

# **EUROPE AGREEMENT establishing an association between the European Communities and their Member States, of the one part, and the Republic of Hungary, of the other part**

THE KINGDOM OF BELGIUM,

THE KINGDOM OF DENMARK,

THE FEDERAL REPUBLIC OF GERMANY,

THE HELLENIC REPUBLIC,

THE KINGDOM OF SPAIN,

THE FRENCH REPUBLIC,

IRELAND,

THE ITALIAN REPUBLIC,

THE GRAND DUCHY OF LUXEMBOURG,

THE KINGDOM OF THE NETHERLANDS,

THE PORTUGUESE REPUBLIC,

THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND,

Contracting Parties to the Treaty establishing the European Economic Community, the Treaty establishing the European Coal and Steel Community and the Treaty establishing the European Atomic Energy Community, hereinafter referred to as 'Member States', and

The EUROPEAN ECONOMIC COMMUNITY, the EUROPEAN COAL AND STEEL COMMUNITY, the EUROPEAN ATOMIC ENERGY COMMUNITY, hereinafter referred to as 'the Community',

of the one part, and

THE REPUBLIC OF HUNGARY, hereinafter referred to as 'Hungary',

of the other part,

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

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

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

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

RECALLING the firm commitment of the Community and its Member States and of Hungary to the process of the Conference on Security and Cooperation in Europe (CSCE), including the full implementation of all provisions and principles

therein, in particular the Helsinki Final Act, the concluding documents of the Madrid and Vienna follow-up meetings and the Charter of Paris for a new Europe;

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

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

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

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

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

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

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

DESIROUS of establishing cultural cooperation and developing exchanges of information;

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

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

HAVE AGREED AS FOLLOWS:

## **Article 1.**

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

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

## **Title I. POLITICAL DIALOGUE**

### **Article 2.**

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

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

### **Article 3.**

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

### **Article 4.**

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

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

### **Article 5.**

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

## **Title II. GENERAL PRINCIPLES**

### **Article 6.**

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

## **Title III. FREE MOVEMENT OF GOODS**

### **Article 7.**

1. The Community and Hungary shall gradually establish a free trade area in a transitional period lasting a maximum of 10 years starting from the entry into force of this Agreement in accordance with the provisions of this Agreement and in conformity with those of the General Agreement on Tariffs and Trade (GATT).

2. The combined nomenclature of goods shall be applied to the classification of goods for imports into the Community. The Hungarian customs tariff shall be applied to the classification of goods for imports into Hungary.
3. Subject to specific provisions in Chapters II and III, for each product the basic duty to which the successive reductions set out in this Agreement are to be applied shall be that actually applied erga omnes on the day preceding the date of entry into force of the Agreement.
4. If, after entry into force of this Agreement, any tariff reduction is applied on an erga omnes basis, in particular reductions resulting from the tariff agreement concluded as a result of the GATT Uruguay Round, such reduced duties shall replace the basic duties referred to in paragraph 3 as from the date when such reductions are applied.
5. The Community and Hungary shall communicate to each other their respective basic duties.

## **Chapter I. Industrial Products**

### **Article 8.**

1. The provisions of this Chapter shall apply to products originating in the Community and in Hungary listed in Chapters 25 to 97 of the combined nomenclature and of the Hungarian customs tariff with the exception of the products listed in Annex I.
2. The provisions of Articles 9 to 13 included do not apply to products mentioned in Articles 15 and 16.

### **Article 9.**

1. Customs duties on imports applicable in the Community to products originating in Hungary other than those listed in Annexes IIa, IIb and III shall be abolished on the entry into force of this Agreement.
2. Customs duties on imports applicable in the Community to products originating in Hungary which are listed in Annex IIa shall be progressively abolished in accordance with the following timetable:

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

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

3. The products of Hungarian origin listed in Annex III shall benefit from a suspension of customs duties on imports within the limits of annual Community tariff quotas or ceilings increasing progressively in accordance with the conditions defined in the Annex. At the same time, customs duties on imports applicable to import quantities in excess of the quotas or ceilings provided for above shall be progressively reduced in accordance with the conditions set out in Annex III so as to arrive at a complete abolition of customs duties on imports of the products concerned at the end of the fifth year at the latest.
4. Quantitative restrictions on imports to the Community and measures having equivalent effect shall be abolished on the date of entry into force of this Agreement with regard to the products originating in Hungary.

