

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

RESTRICTED
L/7379/Add.1
18 March 1994
Limited Distribution

(94-0517)

Original: English

WORKING PARTY ON THE FREE TRADE AGREEMENT BETWEEN
THE EFTA STATES AND THE CZECH REPUBLIC AND THE SLOVAK REPUBLIC

Questions and Replies

Addendum

Document L/7379 contains the joint replies of the Parties to the questions they received following the invitation in GATT/AIR/3340 of 29 July 1992. The replies set out below were prepared by the Parties to the Agreement in response to a number of additional questions that were addressed to them during or after the second meeting of the Working Party on 18 February 1994.

1. Customs Duties on Imports (Article 4)

1.1 Question

Can the Parties provide written details of their full plan and schedule for the elimination of tariffs on substantially all the trade between the Parties to the respective Agreements?

1.1 Answer

The objective of the Agreements is to establish free trade areas in conformity with Article XXIV of the General Agreement. The full plans and schedules for the reduction to zero of tariffs on substantially all trade between the Parties are contained in the relevant Articles of the Agreements as well as in the relevant Annexes and Protocols of the Agreements. To facilitate, a summary of the plans and schedules is given below.

- (a) The EFTA States abolished, upon the entry into force of the Agreements, all customs duties on imports and any charges having equivalent effect for products originating in the Czech Republic or in the Slovak Republic, except for the following products and countries (contained in Annex III to the Agreements):

- (i) for coal and steel products;

Austria reduced the duties to 50 per cent of the basic duty on the entry into force of the Agreements and to 40 per cent on 1 January 1994. Further reductions to 20 per cent, 10 per cent and to zero shall be made on 1 January 1995, 1996 and 1997, respectively;

Sweden reduced the duties to 80 per cent of the basic duty on the entry into force of the Agreements and to 60 per cent and 40 per cent on 1 January 1993 and 1994, respectively. Further reductions to 20 per cent, 10 per cent and to zero shall be made on 1 January 1995, 1996 and 1997, respectively;

- (ii) for certain plastic products;

Norway and Sweden reduced the duties to 80 per cent of the basic duty on the entry into force of the Agreements and to 60 per cent and 40 per cent on 1 January 1993 and 1994, respectively. Further reductions to 20 per cent and to zero shall be made on 1 January 1995 and 1996, respectively;

- (iii) for certain textile and clothing products;

Austria reduced the duties to 65 per cent of the basic duty on the entry into force of the Agreements and to 4/7 on 1 January 1994. Further reductions to 3/7, 2/7, 1/7 and to zero shall be made on 1 January 1995, 1996, 1997 and 1998, respectively;

Norway and Sweden reduced the duties to 5/7 of the basic duty on the entry into force of the Agreements and to 4/7 on 1 January 1994. Further reductions to 3/7, 2/7, 1/7 and to zero shall be made on 1 January 1995, 1996, 1997 and 1998, respectively.

- (b) The Czech Republic and the Slovak Republic:

- (i) abolished, on the entry into force of the Agreements, all duties and charges having equivalent effect on products originating in an EFTA State, specified in Table A to Annex IV to the Agreements (covers a wide range of products classified in H.S. Chapters 25 to 97);
- (ii) for a number of products originating in an EFTA State, specified in Table B to Annex IV to the Agreements, the duties shall be reduced to 80 per cent, 60 per cent and 40 per cent of the basic duty and to zero on 1 January 1995, 1997, 1999 and 2001, respectively;
- (iii) for new motor cars originating in an EFTA State the duties were reduced to 80 per cent of the basic duty on the entry into force of the Agreements. Further reductions to 60 per cent, 40 per cent, 20 per cent and to zero shall be made on 1 January 1995, 1997, 1999 and 2001, respectively;
- (iv) for all other products of Chapters 25 to 97 the duties were reduced to 80 per cent of the basic duty on the entry into force of the Agreements. Further reductions to 40 per cent and to zero shall be made on 1 January 1995 and 1997, respectively.

2. Scope (Article 2)

2.1 Question

Statistics provided in Answer 2.1 (document L/7379) relate to 1991 figures. Would Parties either give some indication of any change in the trends recorded in 1991 or provide more specific and up to date figures?

2.1 Answer

Data according to HS classification is available for the moment up to 1991. More recent data (1992) can be provided at later stage. No information on trends can be made available before the 1992 data has been analyzed as required for the answer to the question 2.1 in document L/7379.

2.2 Question

Is it the intention of the Parties to exclude the products listed in Annex I from the coverage of the Agreements after their full implementation? Do the Czech and Slovak Republics import any Annex I items from the EFTA States? If so, what percentage of their imports are accounted for by such trade?

2.2 Answer

In relation to agricultural and processed agricultural products the EFTA-Czech Republic and EFTA-Slovak Republic Agreements are based upon the nomenclature preceding the Harmonized Commodity Description and Coding System (HS).

