goods falling under Class XV to XVIII of the Commercial Customs Tariff, brought in with compensation, to be incorporated or mounted in an export product. The brought in goods should be identifiable.

Goods which are cleared in the temporary admission procedure cannot be sold or handed over for use in the home market, unless they are cleared for home use. The time-limit fixed for the return of goods can be twelve months, at most, from the day of their entry for temporary importation and in justified cases this can be extended for further twelve months. In the case of clearance in temporary importation, a surety should be given for the duty to be levied on the goods in accordance with the general regulations concerning customs surety, apart from the exceptions provided for in international treaties and agreements. The dutiable goods to be entered in temporary admission should be subjected to an internal survey and their individual identity should be established.

The dutiable goods brought in in temporary importation should be passed to the credit of the person liable to pay duty, when the goods are again delivered to abroad in unchanged condition or with the permitted changes, or if it is cleared for home use or placed to a customs warehouse. If the dutiable goods are re-exported in the form of a finished product, in addition to the dutiable goods the loss arising during the manufacture should also be credited. If there is a waste or a by-product, and it is not re-exported together with the goods or is not entered again for temporary importation, it should be cleared for home use.

#### Ad (f) Control of exportation

Merchandise of domestic origin exported from the territory of the country should be subjected to export inspection. In Hungary there is no export duty. The licence of the Ministry of Foreign Trade is necessary for the export of goods. In the course of the export control procedure, the acting customs office has to effect an internal survey of goods.

The export inspection can be requested inside the country as well as in the frontier customs offices. The departure of the goods having been subject to inspection is certified by the frontier customs office.

#### Ad (g) Temporary exportation

Goods which are exported with the obligation to be returned, should be cleared according to the procedure of temporary exportation. In this procedure the regulations regarding export control should be applied taking care to ensure the individual identity of the goods delivered in the procedure of temporary exportation.

### Refunding of expenses

To reimburse themselves for their costs, the customs organs have the right to charge fees determined by the legal rules such as: clearance costs, laboratory fees, fees of experts, of inspection, travelling costs, etc. These expenses are levied and collected in accordance with the regulations which apply for the levy and collection of the duty.

### Exemption from duty

The customs legal rule provides exemption from duty for certain goods on the basis of an obligation assumed in an international agreement or on the basis of the principle of reciprocity.

Exemption from duty is granted to:

- (a) goods destined for use by heads of foreign States, presidents of the legislative body of foreign States, members of the cabinet of foreign States, members of government delegations of foreign States and those escorting them;
- (b) foreign goods being in transit through the territory of the country;
- (c) domestic goods transported from the country with domestic destination and being in transit through foreign intermediate territory or transported back from abroad;
- (d) domestic goods supplied to a foreign country but returned for some unforeseen reason in an unchanged condition;
- (e) domestic goods exported with the obligation to be returned (temporary exportation) and transported back (re-exported) unchanged or with the permitted changes, except the foreign materials or parts added to it;
- (f) dutiable goods offered for the State without compensation, if they are accepted and taken possession of by the State.

Exemption from duty is granted on the basis of obligations assumed in international agreements: for goods determined to be duty free by the provisions of international agreements being binding on the Hungarian People's Republic, such as, among others: objects intended for the personal use of:

- (a) representatives and officials of non-Hungarian nationality of the United Nations Organization;
- (b) representatives and officials of non-Hungarian nationality of the Council for Mutual Economic Assistance;

- (c) officials of non-Hungarian nationality of the member States of the Danube Commission; their deputies, advisers, experts, as well as office holders of the Commission, the members of their families living together with them and those belonging to their household;
- (d) heads and members of diplomatic missions in Hungary of the States adhering to the Vienna Convention on diplomatic relations; their families and persons belonging to their households;
- (e) samples of goods and publicity material sent in accordance with the International Convention concluded in Geneva on 7 November 1952.

Exemption from duty can be given on the basis of reciprocity:

for goods intended for the personal use of diplomatic representations and consular officials in Hungary of foreign States not adhering to the Vienna Convention; as well as for the members of their families and persons belonging to their household; furthermore, for the goods imported for official use by the diplomatic and consular representations of these States.

