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Hungary

Trade Policy Monitoring

Agreement Yields Lower Tariffs and Improved

Market Access

2002

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Report Highlights: On January 30, 2002, the United States and Hungary agreed to a 'package' of trade concessions in which Hungary agreed to reduce or suspend tariffs on some key U.S. agricultural and industrial exports, totaling \$180 million annually. This report summarizes that agricultural trade aspects of the agreement.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Vienna [AU1], HU

Benefits for U.S. Agricultural Exporters

The Hungarian government will make tariff reductions and tariff rate quota (TRQ) increases (table 1) that will enter into force by April 1, 2002. This package will improve access to the Hungarian market for U.S. almonds, pecans, grapefruit and bovine semen. The agreement provides for increased competitiveness for U.S. exports compared to products from other countries (such as the EU) that have enjoyed a tariff advantage.

Table 1: Hungarian Tariff Reductions and TRQ Increases

Item	Previous Tariff	Negotiated Tariff
Bovine Semen	free within TRQ of 34,000 units; 18% outside TRQ	free within TRQ of 165,000 units; 18% outside TRQ
Almonds, Unshelled	6.2%	5.6%
Almonds, In shell	6.2%	3.5%
Pecans	15.5%	0.0%
Grapefruit	28.8%	2.4% within TRQ of 200 tons; 28.8% outside TRQ

It should also be noted that the Hungarian government expanded the TRQ for baby chicks effective January 1, 2002. While not formally part of the January 30 'package,' this increase in market access was gained in the context of GSP talks.

Table 2 - January 1, 2002 TRQ Increase for Baby Chicks

Baby Chicks	22% within TRQ of 100,500 units; 37.4% outside TRQ	22% within TRQ of 281,000 units; 37.4% outside TRQ
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U.S. Export Opportunities

This trade agreement, while limited in scope, provides positive and important improvements in market access for specific commodities. In essence, it levels the playing field with suppliers from other countries. It is expected that the U.S. share of imports of the commodities below will expand after the agreement is put into effect in the coming months.

Table 3: Hungarian Imports for 2000

Item	Total Imports (\$1,000)	U.S. Imports (\$1,000)
Baby Chicks	\$5,710	\$1,524
Bovine Semen	\$1,866	\$993
Almonds, Unshelled*	\$76	\$74
Almonds, In shell	\$1,585	\$1,268
Pecans	\$7	\$1
Grapefruit	\$663	n/a

*Statistics from 1999

Benefits for Hungarian Agriculture

As part of the 'package,' the Administration has agreed to support legislation under consideration in Congress to extend the GSP (Generalized System of Preferences) program, which expired on September 30, 2001, and to support Hungary's inclusion in that program.

The United States has also committed to working closely with the Hungarian government to promptly evaluate their request for access to the U.S. market for fresh/frozen meat. In particular, work needs be done (within existing U.S. regulations) on meat plant and animal disease status certification.

Background

GSP was extended to Central and Eastern European countries following the fall of communism in order to help with the transition to a market economy and democracy. GSP allows duty free exports for some commodities subject to a number of conditions.

Hungary risked losing GSP because it entered into preferential trade agreements with the EU for both industrial and agricultural products. These agreements provided for increased market access for EU products exported to Hungary and in some cases gave tariff preference to EU suppliers.