

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

RESTRICTED
L/7462
31 May 1994
Limited Distribution

(94-0954)

Original: English

WORKING PARTY ON THE EFTA-BULGARIA FREE TRADE AGREEMENT

Questions and Replies

Contracting parties were invited (GATT/AIR/3517) to communicate to the secretariat any questions they might wish to put concerning the Free Trade Agreement between the EFTA States and Bulgaria. In response to this request, a number of questions were received and were transmitted to the Parties to the Agreement. The questions and the replies which have been received are set out below.

1. **Article 2**

1.1 **Question**

What percentage of trade between the EFTA States and Bulgaria is accounted for by products:

- (a) Falling within Chapters 25 to 97 of the harmonized commodity description and coding system;
- (b) Listed in Annex I to the Agreement;
- (c) Listed in Annex II to the Agreement;
- (d) Specified in Protocol A to the Agreement;
- (e) Not covered by Chapters 25-97, Annex I, Annex II and Protocol A.

1.1 **Answer**

- (a) Products falling in HS Chapters 25 to 97 account for 79.9 per cent of the total trade between the EFTA countries and Bulgaria (1992).
- (b) Products listed in Annex I accounts for 0.005 per cent of imports from Bulgaria to the EFTA States (1992).
- (c) Products listed in Annex II account for 0.2 per cent of the total trade between the EFTA countries and Bulgaria (1992).
- (d) Products specified in Protocol A account for 3.1 per cent of the total trade between the EFTA countries and Bulgaria (1992).
- (e) Products not covered by Chapters 25-97, Annex I, Annex II and Protocol A account for 16.8 per cent of the total trade between EFTA States and Bulgaria (1992).

1.2 Question

What are the intentions of the Parties to the Free Trade Agreement for bringing products not covered by Article 2 into the Free Trade Agreement?

1.2 Answer

A large number of those products not covered by Article 2 of the Agreement are basic agricultural products. These are, however, to a large extent covered in the bilateral agricultural arrangements, which have been concluded within the framework of the FTAs to provide for measures to facilitate trade in agricultural products. The intentions of the Parties to the Free Trade Agreement are to foster, in so far their agricultural policies allow, harmonious development of trade in agricultural products. The few products listed in Annex 1 are excluded on permanent basis.

2. Article 3

2.1 Question

Can Parties confirm that the rules of origin provisions are consistent with the rules of origin set out in the Final Act of the Uruguay Round and will not result in higher trade barriers to non-parties to the Agreement?

2.1 Answer

The provisions on rules of origin laid down in Protocol B to the EFTA-Bulgaria Agreement are conceived for the purpose of this Free Trade Agreement and are in line with the Common Declaration with Regard to Preferential Rules of Origin contained in Annex II of the Agreement on Rules of Origin as set out in the Final Act of the Uruguay Round.

The rules of origin contained in Protocol B will not result in higher trade barriers to non-parties to the Agreement.

3. Article 4

3.1 Question

What customs duties or duties having equivalent effect are presently applied on imports by the Parties to this Free Trade Agreement?

3.1 Answer

The following customs duties are applied by the EFTA States in accordance with the provisions of Annex III:

- (a) Austria and Sweden apply customs duties on certain coal and steel products. Those duties will be progressively reduced and abolished on 1 January 1997.
- (b) Austria, Norway and Sweden apply customs duties on textile and clothing products. Those duties will be progressively reduced and abolished on 1 January 1999.

- (c) Switzerland applies fiscal duties on petroleum and petroleum products, certain motor vehicles and parts for such vehicles.

On 28 November 1993, the Swiss people accepted to create 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 fiscal nature. At the entry into force of these measures, foreseen on 1 January 1997, Table II to Protocol C of the Free Trade Agreement will thus become irrelevant.

Bulgaria applies customs duties for certain products in accordance with the terms set out in Annex IV. Bulgaria also applies an import tax for certain used passenger motor vehicles. For further details, see answer to question 3.2 below.

Bulgaria applies at present a customs clearance fee of 0.5 per cent, which will be transformed to reflect services rendered for customs clearance by 1 January 1995, as stated in Annex IV.

3.2 Question

What are the terms and conditions of Annex IV?

3.2 Answer

Annex IV spells out the timetables for reduction and abolition of customs duties on imports into Bulgaria as well as the timetables for the reduction and abolition of the import tax on certain passenger motor vehicles and certain perfumery and cosmetics.

For certain products, listed in Table A to Annex IV, the customs duties were abolished on entry into force of the Agreement.

For products specified in Table B to Annex IV customs duties will be progressively reduced according to the following timetable:

- on 1 January 1994 to 80 per cent of the basic duty;
- on 1 January 1996 to 40 per cent of the basic duty;
- on 1 January 1998 to 0 per cent of the basic duty.

For the products falling within Chapters 25 to 97 of the Harmonized System but not specified in Tables A and B of Annex IV, Bulgaria shall progressively reduce all customs duties in accordance with the following timetable:

- on 1 January 1996 to 80 per cent of the basic duty;
- on 1 January 1998 to 60 per cent of the basic duty;
- on 1 January 1999 to 45 per cent of the basic duty;
- on 1 January 2000 to 30 per cent of the basic duty;
- on 1 January 2001 to 15 per cent of the basic duty;
- on 1 January 2002 to 0 per cent of the basic duty.

