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SLOVAK REPUBLIC

Communication from the Slovak Republic

The following communication, dated 21 June 1993, has been received from the Permanent Mission of the Slovak Republic for circulation to contracting parties.

Foreword

This communication has been prepared in the context of the process of the country's accession to the GATT in accordance with the Understanding regarding Notification, Consultation, Dispute Settlement and Surveillance adopted on 28 November 1979.

The communication serves as a brief information on the Slovak economy and trade régime. Therefore, it is important to stress that the communication is not a comprehensive analysis of the Slovak economy, its structure, performance, or whole foreign trade policy régime with full statistical background.

The subjects of concern are the newly introduced tax system, licensing system, some macroeconomic estimates, the price regulation system, the privatization process and some other specific questions.

The communication describes measures and provisions in force at the time of its preparation. It should be noted, however, that the Government of Slovakia will inform contracting parties in a timely manner, through the GATT Secretariat, of any new measures adopted in relation to the actual development of the matters covered in the communication.

Introduction

On 1 January 1993 the Slovak Republic became a sovereign economic entity. As one of the two successor States to the Czech and Slovak Federal Republic (CSFR), the Slovak Republic has taken full responsibility for its share in fulfilling the outstanding international contracts and agreements of the former CSFR.

Nevertheless, the present legal order in the Slovak Republic is based on the Constitutional Law approved by the Federal Assembly on 15 December 1992 according to which all the constitutional laws of the previous CSFR are valid for the Slovak Republic from 1 January 1993.

The Slovak Republic will keep the legal system transparent and the new laws and decrees will be published in the Collection of Laws. Provided it is not stated otherwise, the laws and decrees become effective fifteen days after their publication. In this regard, the Slovak Republic is prepared to confirm that it will apply the existing legislation in conformity with the Articles and practice of the GATT.

The Slovak Economy - objectives

The Slovak government is committed to revitalizing the economy as swiftly as possible through policies aimed at safeguarding macroeconomic stability, promoting growth and employment and expediting the transition to a full-fledged market economy. Being a small country, the outside world has an important rôle in the well being of the Slovak Republic. The Government will therefore try to develop economic and trade relations in a mutually beneficial way with all countries in general, and with its European neighbours in particular. The relations with the international economic and financial institutions have to be strengthened with the aim of achieving stability and sustainable growth in the Slovak economy.

The Slovak economy began its transition from a centrally planned to a market oriented system within the framework of a unitary Czecho-Slovak economic space. Basic parameters of the economic reform introduced in 1991 were the following: the liberalization of the prices, the liberalization of the foreign trade, the introduction of the internal convertibility of the currency, support of the private sector in a macroeconomic framework of budgetary and monetary restriction and salary regulation.

Privatization process

Privatization as one of the important instruments of the decentralization and demonopolization of the economy has become the cornerstone of the transformation process. The scope and model of privatization applied in the CSFR and now, in the Slovak and Czech Republics does not have any precedent in the world. The so-called Small-Scale Privatization Act No. 92/1991 stipulated the rules of the privatization process. The small-scale privatization is almost finished and more than nine-thousand three hundred business units - shops, department stores, restaurants, hotels but also small factories in the food industry were auctioned with the total auctioned price approximately 14.2 billion Crowns (US\$ 500 million).

The large-scale privatization is under a dynamic process and by means of voucher privatization approximately five hundred enterprises in the first privatization wave were privatized and new private joint-stock companies were established. The value of the State-owned property included in the voucher privatization reached 93 billion Crowns (US\$ 3.3 billion).

A further six-hundred State-owned enterprises with the value of approximately two-hundred billion Crowns (US\$ 7.1 billion) will enter into this process soon.

The privatization process in the Slovak Republic will continue with the previous pace, however, besides the non-standard privatization methods (voucher privatization), a major emphasis will be laid upon the standard privatization methods (tenders and auctions).

Since the liberalization and demonopolization process in the last three years has been effected, there is no enterprise having monopoly in international trade or domestic distribution in the Slovak Republic.