With the introduction of the HS a number of products were transferred from the previous Chapters 1 to 25 ("agricultural products") to the H.S. Chapters 25 to 97 ("industrial products"). Incidentally, this was the same classification as the one used in the bilateral Free Trade Agreements between the EFTA States and the European Community.

The products contained in Annex I to the EFTA-Czech Republic and EFTA-Slovak Republic Agreements are thus products, which are excluded from the application of the provisions of the Agreements relating to "industrial products". Through this the EFTA States apply the same system as in their free trade agreements with the European Community. However, the products may be covered by bilateral Agreements or by the provisions relating to processed agricultural products (Protocol A).

Products listed in Annex I accounted for 1.03 per cent of imports by the Czech Republic from Austria and 0.002 per cent of imports from Switzerland in 1992. The Czech Republic does not import products listed in Annex I from any other EFTA State. Imports of the specific products listed in Annex I by the Slovak Republic is negligible, i.e. around 0.0001 of its total imports in 1992.

3. Customs Duties of a Fiscal Nature (Article 6)

3.1 Question

Are customs duties of a fiscal nature applied on items subject to bound tariffs. What is the relationship of such duties with Article II of the GATT?

3.1 Answer

Since Iceland has abolished fiscal duties as of 1 January 1994, only Switzerland applies such duties (see communication from Switzerland in Annex concerning answer 4.1 in document L/7379).

Fiscal duties which are presently applied in Switzerland on mineral oils, fuels and certain motor vehicles are in compliance with Article II of the GATT, since the products in question are not produced in Switzerland. Some items to which fiscal duties are applied (motor vehicles and four tariff headings for fuels) are subject to bound tariffs.

4. Quantitative Restrictions on Imports and Exports (Articles 8 and 9)

4.1 Question

Do the provisions of Article 8 and Article 9 of the Agreements regarding the elimination of quantitative restrictions and measures having equivalent effect apply to all products (both agricultural and non-agricultural)?

4.1 Answer

The provisions of Articles 8 and 9 of the Agreements only apply to the products covered by the Agreements, as specified in Article 2 of the Agreements.

5. Trade in Agricultural Products (Article 13)

5.1 Question

Are quotas or any other quantitative restrictions applied on trade in agricultural products between the parties under their separate bilateral arrangements? If so, what form do these quantitative restrictions take and are they to be abolished under the bilateral agreements? If the bilateral agreements only reduce duties and charges, how will free trade be achieved?

5.1 Answer

Licensing procedures are used to administer tariff quotas and benefits accruing from the bilateral arrangements. Imports under tariff quotas take place at reduced or zero tariffs.

The agricultural policy considerations prevailing in each country have been decisive when formulating the product specific solutions for products included in the bilateral protocols. These considerations also determine the possibilities to facilitate trade in agricultural products.

5.2 Question

Do the EFTA States currently subsidise any of their agricultural exports to the Czech Republic and the Slovak Republic and vice versa?

5.2 Answer

The Parties do not apply on agricultural products any subsidies which are specific to their mutual trade.

6. Emergency Action and Imports and Procedures for the Application of Safeguard Measures (Article 21 and 25)

6.1 Question

How would the parties act in a GATT Article XIX situation - would they exempt their Free Trade Agreement partners from any XIX measures imposed? If the increase in imports is sourced from an Free Trade Agreement party would safeguards be imposed only on that party or to third parties as well? If there is a general increase in imports from a number of sources, would the Free Trade Agreement partners be exempt from safeguard action and if so how could third parties be assured that the action against them would not be stricter than would otherwise have occurred?

6.1 Answer

Parties to the Agreements maintain the interpretation of the relationship between Article XIX and Article XXIV:8 that the Free Trade Agreement partners may be excluded from Article XIX measures imposed.

In a situation where the increase in imports is sourced from an Free Trade Agreement party, the matter is dealt in accordance with the safeguard provisions of the Agreements, and consequently any measures taken by an affected party shall be imposed only on that party which is the source of increased imports.

In a situation where there is a general increase in imports from a number of sources, the provisions of Article XIX may be applied on imports from countries not party to the Agreements, and the safeguard provisions of the Free Trade Agreements on imports from countries party to the Agreements. Under the Free Trade Agreements, it is up to the Joint Committee to assess that the safeguard provisions of the Agreements are observed. In the case of Article XIX measures this same task lies upon the Council.

ANNEX

Communication from Switzerland concerning Answer 4.1
(Customs Duties of a Fiscal Nature - Article 6)
in Document L/7379 of 14 January 1994

On 28 November 1993, the Swiss people accepted to create the constitutional basis allowing the elimination of the customs duties of a fiscal nature applied on mineral oils, fuels and certain motor vehicles. They will partially be replaced by internal taxes.

The federal administration is preparing the necessary technical and legal measures for the elimination of these customs duties of a fiscal nature. At the entry into force of these measures, foreseen on 1 January 1997, Table II to Protocol C of the Free Trade Agreements will thus become irrelevant.