### **Article 10.**

1. Customs duties on imports applicable in Hungary to products originating in the Community which are listed in Annex IV shall be reduced progressively:
  - upon entry into force of this Agreement: to two-thirds of the basic duty,
  - on January 1, 1993: to one-third of the basic duty,
  - on January 1, 1994: to zero.
2. Customs duties on imports applicable in Hungary to products originating in the Community not listed in Annexes IV and V shall be reduced progressively:
  - on January 1, 1995: to two-thirds of the basic duty,

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

- on January 1, 1997: to zero.

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

- on January 1, 1995: to 90 % of the basic duty,

- on January 1, 1996: to 75 % of the basic duty,

- on January 1, 1997: to 60 % of the basic duty,

- on January 1, 1998: to 45 % of the basic duty,

- on January 1, 1999: to 30 % of the basic duty,

- on January 1, 2000: to 15 % of the basic duty,

- on January 1, 2001: to 0 % of the basic duty.

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

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

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

## **Article 11.**

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

## **Article 12.**

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

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

[TABLE]

## **Article 13.**

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

## **Article 14.**

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

The Association Council may make recommendations to this effect.

## **Article 15.**

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

## **Article 16.**

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

## **Article 17.**

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

## **Chapter II. Agriculture**

### **Article 18.**

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

### **Article 19.**

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

### **Article 20.**

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

### **Article 21.**

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

## **Chapter III. Fisheries**

### **Article 22.**

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

### **Article 23.**

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

## **Chapter IV. Common Provisions**

### **Article 24.**

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

### **Article 25.**

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

### **Article 26.**

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

### **Article 27.**

1. This Agreement shall not preclude the maintenance or establishment of customs unions, free trade areas or arrangements for frontier trade except in so far as they alter the trade arrangements provided for in this Agreement.
2. Consultations between the Parties shall take place within the Association Council concerning agreements establishing such customs unions or free trade areas and, where requested, on other major issues related to their respective trade policy with third countries. In particular in the event of a third country acceding to the Community, such consultations shall take place so as to ensure that account can be taken of the mutual interests of the Community and Hungary stated in this Agreement.

### **Article 28.**

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

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

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

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

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

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

## **Article 29.**

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

## **Article 30.**

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

- serious injury to domestic producers of like or directly competitive products in the territory of one of the Contracting Parties, or

- serious disturbances in any sector of the economy or difficulties which could bring about serious deterioration in the economic situation of a region,

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

## **Article 31.**

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

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

or

(ii) a serious shortage, or threat thereof, of a product essential to the exporting Party,

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

## **Article 32.**

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

## **Article 33.**

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



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

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

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

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

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

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

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

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

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

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

## **Article 34.**

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

## **Article 35.**

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

## **Article 36.**

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

# **Title IV. MOVEMENT OF WORKERS, ESTABLISHMENT, SUPPLY OF SERVICES**

## **Chapter I. Movement of Workers**

### **Article 37.**

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

- the treatment accorded to workers of Hungarian nationality, legally employed in the territory of a Member State shall be

free from any discrimination based on nationality, as regards working conditions, remuneration or dismissal, as compared to its own nationals;

- the legally resident spouse and children of a worker legally employed in the territory of a Member State, with the exception of seasonal workers and of workers coming under bilateral agreements within the meaning of Article 41, unless otherwise provided by such agreements, shall have access to the labour market of that Member State, during the period of that worker's authorized stay of employment.

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

### **Article 38.**

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

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

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

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

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

### **Article 39.**

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

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

### **Article 40.**

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

### **Article 41.**

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

- the existing facilities for access to employment for Hungarian workers accorded by Member States under bilateral agreements ought to be preserved and if possible improved,

- the other Member States shall consider favourably the possibility of concluding similar agreements.

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

### **Article 42.**

During the second stage referred to in Article 6, or earlier if so decided, the Association Council shall examine further ways

of improving the movement of workers, taking into account inter alia the social and economic situation in Hungary and the employment situation in the Community. The Association Council shall make recommendations to such end.