Any company or natural person duly registered which (who) is engaged in production or trade is entitled to undertake foreign activities. An equal treatment for both State-owned (or operated) and private is applied. The dominant role of foreign trade companies has been considerably reduced and an increasing number of private trade companies is operating. There is no privilege of State enterprises whatsoever as they act on their own risk and on a profit oriented basis.

At present, there is no privilege provided to any State-owned or operated company which is to be notified under Article XVII. In fact, the Slovak Republic is prepared to do so if there is some product exported or imported by a company having exclusive rights in sense of this Article.

However, many industries of the Slovak economy are still highly concentrated. In a lot of them it is not only a result of cost and demand conditions, but also a consequence of administrative decisions made by planning authorities in the past. Therefore, the Antimonopoly Office has been established with the task to eliminate monopoly or the dominant position of such companies in the market.

Some positive results have already been achieved. Through privatization process some State-owned companies having a dominant role in the domestic market have been privatized. The producers of oil products, vegetable oils, detergents, tobacco, which had been State-owned monopolies before, have gone to private ownership and joint stock companies have been created.

Liberalization of the prices

It has reached a level of more than 90%. The coverage of controlled prices has been considerably lowered in the past two years. The Decree No.1/93 Coll. of the Ministry of Finance entered into force on 1 January 1993. The Decree contains the list of specific areas where the maximum prices are applied. In the following areas the prices of commodities are controlled:

- water (drinking and waste)
- electricity
- brown and black coal for households
- central heating for households

- natural gas for households

Both imported and domestic products, mentioned above, are subject to price control.

Tax system

The Slovak Republic introduced the new value added tax, consumer tax and income tax under the Laws approved by the Federal Assembly of the previous CSFR in April and December 1992. The application of the above-mentioned taxes is secured by the Constitution of the Slovak Republic. The new tax system entered into force on 1 January 1993. The same taxes are applied to imported as well as to similar domestic products. There are no exceptions concerning the tax rates. According to the law on the VAT, the products and the services are divided into two groups where 23% and 5% tax rates are applied and some services and products are tax free. In conformity with the new system, the value added tax is applied to all items. For specific items like cigarettes, alcoholic beverages, wine, beer and oil products an additional consumer tax is applied. The consumer taxes were implemented together with the application of the VAT. For both imported and domestic products the same rate is applied.

The selection of products subject to the consumer taxes has been subordinated to the State fiscal policy. The tax duty is levied when the products leave the factory for further sale distribution, or from the day when the duties are due by the imported goods. The products subject to the consumer tax are as follows:

- automobile petrol up to 0,013 g/l Pb	9360 Sk/t
- oil and petroleum	10800 Sk/t
- spirits	8250 Sk/t
- liquors	180 Sk/l
- beer up to 10%	154 Sk/l
over 10% up to 12%	317 Sk/l
over 12 %	423 Sk/l
- wine	7,80 Sk/l
- champagne	23,30 Sk/l
- cigarettes over 70 mm	0,46 Sk/pc

The Czech and Slovak Republic applied a 10 per cent import surcharge in the last year. It was abolished by 31 December 1992 and it is not applied in the Slovak Republic. In this respect, originally there was no justification to enter into consultation with the CONTRACTING PARTIES in the Balance of Payments Committee. However, if the circumstances would arise, the Slovak Republic will proceed in conformity with the GATT rules.

Agriculture

A huge privatization process is being undertaken also in agriculture along with a structural adjustment program and liberalization of prices and foreign trade in this sector. At present there are no quantitative restrictions on imports of agricultural products applied and no restrictions on imports of animals and plants have been adopted.

However, the sanitary and phytosanitary attest requirements aimed at protecting the health and environment are being applied.

The Slovak Republic is applying variable levies on selected imported agricultural products. However, these products have not been bound in the Slovak Schedule of Concessions. It is not expected that the coverage of the products subject to variable levies will be expanded in 1993. In accordance with the results of the Uruguay Round and depending on the commitments of other participants, the Slovak Republic is prepared to convert variable levies to tariff equivalents/tariffication. Relevant commitments, both in terms of reduction and binding will be provided.