The Minister of Finance has legal authorization to grant exemption from duty, also with retroactive force, upon other grounds not mentioned above and under other conditions. By virtue of this authorization, exemption has been given among others, to the following:

- effects of persons taking up residence in the country;
- letters, documents, official papers;
- objects taken up in the public collection of scientific, artistic and other public institutions, if it takes place without compensation;
- inherited assets;
- gifts within a specified limit of value, sent within one year from the marriage.

#### Legal remedy

The Hungarian customs law provides the possibility of legal remedy for cases when the customs clearance was effected in an unlawful way or when it is prejudicial to the legitimate interests of the person requesting the customs clearance. The cases of legal remedy are governed by the legal regulation applicable for other branches of State administration as well. Accordingly, the appeal can be lodged with the superior authority of the customs organ performing

the clearance. The decision given is definitive. Against this final decision a complaint can be lodged without delaying force. In legal remedies requested in customs matters it is the Minister of Finance and the Minister of Foreign Trade which pass in common a judgment in the last instance. An appeal in court cannot be lodged against decisions rendered in customs matters.

#### Offences against the customs law

According to the Penal Code of the Hungarian People's Republic, the person committing an offence against the customs law can be sentenced from six months up to three years imprisonment. The dutiable goods being the subject of customs offence should be confiscated. In justified cases the court may refrain from confiscation.

It is regarded as an offence against the customs law if a person:

- withholds dutiable goods from customs control or makes a false declaration to the authorities as to such circumstances of the dutiable goods which are essential from the customs point of view;
- procures or hides smuggled dutiable goods for pecuniary advantages or takes part in its alienation.

An offence against the customs law can be committed only deliberately and only in case of goods the home market value of which does not exceed Ft 5,000.

The customs offences can be reported by the metropolitan and county customs houses and the judgments on them are passed by the appointed court.

#### Breach of customs regulation

A breach of customs regulation is committed by the person who violates the regulations of the customs law by an act which cannot be qualified as an offence against the law. The person committing a breach of customs regulation is liable to a fine up to maximum Ft 5,000 depending on the seriousness of the act. In certain cases the dutiable goods being the subject of the act can be confiscated.

In matters of breach of customs regulation the proceeding authorities at the first instance are the customs offices and the units of the customs and finance guards.

#### Restrictions and prohibitions

The legal rules of the Hungarian People's Republic make dependent upon certain conditions or prohibit the importation, exportation and transit through the territory of the country of certain kinds of goods. The customs authorities control during the customs procedures whether these restrictive regulations are being complied with and they enforce these regulations.



The restrictions can be classified according to the following groups:

- (a) restrictions connected with exchange control;
- (b) plant sanitation restrictions;
- (c) veterinary restrictions;
- (d) sanitary restrictions;
- (e) restrictions concerning transport;
- (f) restrictions for reasons of State and public security;
- (g) other restrictions of a non-economic nature.

Ad (a) Restrictions connected with exchange control

The Minister of Finance regulates by decree the import and export of precious metals, objects made of precious metals, securities and currencies (means of payment).

According to this decree, precious metals, objects made of precious metals and means of payment - with the exception of currencies permitted in tourist traffic - can be taken out from the country only on the basis of the export permit given by the National Bank of Hungary. The infringement of restrictions connected with the exchange control is considered as currency offence if the value exceeds Ft 1,000, and it is considered as a breach of foreign exchange regulations, if the value does not exceed Ft 1,000.

Ad (b) Plant sanitation restrictions

In order to prevent the spread of plant pests, the plants, parts of plants and objects suitable for spreading plant diseases can be imported into, exported from or transported through the territory of the country exclusively on the basis of the certificate of the Hungarian Plant Sanitation Service verifying that an inspection with favourable result was carried out. Goods being subject to plant sanitation restrictions can be exported only at the plant sanitation frontier stations established for this purpose.

Goods which do not comply with the plant sanitation prescriptions cannot be imported to the territory of the country and a permission for their exportation from the country cannot be given.

Ad (c) Veterinary restrictions

Animals, products of animal origin and objects being suitable for spreading animal diseases can be imported into, exported from and transported through the territory of the country only through the animal health frontier stations and only if the result of the veterinary examination was successful.

A certificate is issued by the competent specialized organs on the favourable result of the examination which should be attached to the delivery documents. The customs office concerned should ascertain whether the consignment can be cleared from the point of view of animal health. This fact should be mentioned in the customs document issued.