### **Article 43.**

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

## **Chapter II. Establishment**

### **Article 44.**

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

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

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

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

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

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

5. For the purposes of this Agreement:

(a) 'establishment` shall mean:

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

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

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

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

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

Following the expiration of the transitional periods referred to in paragraph 1 (i), the Association Council may exceptionally,

upon request of Hungary, and if the necessity arises, decide to prolong the duration of exclusion of certain areas or matters listed in Annexes XIIa and XIIb for a limited period of time.

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

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

## **Article 45.**

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

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

## **Article 46.**

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

## **Article 47.**

The provisions of Article 45 do not preclude the application by a Contracting Party of particular rules concerning the establishment and operation in its territory of branches and agencies of companies of another Party not incorporated in the territory of the first Party, which are justified by legal or technical differences between such branches and agencies as compared to branches and agencies of companies incorporated in its territory, or, as regards financial services, for prudential reasons. The difference in treatment shall not go beyond what is strictly necessary as a result of such legal or technical differences, or, as regards financial services, described in Annex XIIa, for prudential reasons.

## **Article 48.**

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

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

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

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

## **Article 49.**

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

## **Article 50.**

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

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

Such measures:

- shall cease to apply at the latest two years after the expiration of the first stage referred to in Article 6, or for the sectors included in Annexes XIIIa and XIIIb upon the expiration of the transitional period referred to in Article 6, and
- shall be reasonable and necessary in order to remedy the situation, and
- shall only relate to establishments in Hungary to be created after the entry into force of such measures and shall not introduce discrimination concerning the operations of Community companies or nationals already established in Hungary at the time of introduction of a given measure compared to Hungarian companies or nationals.

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

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

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

## **Article 51.**

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

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

## **Article 51.**

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

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

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

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

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

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

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

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

### **Article 53.**

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

### **Article 54.**

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

## **Chapter III. Supply of Services between the Community and Hungary**

### **Article 55.**

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

### **Article 56.**

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

1. With regard to international maritime transport the Parties undertake to apply effectively the principle of unrestricted access to the market and traffic on a commercial basis:

(a) the above provision does not prejudice the rights and obligations under the United Nations Code of Conduct for Liner Conferences, as applied by one or the other Contracting Party to this Agreement. Non-conference liners will be free to operate in competition with a conference as long as they adhere to the principle of fair competition on a commercial basis;

(b) the Parties affirm their commitment to a freely competitive environment as being an essential feature of the dry and liquid bulk trade.

2. In applying the principles of paragraph 1, the Parties shall:

(a) not introduce cargo sharing clauses in future bilateral agreements with third countries, other than in those exceptional circumstances where liner shipping companies from one or other Party to this Agreement would not otherwise have an effective opportunity to ply for trade to and from the third country concerned;

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

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

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

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

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

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

#### **Article 57.**

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

## **Chapter IV. General Provisions**

#### **Article 58.**

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

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

## **Title V. PAYMENTS, CAPITAL, COMPETITION AND OTHER ECONOMIC PROVISIONS, APPROXIMATION OF LAWS**

### **Chapter I. Current Payments and Movement of Capital**

#### **Article 59.**

The Contracting Parties undertake to authorize, in freely convertible currency, any payments on the current account of balance of payments to the extent that the transaction underlying the payments concern movements of goods, services or persons between the Parties which have been liberalized pursuant to this Agreement.

#### **Article 60.**

1. With regard to transactions on the capital account of balance of payments, from the entry into force of this Agreement, the Member States and Hungary respectively shall ensure the free movement of capital relating to direct investments made in companies formed in accordance with the laws of the host country and investments made in accordance with the provisions of Chapter II of Title IV, and the liquidation or repatriation of these investments and of any profit stemming therefrom. Notwithstanding the above provision, such free movement, liquidation and repatriation shall be ensured by the end of the first stage referred to in Article 6 for all investments linked to establishment of branches and agencies of Community companies and of Community nationals establishing in Hungary as self-employed persons pursuant to Chapter II of Title IV.