With the aim of keeping the smooth supply of agricultural products in the domestic market, the Slovak Fund for Market Regulation has been established after the similar Federal Fund was eliminated by the end of the year 1992. This Fund, as it is mentioned above, has been established to support the fluent adjustment of agricultural products to the changes in market conditions of food products through State intervention purchases of selected agricultural products for prices determined by the price law. There is a very limited list of minimum prices which includes the following farm products: milk, heifers, bulls and wheat.

Licensing system

The Slovak Government will continue in high level of liberalization of foreign trade. A low number of import quotas is applied. The current licensing system of the Slovak Republic was taken over from the CSFR legislation and the Decree No.560/91 which was notified in the GATT document L/5640/Add.38/Rev.1, is still being applied. In June-July 1993, a new Decree is expected to be approved but neither the content nor the number of items will be substantially changed. The volume of import quotas will be stipulated in this new Decree and duly notified in conformity with the Agreement on Import Licensing Procedures.

Import quotas under the Decree valid in 1992 were applied to the following items:

261210	-	Uranium ores and concentrates
2701	-	Black coal
284410	-	Natural uranium and its compounds
284420	-	Uranium Enriched and its compounds
4707	-	Waste and scrap
7404	-	Copper waste and scrap
7602	-	Aluminium waste and scrap
7802	-	Lead waste and scrap

Currently there is no intention to extend the number of industrial items on which quotas will be applied.

The Slovak Republic does not apply any other quantitative restrictions, including the motion pictures, or non-tariff barriers on imports and in the future will proceed in conformity with the respective GATT Articles.

The reasons for applying the quantitative restrictions to listed imported goods are the same as for the Czech Republic, that is, environmental (waste and scrap of paper and paperboard and waste and scrap of ferrous metal, copper, aluminium and leads) and the protection of the domestic production. The restrictions for black coal and uranium are adopted within the Customs Union (the coal and uranium mines are located in the Czech Republic).

The restrictions for imported animals and plants are not adopted. Only some veterinary and health regulations protecting the health and environment are valid for these products.

Some Agreements with other countries

EFTA/CSFR Agreement

Having regard to the Constitutional Act on the Dissolution of the Czech and Slovak Federal Republic adopted by the Federal Assembly on 25 November 1992, in particular its Article 1 which provides that the Czech Republic and the Slovak Republic will be the successor States to the Czech and Slovak Federal Republic when the latter ceased to exist on 31 December 1992, the Government of the Slovak Republic declared that, as from 1 January 1993, the Slovak Republic would assume as a successor State to the CSFR for its territory all rights and obligations as a State Party in the Agreement between the EFTA States and the CSFR signed on 20 March 1992. The Protocol on succession of the Slovak Republic to the original CSFR/EFTA Agreement was signed on 19 April 1993 and the respective text has been circulated in the GATT document L/7220.

EC/CSFT Interim Agreement

The same was agreed in regard to the Interim Agreement on Trade and Trade-Related Matters of the Association Agreement between the EC and CSFR signed in December 1991. The quotas determined in the Interim Agreement have been already divided between the two successor States and the EC members had accepted this proposal. The same relates to quotas under the Agreement with the EFTA countries. Succession of the Slovak Republic to the Association Agreement is being negotiated, however, the original text of the Interim Agreement remains the same. At present, the Agreement is under examination in a GATT Working Party.

Czech Republic/Slovak Republic Customs Union Agreement

The Customs Union Agreement was signed on 29 October 1992 with the aim of ensuring the free movement of goods and services after the dissolution of the CSFR.

The respective bodies of the Customs Union will represent the interests of both Republics in the GATT in conformity with competencies determined in the Customs Union Agreement. The functioning of the Customs Union is secured by the Council and Permanent Secretariat. The disputes arising between the two Republics in matters covered by the Customs Union will be resolved by the Arbitration Committee. The agriculture régime is also a part of the Customs Union Agreement. The coordination of the agricultural policy is secured by the separate arrangement signed by the Slovak and Czech Governments.

The notification of the Customs Union Agreement between the two countries has been made in documents GATT L/7212 of 30 April 1993 and L/7212/Add.1 of 12 May 1993. Contracting parties have obtained the original text and further necessary details to have an opportunity to consider its conformity with the respective GATT rules.