4. Article 8

4.1 Question

What quantitative restrictions, and measures having equivalent effect, are currently applied to imports by Parties to this Free Trade Agreement?

4.1 Answer

The following import restrictions are applied by the EFTA States:

- (a) Quantitative restrictions on lignite shall be progressively abolished by Austria until the end of the transition period,
- (b) permanent quantitative restrictions apply in Iceland on brooms and brushes.

Bulgaria does not apply any quantitative restrictions on import.

5. Article 9

5.1 Question

What quantitative restrictions, and measures having equivalent effect, are currently applied on exports by Parties to this Free Trade Agreement?

5.1 Answer

The following export restrictions are applied by the EFTA States:

- (a) On ferrous waste and scrap by Austria, Finland, Liechtenstein, Norway and Switzerland,
- (b) on unwrought copper, copper waste and scrap and on aluminium waste and scrap by Austria, and
- (c) on vessels and other floating structures for breaking up by Finland.

Bulgaria applies restrictions on export of ferrous waste and scrap, and waste and scrap of copper, nickel aluminium, lead, zinc and tin.

6. Article 11

6.1 Question

What products are currently subject to state monopolies?

6.1 Answer

The Agreement does not contain any lists of state monopolies or products subject to state monopolies in the States Parties, with the exception of those state monopolies listed in Protocol D and to which the provisions of Article 9 do not apply. Since Protocol D is a part of the Free Trade

Agreement it has been notified together with the Agreement and its Annexes and Protocols to the Contracting Parties. For easy reference, the text of Protocol D is enclosed in Annex 1 to this document.

7. Article 12

7.1 Question

Will the technical regulations and amendments apply equally to all countries and be notified under the Technical Barriers to Trade Agreement?

7.1 Answer

The technical regulations and amendments will be applied equally to all countries under the provisions of the TBT Agreement. Notification requirements under the TBT Agreement will be observed by those Parties which are signatories to the TBT Agreement.

8. Article 13

8.1 Question

In what manner do the bilateral arrangements between the EFTA States and Bulgaria facilitate trade in agricultural products?

8.1 Answer

The bilateral arrangements abolish or reduce customs duties and charges having equivalent effect on a large number of products of trade interest to the Parties of the Agreement. The arrangements also contain review clauses, thus allowing to review the functioning and also the coverage of the arrangements.

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

9. Article 14

9.1 Question

Are there any measures or practices of an internal fiscal nature establishing, directly or indirectly, discrimination against other countries? If so what are they?

9.1 Answer

There are no measures or practices of an internal fiscal nature establishing discrimination against other countries.

10. Article 18

10.1 Question

What criteria are to be applied in assessing whether actions prevent, restrict or distort competition, or whether actions by dominant undertakings constitute an abuse of their position? Are these considerations subject to specific legally based processes within the States Parties to this Free Trade Agreement?

10.1 Answer

No further criteria have been defined in Article 18 of the Agreement. The assessment of the conduct of undertakings is made on case-by-case basis, taking into consideration the effects of the competition and trade between Parties.

11. Article 19

11.1 Question

Can the Parties to this Agreement confirm that any action taken in accordance with Article 19 will be in accordance with the relevant provisions of the GATT?

11.1. Answer

Yes.

12. Articles 20, 21 and 25

12.1 Question

Can the Parties to this Free Trade Agreement give assurance that any action in respect of dumping or emergency action (Articles 20 and 21) shall not attribute to third countries any injury resulting from imports from States Parties to the Free Trade Agreements, particularly where a commonly acceptable solution is agreed in accordance with Article 25 of the Free Trade Agreement?

12.1 Answer

No injury is attributed to third countries by any action in respect of dumping or emergency actions (Articles 20 and 21), not even in cases where a commonly acceptable solution is agreed in accordance with Article 25 of the Agreement.

13. Article 23

13.1 Question

What quantitative export measures would be maintained or are being envisaged as applied, under Article 23?

13.1 Answer

No particular restrictions are being envisaged under Article 23.

14. Article 24

14.1 Question

Will commitments under Article 24 on measures for balance-of-payments purposes be carried out in a non-discriminatory fashion and without prejudice to the interest of these countries?

14.1 Answer

Article 24 provides that any measures for balance-of-payments purposes will be applied in accordance with the conditions established under the GATT.

ANNEX 1

PROTOCOL D

MONOPOLIES NOT ADJUSTED IN ACCORDANCE WITH ARTICLE 11

AT THE ENTRY INTO FORCE OF THE AGREEMENT

1. Article 11 of the Agreement shall apply to Liechtenstein and Switzerland with regard to state monopolies concerning salt and gunpowder and to the Icelandic monopoly on fertilizers only to the extent that these States will have to fulfil corresponding obligations under the Agreement between EFTA States and the European Communities and their Member States on a European Economic Area.
2. Article 11 shall be applicable at the latest from 1 January 1995 in the case of the Austrian monopoly on salt.