2. Without prejudice to paragraph 1, the Member States, as from the entry into force of this Agreement, and Hungary as from the start of the second stage referred to in Article 6, shall not introduce any new foreign exchange restrictions on the movement of capital and current payments connected therewith between residents of the Community and Hungary and shall not make the existing arrangements more restrictive.

3. The provisions of paragraph 1 and 2 shall not prevent Hungary from applying restrictions on outward investments by Hungarian nationals and companies.

4. The Parties shall consult each other with a view to facilitating the movement of capital between the Community and Hungary in order to promote the objectives of this Agreement.

## **Article 61.**

1. During the first stage referred to in Article 6 the Contracting Parties shall take measures permitting the creation of the necessary conditions for the further gradual application of Community rules on the free movement of capital.

2. During the second stage referred to in Article 6 the Association Council shall examine ways of enabling Community rules on the movement of capital to be applied in full.

## **Chapter II. Competition and other Economic Provisions**

### **Article 62.**

1. The following are incompatible with the proper functioning of the Agreement, in so far as they may affect trade between the Community and Hungary:

(i) all agreements between undertakings, decisions by associations of undertakings and concerted practices between undertakings which have as their object or effect the prevention, restriction or distortion of competition;

(ii) abuse by one or more undertakings of a dominant position in the territories of the Community or of Hungary as a whole or in a substantial part thereof;

(iii) any public aid which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods.

2. Any practices contrary to this Article shall be assessed on the basis of criteria arising from the application of the rules of Articles 85, 86 and 92 of the Treaty establishing the European Economic Community.

3. The Association Council shall, within three years of the entry into force of this Agreement, adopt by decision the necessary rules for the implementation of paragraphs 1 and 2.

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

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

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



- the provisions of paragraph 1 (iii) do not apply,

- any practices contrary to paragraph 1 (i) should be assessed according to the criteria established by the Community on the basis of Articles 42 and 43 of the Treaty establishing the European Economic Community and in particular of those established in Council Regulation No 26/1962.

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

- is not adequately dealt with under the implementing rules referred to in paragraph 3, or

- in the absence of such rules, and if such practice causes or threatens to cause serious prejudice to the interest of the other Party or material injury to its domestic industry, including its services industry,

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

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

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

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

### **Article 63.**

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

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

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

### **Article 64.**

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

### **Article 65.**

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

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

### **Article 66.**

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

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

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

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

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

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

## **Chapter III. Approximation of Laws**

### **Article 67.**

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

### **Article 68.**

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

### **Article 69.**

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

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

## **Title VI. ECONOMIC COOPERATION**

### **Article 70.**

1. The Community and Hungary shall establish cooperation aimed at strengthening economic links on the widest possible foundation to the benefit of both Parties and at contributing to Hungary's development.

2. Policies designed to bring about the economic and social development of Hungary, in particular policies relating to industry including the mining sector, construction industry, investment, agriculture, energy, transport, telecommunications, regional development and tourism should be guided by the principle of sustainable development. This entails ensuring that environmental considerations are fully incorporated into such policies from the outset.

These policies shall also take into account the requirements of sustainable and harmonious social development.

3. Particular attention should also be devoted to measures capable of fostering regional cooperation.

## **Article 71. Industrial Cooperation**

1. Cooperation shall seek to promote the following in particular:

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

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

## **Article 72. Investment Promotion and Protection**

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

2. The cooperation shall take the following forms:

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

## **Article 73. Industrial Standards and Conformity Assessment**

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

2. To this end, cooperation shall seek:

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

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

## **Article 74. Cooperation In Science and Technology**

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

- the exchange of information on each other's science and technology policies,
- the organization of joint scientific and technological development meetings (seminars and workshops),
- joint research and development (R& D) activities aimed at encouraging scientific progress and the transfer of technology and know-how,
- training activities and mobility programmes for researchers and specialists from both sides,
- the development of an environment conducive to research and the application of new technologies and adequate protection of the intellectual property results of research,
- participation in the Community programmes in accordance with paragraph 3,
- support by the Community for Hungary's participation in relevant European research and development (R& D) programmes.

Technical assistance shall be provided where appropriate.