In addition to the products of animal origin, the restrictions designed for the protection of animal health also apply to veterinary serums and medicines. It is necessary to obtain the permit of the Ministry for Agriculture and Food in order to import these goods.

Ad (d) Sanitary restrictions

The following goods are subject to sanitary restrictions:

- narcotic drugs and radiating matters;
- poisons and poisonous substances;
- preparations being harmful to health;
- pharmaceutical products used for human therapeutics and cosmetics;
- serums and vaccines;
- therapeutical equipment and dental materials for human therapy, and mineral waters.

The restrictions refer only to the import of the above commodities, except narcotic drugs and radiating matters being subject to restrictions concerning import, export and transit.

Ad (e) Restrictions concerning transport

Passenger vehicles and trucks having a foreign registration number of common use can cross the border only with the prior permission of the Ministry of Transport and Communication. The customs organs, at the entry of the vehicle, check if the necessary permission has been obtained.

Ad (f) Restrictions for reasons of State and public security

Fire-arms, ammunition, explosive materials can be imported from abroad, exported into or transported through the territory of the country only on the basis of the permission issued by the competent organ of the Ministry of Interior. When the goods enter or leave the country, the customs organs check whether this permission has been duly obtained.

Ad (g) Other restrictions of a non-economic nature

These regulations aim, first of all, at safeguarding the quality of Hungarian export articles and preventing the illegal export of Hungarian cultural treasures. Such restrictions are applied, for instance, for the quality control of red paprika, seeds, wine, medical plants and for the protection of export of museum articles, relics of an artistic value and works of art.

## ANNEX 2

The specialized foreign trade enterprises perform the greatest part of their activities on commission basis. In the following a description is given of this activity being the commonest form of foreign trade work.

### I. Description of the import business

Generally, the foreign trade enterprise concludes an annual general contract with its consigner (industrial company or other kind of end-user). This general contract covers the mutual obligations of consigner and the enterprise, the questions of commission and other compensations, if any, being due to the foreign trade enterprise (e.g. income share) as well as the enumeration of goods to which the general contract refers.

The actual import deals are transacted on the basis of this general contract and the buying order is given in each case separately. The general commission contract and the concrete buying order mean the following tasks for the foreign trade enterprise:

- to perform market research activity;
- to explore the best purchasing possibility and to inform the consigner of the price offers obtained;
- to give detailed information as to the expectable quality and packing of the goods, the terms of the financial transaction of the buying order, and possible tasks which may arise concerning transportation, warehousing, etc.;
- to apply for the import licence on the basis of the buying order;
- to conclude the import contract, to settle the countervalue of the goods, arrange for the formalities concerning the arrival of goods;
- to see that the goods are cleared and duty paid.

The procedure of the transaction of an import deal is as follows:

1. Conclusion of annual general contracts with industrial, producing or other end-user companies.
2. On the basis of the general contract, the consigner gives specific buying orders to the foreign trade company in each case.

The buying order contains the denomination of the goods, its characteristics as to quality, instructions for the required packing, time of delivery, the so-called limit price prescribed by the consigner and his ideas concerning payment. During the negotiations of the import transaction with the foreign firm, the foreign trade enterprise is bound to observe all the prescriptions

included in the buying order of the consigner and is materially responsible for complying with these instructions.

3. On the basis of the buying order the foreign trade enterprise:

- sends enquiries to potential suppliers (often eight or ten such enquiries are sent);
- submits its application for the import licence to the Ministry of Foreign Trade, taking into consideration the buying order as well as the import prices and conditions it expects to receive;
- makes a comparative analysis of the different offers received. A separate board is set up in the company for this purpose, which selects the best offer on the basis of the analysis made. In this selection the same considerations are applied as are used according to ordinary care and caution anywhere in the world: price and quality of goods, payment conditions, reliability of the forwarding company, etc. A documentation is prepared about these preliminary calculations and the decision upon the purchase is made on the basis of these calculations.

4. The result is communicated with the consigner as importer, and the decision concerning the actual transaction of the business is made accordingly.

5. On the basis of the import licence and the decision of the purchase, the enterprise passes the order to the supplier which has given the best offer.

6. The enterprise makes the necessary arrangements for payment according to the stipulated payment terms (Letter of Credit, cash against documents, credit, etc.). Usually this takes place in the form of a payment order given to the National Bank of Hungary. In the case of purchases on commission, it is the actual end-user who has to arrange for payment. The amount necessary for the execution of the import commission is remitted to the account of the foreign trade enterprise when the buying order is given. Thus the foreign trade enterprise effects payment to the foreign supplier to the debit of the remitted covering amount.

