

**RECORD OF UNDERSTANDINGS
RELATING TO THE AGREEMENT BETWEEN
THE EFTA STATES AND
THE REPUBLIC OF BULGARIA**

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1. The EFTA States and Bulgaria recognize that there is a certain parallelism between the levels of concessions regarding tariffs, quantitative restrictions, charges and measures having equivalent effect at the entry into force of the Free Trade Agreement EFTA-Bulgaria and the Europe Agreement EC-Bulgaria. The EFTA States and Bulgaria further recognize that such a parallelism should basically be maintained during the whole transitional period. If either Party to the Europe Agreement accelerates the removal of the above-mentioned trade barriers, the matter shall be raised in the Joint Committee with the view to obtain a comparable level of liberalization also between the EFTA States and Bulgaria. The possibility of applying such parallelism to concessions granted under special conditions will be considered in the Joint Committee.

2. According to paragraph 3 of Article 3 of Protocol A, Bulgaria may introduce a system of price compensation measures. The EFTA States agree to provide technical assistance in the elaboration and implementation of such a system.

3. The EFTA States and Bulgaria agree to closely co-ordinate their efforts in training those concerned with the use of the simplified procedure laid down in Protocol B with regard to the issue, control and verification of evidence of origin in order to enable them to be authorized to use this procedure. The EFTA States will continue to use the simplified procedure in the same restricted way as they have done before. Bulgaria will use this procedure in a restricted way. The implementation of the simplified procedure shall be subject to deliberations in the Sub-Committee on origin and customs matters.

4. In order not to hamper the introduction of efficient ADP systems in customs administrations, the EFTA States and Bulgaria agree on the following interpretation of the word "submission" in Articles 8 and 12 of Protocol B to the Agreement: In cases where import declarations are transmitted electronically to the customs authorities of the importing State, it rests with these authorities to decide, within the framework and according to the provisions of the customs legislation applicable in the importing State, when and to what extent the documents constituting evidence of originating status shall actually be submitted.

5. The EFTA States and Bulgaria confirm their readiness to consider at a later stage in the Joint Committee the possibility of regional cumulation with the Czech Republic, Hungary, Poland, the Slovak Republic, and with Romania, in the light of progress made in fulfilling the appropriate technical and administrative conditions.

6. With reference to paragraph 1 of Article 5, the EFTA States and Bulgaria declare that the expression "Most Favoured Nation rate of duty applied" means duties listed in the customs tariff (autonomous, conventional as well as the "permanent" tariff suspensions and quotas that are shown therein). However, this expression does not cover temporary tariff suspensions and quotas.

7. With reference to paragraph 1 of Article 5, the EFTA States and Bulgaria agree that where temporary duty suspensions are applied by reason of a specific purpose, or for specific quantities, such suspensions shall not be considered as basic duties applied. The EFTA States and Bulgaria shall inform each other on the day preceding the date of entry into force of the Agreement of the list of products subject to such temporary duty suspensions.

8. With reference to paragraph 2 of Article 5, the EFTA States and Bulgaria confirm that where a reduction of duties is effected by way of a suspension of duties made for a particular period of time, such reduced duties shall replace the basic duties only for the period of such suspension, and that whenever a partial suspension of duties is made, the preferential margin between the States Parties to this Agreement will be preserved.

9. EFTA States and Bulgaria agree that exceptions listed in Annexes V, VII and VIII to Articles 7 and 9 will be reviewed after the entry into force of the Agreement concluded between EFTA States and the European Communities on the European Economic Area.

10. The EFTA States and Bulgaria agree that Articles 7 and 9 do not apply when measures covered by those Articles might be required for the administration of international agreements or for the avoidance of protective measures by the importing State Party.

11. With regard to goods exported from an EFTA State for processing (outward processing) in Bulgaria and processed there (inward processing), or vice versa, the States Parties to this Agreement declare their readiness to discuss, as soon as possible, arrangements under which

- such goods would be admitted free of customs duties into Bulgaria or an EFTA State, as the case may be, for processing, subject to re-exportation;

- the products obtained from such processing would be admitted totally or partly free of customs duties and charges having equivalent effect on importation into an EFTA State or Bulgaria, as the case may be.

12. With reference to Article 17(3), sub-paragraph (b), the States Parties to this Agreement shall notify existing multilateral agreements on economic integration in force for a State Party to this Agreement at the entry into force of this Agreement, to all the States Parties by 1 January 1994.

13. As regards the interpretation of Article 18, paragraph 1(b), the States Parties agree that the words "as a whole" refer to the whole territory of each State Party to this Agreement, taken separately.

14. For the purpose of interpreting Article 19, paragraph 3, the States Parties to this Agreement agree that the term "higher intensity" refers to the level of aid granted by way of measures contained in Annex XI, paragraph (c), and that the application of normally inconsistent measures under paragraph (d) could be temporarily justified by

the restructuring of Bulgaria's economy, provided that these practices are compatible with the rules on state aid in the Agreement establishing an Association between Bulgaria and the European Communities, as implemented by the Parties to that Agreement.

15. If, during a period equal to the derogation for subsidies under paragraph 3 of Article 19 and given the particular sensitivities of the steel market, imports of specific steel products originating in one State Party to this Agreement cause or threaten to cause serious injury to domestic producers of like products or serious disturbance to the steel market of another State Party, both States Parties shall immediately enter into consultations to find an appropriate solution. Pending such a solution and notwithstanding other provisions of the Agreement and in particular Articles 21 and 25, when exceptional circumstances require immediate action, the importing State Party may adopt forthwith quantitative or other solutions strictly necessary to deal with the situation, in accordance with its international and multilateral obligations.

16. The EFTA States and Bulgaria agree that paragraph 15 of the Record of Understandings cannot be considered as a precedent in Bulgaria's negotiations for accession to the General Agreement on Tariffs and Trade or to the Multilateral Trade Organisation which could emerge from the Uruguay Round negotiations.

17. With reference to paragraph 3 of Article 22, if there is a disagreement with regard to the actual value of imports of industrial products, international trade statistics such as those of the UN/ECE, GATT and OECD will be used.

18. The EFTA States and Bulgaria consider that an arbitration procedure could be envisaged for disputes which cannot be settled through consultations between the States Parties concerned or in the Joint Committee. Such a possibility, for instance regarding Article 18, will be further examined in the Joint Committee.

19. Taking into account developments in other international fora and in their respective relations with the European Communities, and in view of the growing importance of areas closely related to trade in goods, the EFTA States and Bulgaria will periodically discuss, in an appropriate forum among the States Parties concerned, possibilities to extend their economic relations to areas beyond trade in goods. The States Parties to this Agreement, will immediately notify each other of developments in this field, having occurred in particular in their relations with the European Communities.

DONE at Geneva, this 29th day of March 1993, in a single authentic copy in the English language which shall be deposited with the Government of Sweden. The Depositary shall transmit certified copies to all Signatories.