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

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

## **Article 75. Education and Training**

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

2. Cooperation shall comprise the following areas:

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

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

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

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

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

## **Article 76. Agriculture and the Agro-industrial Sector**

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

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

## **Article 77. Energy**

1. Cooperation shall take place within the framework of the principles of the market economy and develop against a background of progressive integration of the energy markets in Europe.

2. Cooperation shall focus on the following in particular:

- modernization of infrastructure,
- improvement and diversification of supply,
- formulation and planning of energy policy,
- management and training for the energy sector,
- the development of energy resources,
- the promotion of energy saving and energy efficiency,
- the environmental impact of energy production and consumption,
- the nuclear energy sector,
- the electricity, oil and gas sectors, including consideration of the possibility of interconnection of European supply networks,
- the formulation of framework conditions for cooperation between undertakings in this sector,
- the transfer of technology and know-how,
- opening up the energy market to a greater degree; facilitating transit of gas and electricity.

## **Article 78. Nuclear Safety**

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

## **Article 79. Environment**

1. The Parties shall develop and strengthen their cooperation in the vital task of combating the deterioration of the environment, which they have judged to be a priority.
2. Cooperation shall centre on:
  - effective monitoring of pollution levels,
  - combating local, regional and transboundary air and water pollution,
  - efficient energy production and consumption, safety of industrial plants,
  - classification and safe handling of chemicals,
  - water quality, particularly of cross-boundary waterways,
  - waste reduction, recycling and safe disposal; implementation of the Basle Convention,
  - the environmental impact of agriculture; soil erosion; the protection of forests and flora and fauna,
  - land-use planning, including construction and urban planning,
  - use of economic and fiscal instruments,
  - global climate change,
  - rehabilitation of environmentally heavily loaded industrial areas,
  - protecting human health against environmental hazards.
3. To these ends, the Parties plan to cooperate in the following areas:
  - transfer of technology and know-how,
  - exchange of information and experts, including information and experts dealing with the transfer of clean technologies,
  - training programmes,
  - approximation of laws (Community standards),
  - cooperation at regional level (including cooperation within the framework of the European Environment Agency, when established by the Community) and international level,
  - development of strategies, particularly with regard to global and climatic issues,
  - improvement of the environmental management, inter alia water management

## **Article 80. Water Management**

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

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

## **Article 81. Transport**

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

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

2. Cooperation shall include the following in particular:

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

3. Priority areas shall be the following:

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

## **Article 82. Telecommunications, Postal Services and Broadcasting**

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

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

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

- the modernization of Hungary's telecommunications network and its integration into European and world networks,

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

## **Article 83. Banking, Insurance and other Financial Services**

1. The Parties shall cooperate with the aim of developing the banking, insurance and financial services sector in Hungary.
2. The cooperation shall focus on:
  - the harmonization of the accounting system in Hungary with European standards,
  - the harmonization of the supervision and regulation system of the banking and financial services,
  - the preparation of translations of Community and Hungarian legislation,
  - the preparation of glossaries of terminology,
  - the exchange of information in particular in respect of proposed legislation,
  - providing literature and supporting the setting up of an information and documentation centre in Hungary for the financial sector.
3. To this end, the cooperation shall include the provision of technical assistance and training. Inter alia the Community shall provide short term and long term on the job programmes in Community financial institutions and regulatory agencies.

## **Article 84. Monetary Policy**

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

## **Article 85. Audit and Financial Control Cooperation**

1. The Parties shall cooperate with the aim to developing efficient financial control and audit systems in the Hungarian administration following standard Community methods and proceedings.
2. Cooperation shall focus on:
  - the exchange of relevant information on audit systems,
  - the unification of audit documentation,
  - training and advisors operations.
3. To this end, technical assistance shall be provided by the Community as appropriate.

## **Article 86. Money Laundering**

1. The Parties agree on the necessity of making every effort and cooperating in order to prevent the use of their financial systems for laundering of proceeds from criminal activities in general and drug offences in particular.
2. Cooperation in this area shall include administrative and technical assistance with the purpose of establishing suitable standards against money laundering equivalent to those adopted by the Community and international fora in this field, in particular the Financial Action Task Force (FATF).