7. Applying the relevant item of the customs tariff and making use of the data of the documents referring to the goods, the enterprise makes out the "customs declaration" and sends it to the competent regional customs office where customs clearance will be effected.

8. The foreign trade enterprise pays the amount of duty calculated according to the customs declaration, i.e. it gives an order for payment to the National Bank of Hungary for remittance to the Ministry of Finance.

9. The import transaction is in fact finished when the goods arrive, its counter-value and customs duty are paid. The foreign trade enterprise collects the import commission being due to it from the consigner in accordance with the general commission contract.

## II. Description of the export business

The export deals, too, are transacted by the foreign trade enterprise on the basis of general contracts concluded usually for one year as well as according to the export order given in each case separately.

The general contracts concluded with the industrial companies can be commission contracts, joint account or partnership contracts, and contain the following general provisions:

- chosen form of business relationship (selling on commission, joint account business, etc.);
- range of goods to which the contract refers;
- commission and other compensations being due to the foreign trade company for its activity;
- obligations of the foreign trade company concerning market research, market information and, in general, concerning the marketing work.

On the basis of the actual export order, the export business is transacted as follows:

1. Based on the general stipulations of the annual general contract, the producing company or other consigner gives a specific export order to the foreign trade enterprise. (This export order contains the denomination of goods, its quantity and other particulars concerning quality, packing, expected delivery terms, etc.)
2. The foreign trade enterprise starts its market research work, in other words, it sends export offers to potential foreign clients, making use of its sales experiences and business contracts.
3. A working commission organized within the enterprise evaluates the enquiries received. An important point of view taken into consideration is to effect the sale at the best possible price and optimum commercial terms. A decisive consideration is that the sale should take place only at the limit price - or above this price - determined by the industrial company as consigner.
4. After the sales negotiations, the foreign trade enterprise concludes the export contract with the foreign client.
5. The enterprise keeps the consigner informed of all details of the export business concluded and gives the instructions necessary for the despatch of the goods.
6. According to the contracted terms of payment (Letter of Credit, cash against documents, credit), the foreign trade enterprise procures the shipping documents and other documents necessary for encashment and arranges for the encashment of the countervalue of the delivered goods.
7. After deducting from the amount received for the goods the commission and other expenses which may have arisen, the National Bank of Hungary remits the sum to the account of the consigner.

ANNEX 3

Statistics

Hungary's Total Foreign Trade Turnover (Free Border)  
(Million Foreign Exchange Forints)

Year	Import	Export	Balance	
			Import surplus	Export surplus
1965	17,848.5	17,721.3	127.2	-
1966	18,378.5	18,705.1	-	326.6
1967	20,841.4	19,971.2	870.2	-
1968	21,171.6	21,002.5	169.1	-

Change of the Value of Direct Turnover  
(Previous Year's Figure = 100 Per Cent)

Year	Import	Export
1965	101.7	111.6
1966	102.9	105.5
1967	113.4	106.7
1968	101.6	105.2

Change of Volume of Turnover  
(Previous Year's Figure = 100 Per Cent)

Year	Import	Export
1965	99.6	110.9
1966	105.9	109.6
1967	117.3	108.5
1968	103.0	106.6

Change of Price Index  
(Previous Year's Figure = 100 Per Cent)

Year	Import	Export
1965	100.8	100.2
1966	97.5	97.0
1967	96.7	97.8
1968	99.5	99.5

Per Capita Direct Foreign Trade Turnover (Free Border)  
(Foreign Exchange Forints)

Year	Import	Export
1965	1,636.0	1,625.1
1966	1,685.5	1,722.7
1967	1,904.8	1,820.6
1968	1,945.2	1,924.6

Per Capita Change of Value of Turnover  
(Previous Year's Figure = 100 Per Cent)

Year	Import	Export
1965	100.1	110.8
1966	103.0	106.0
1967	113.0	105.7
1968	102.1	105.7

Distribution of Foreign Trade Turnover  
by GATT Contracting Parties and Non-GATT Countries