## **Article 87. Regional Development**

1. The Parties shall strengthen cooperation between them on regional development and land-use planning.
2. To this end, any of the following measures are planned:
  - the exchange of information by national authorities on regional and land-use planning policy, and, where appropriate, the provision of assistance to Hungary for the formulation of such policy,
  - joint action by regional and local authorities in the area of economic development,
  - exchange visits to explore the opportunities for cooperation and assistance,
  - the exchange of civil servants,
  - the provision of technical assistance with special attention to the development of disadvantaged areas,
  - the establishment of programmes for the exchange of information and experience, by methods including seminars.

## **Article 88. Social Cooperation**

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

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

Cooperation shall comprise the following in particular:

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

## **Article 89. Tourism**

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

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

## **Article 90. Small and Medium-sized Enterprises**

1. The Parties shall aim to develop and strengthen small and medium-sized enterprises and cooperation between SMEs in the Community and Hungary.
2. They shall encourage the exchange of information and know-how in the following areas:
  - improving, where appropriate, the legal, administrative, technical, tax and financial conditions necessary for the

development and expansion of SMEs and for cross-border cooperation,

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

## **Article 91. Information and Communication**

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

## **Article 92. Customs**

1. The aim of cooperation shall be to guarantee compliance with all the provisions scheduled for adoption in connection with trade and to achieve the approximation of Hungary's customs system to that of the Community, thus helping to ease the steps towards liberalization planned under this Agreement.
2. Cooperation shall include the following in particular:
  - the exchange of information,
  - the organization of seminars and placements,
  - the development of cross-frontier infrastructure between the Parties,
  - the introduction of the single administrative document and of an interconnection between the transit systems of the Community and Hungary,
  - the simplification of inspections and formalities in respect of the carriage of goods,
  - preparation for the adoption as soon as possible by Hungary of the combined nomenclature.

Technical assistance shall be provided where appropriate.

3. Without prejudice to further cooperation provided for in this Agreement, and in particular Article 96, the mutual assistance between administrative authorities of the Contracting Parties in customs matters shall take place in accordance with the provisions of Protocol 6.

## **Article 93. Statistical Cooperation**

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

- to provide private-sector economic operators with the appropriate macroeconomic and microeconomic data,
- to guarantee the confidentiality of data.

3. Technical assistance shall be provided by the Community as appropriate.

## **Article 94. Economics**

1. The Community and Hungary will facilitate the process of economic reforms and integration by cooperating to improve understanding of the fundamentals of their respective economies and of devising and implementing economic policy in market economies.

2. To these ends the Community and Hungary will:

- exchange information on macro-economic performance and prospects and on strategies for development,
- analyse jointly economic issues of mutual interest, including the framing of economic policy and the instruments for implementing it;
- through the programme of Action for Cooperation in Economics in particular, encourage extensive cooperation among economists and managers in the Community and Hungary, in order to speed up the transfer of know-how for the drafting of economic policies, and provide for wide dissemination of the results of policy-relevant research.

## **Article 95. Public Administration**

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

## **Article 96. Drugs**

1. The cooperation is in particular aimed at increasing the efficiency of policies and measures to counter the supply and illicit traffic of narcotics and psychotropic substances and the reduction of abuse of these products.

2. The Contracting Parties shall agree on the necessary methods of cooperation to attain these objectives, including the modalities of the implementation of common actions. Their actions will be based on consultation on and close coordination of the objectives and the policy measures in the fields targeted in paragraph 1.

3. The cooperation between the Contracting Parties will comprise technical and administrative assistance which could deal in particular with the following areas: the drafting and implementation of national legislation; the creation of institutions and information centres and of social and health centres; the training of personnel and research; the prevention of diversion of precursors used for the purpose of illicit manufacture of narcotic drugs or psychotropic substances.

The Parties may agree to include other areas.

## **Title VII. CULTURAL COOPERATION**

### **Article 97.**

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

This cooperation may notably cover:

- exchange of works of art and artists,
- literary translations,
- conservation and restoration of monuments and sites (architectural and cultural heritage),
- the preservation of regional cultural values,
- training for those dealing with cultural affairs,

- the organization of European-oriented cultural events,

- raising mutual awareness and contribute to the dissemination of outstanding cultural achievements.