Year	Import = 100%		Export = 100%	
	GATT	non-GATT	GATT	non-GATT
1965	47.0	53.0	48.2	51.8
1966	48.7	51.3	48.3	51.7
1967	48.1	51.9	45.1	54.9
1968	46.7	53.3	43.5	56.5



Direct Turnover by Groups of Foreign Exchanges

Year	Rouble settlement	Import = 100% Convertible currencies	Non-convertible currencies	Rouble settlement	Export = 100% Convertible currencies	Non-convertible currencies
1965	68.8	21.1	10.1	68.6	19.4	12.0
1966	65.8	23.5	10.7	67.4	20.1	12.5
1967	67.7	21.3	11.0	68.4	20.5	11.1
1968	66.4	21.5	12.1	68.1	21.2	10.7

Total Value of Foreign Trade Turnover (Free Border) --  
by GATT Contracting Parties and Non-GATT Countries (Million Foreign Exchange Points)

Year	Import GATT	Import non-GATT	Export GATT	Export non-GATT	Balance GATT	Balance non-GATT
1965	8,382.6	9,465.9	8,536.5	9,184.8	+ 153.9	+ 281.1
1966	8,958.8	9,419.7	9,038.9	9,665.2	+ 80.1	+ 246.5
1967	10,017.2	10,824.2	9,016.0	10,955.2	-1,001.2	+ 131.0
1968	9,881.9	11,289.7	9,145.1	11,857.4	- 736.8	+ 567.7

Commodity Pattern of Imports  
according to GATT contracting parties and non-GATT countries;  
by commodity groups (according to SITC Nomenclature)

No.	Commodity group	1965 %	1966 %	1967 %	1968 %
<u>GATT countries altogether:</u>		100	100	100	100
0.	Foodstuffs and live animals	14.0	13.0	11.0	11.0
1.	Beverages, tobacco products	0.5	0.9	2.1	1.2
2.	Raw materials other than edible ones (except mineral fuels)	15.9	17.5	15.8	13.7
3.	Mineral fuels, lubricants and similar materials	7.5	6.6	5.3	6.0
4.	Animal and vegetable fats and oils	1.0	0.7	0.4	0.4
5.	Chemical products	12.2	11.5	12.0	13.0
6.	Industrial products grouped according to basic materials	22.0	20.4	19.6	20.6
7.	Machines and transport equipment	22.2	24.4	28.3	28.5
8.	Various industrial goods	4.6	4.7	5.4	5.5
9.	Articles not classified according to type	0.1	0.3	0.1	0.1
<u>Non-GATT countries altogether:</u>		100	100	100	100
	0.	7.0	4.0	5.8	4.5
	1.	0.4	1.1	1.6	1.3
	2.	20.6	20.7	19.3	19.0
	3.	15.1	15.5	13.0	13.0
	4.	0.4	1.1	0.6	0.6
	5.	6.0	7.0	6.0	7.1
	6.	14.3	15.1	15.0	18.6
	7.	31.7	30.8	34.0	31.8
	8.	4.4	4.5	4.2	4.0
	9.	0.1	0.2	0.5	0.1

Commodity Pattern of Imports

Groups of Commodities by GATT Countries and Non-GATT Countries

No. of commodity group	Group of country	1965 %	1966 %	1967 %	1968 %	Altogether
0.	GATT countries Non-GATT countries	64 36	77 23	64 36	68 32	= 100 per cent
1.	GATT countries Non-GATT countries	58 42	46 54	55 45	45 55	= 100 per cent
2.	GATT countries Non-GATT countries	41 59	46 54	44 56	42 58	= 100 per cent
3.	GATT countries Non-GATT countries	31 69	30 70	28 72	28 72	= 100 per cent
4.	GATT countries Non-GATT countries	35 65	38 62	37 63	39 61	= 100 per cent
5.	GATT countries Non-GATT countries	65 35	62 38	64 36	60 40	= 100 per cent
6.	GATT countries Non-GATT countries	59 41	58 42	55 45	56 44	= 100 per cent
7.	GATT countries Non-GATT countries	39 61	44 56	43 57	43 57	= 100 per cent
8.	GATT countries Non-GATT countries	49 51	51 49	55 45	54 46	= 100 per cent
9.	GATT countries Non-GATT countries	98 2	99 1	99 1	99 1	= 100 per cent
Alto- gether:	GATT countries Non-GATT countries	48 52	50 50	49 51	48 52	= 100 per cent