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

## **Title VIII. FINANCIAL COOPERATION**

### **Article 98.**

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

### **Article 99.**

This financial assistance shall be covered by:

- the operation Phare measures provided for in Council Regulation (EEC) No 3906/89, as amended, until the end of 1992; thereafter grants will be made available by the Community, either within the framework of the operation Phare on a multiannual basis, or within a new financial multiannual framework established by the Community following consultations with Hungary and taking into account the considerations set out in Articles 102 and 103,

- the loan(s) provided by the European Investment Bank until the expiry date of the availability thereof; following consultations with Hungary the Community shall fix the maximum amount and period of availability of loans from the European Investment Bank for Hungary for subsequent years.

### **Article 100.**

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

### **Article 101.**

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

- to support measures with the aim to gradually introduce and maintain the convertibility of the Hungarian currency,

- to support medium-term stabilization and structural adjustment efforts, including balance of payments assistance.

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

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

### **Article 102.**

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

## **Article 103.**

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

## **Title IX. INSTITUTIONAL, GENERAL AND FINAL PROVISIONS**

### **Article 104.**

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

### **Article 105.**

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

### **Article 106.**

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

It shall draw up its decisions and recommendations by agreement between the two Parties.

### **Article 107.**

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

The Association Council shall appoint a third arbitrator.

The arbitrators' decisions shall be taken by majority vote.

Each party to the dispute must take the steps required to implement the decision of the arbitrators.

### **Article 108.**

1. The Association Council shall be assisted in the performance of its duties by an Association Committee composed of representatives of the members of the Council of the European Communities and of members of the Commission of the European Communities on the one hand and of representatives of the Government of Hungary on the other, normally at senior civil servant level.

In its rules of procedure the Association Council shall determine the duties of the Association Committee, which shall include the preparation of meetings of the Association Council, and how the Committee shall function.

2. The Association Council may delegate to the Association Committee any of its powers. In this event the Association Committee shall take its decisions in accordance with the conditions laid down in Article 106.

### **Article 109.**

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

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

### **Article 110.**

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

### **Article 111.**

1. The Association Parliamentary Committee shall consist of members of the European Parliament, on the one hand, and of members of the Hungarian Parliament, on the other.

2. The Association Parliamentary Committee shall establish its rules of procedure.

3. The Association Parliamentary Committee shall be presided in turn by each the European Parliament and the Hungarian Parliament, in accordance with the provisions to be laid down in its rules of procedure.

### **Article 112.**

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

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

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

### **Article 113.**

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

### **Article 114.**

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

(a) which it considers necessary to prevent the disclosure of information contrary to its essential security interests;

(b) which relate to the production of, or trade in, arms, munitions or war materials or to research, development or production indispensable for defence purposes, provided that such measures do not impair the conditions of competition in respect of products not intended for specifically military purposes;

(c) which it considers essential to its own security in the event of serious internal disturbances affecting the maintenance of law and order, in time of war or serious international tension constituting threat of war or in order to carry out obligations it has accepted for the purpose of maintaining peace and international security.

### **Article 115.**

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

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

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

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

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

## **Article 116.**

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

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

## **Article 117.**

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

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

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

## **Article 118.**

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

## **Article 119.**

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

## **Article 120.**

This Agreement is concluded for an unlimited period.

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

## **Article 121.**

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

## **Article 122.**

This Agreement is drawn up in duplicate in the Danish, Dutch, English, French, German, Greek, Italian, Portuguese, Spanish

and Hungarian languages, each of these texts being equally authentic.

### **Article 123.**

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

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

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

### **Article 124.**

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

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

In witness whereof the undersigned plenipotentiaries have signed this Agreement.

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

For the Kingdom of Belgium

For the Kingdom of Denmark

For the Federal Republic of Germany

For the Hellenic Republic

For the Kingdom of Spain

For thr French Republic

For Ireland

For the Italian Republic

For the Grand Duchy of Luxembourg

For the Kingdom of Netherlands

For the Portuguese Republic

For the United Kingdom of Great Britain and Northern Ireland

For the Council and the Commission of the European Communities

For the Republic of Hungary