

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

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STATE TRADING

Notifications Pursuant to Article XVII:4(a)

CZECH REPUBLIC

The following communication, dated 13 May 1994, has been received from the Permanent Mission of the Czech Republic.

I. Enumeration of state trading enterprises

The Government of the Czech Republic wishes to notify the operation of the State Fund for Market Regulation (SFMR - Státní fond tržní regulace) - a public agency that may qualify under the provisions of GATT Article XVII.

II. Reason and purpose for introducing and maintaining the SFMR

The SFMR was established by Act on State Fund for Market Regulation in Agriculture No. 472/1992, Coll. of Laws, as an independent economic body. The SFMR was preceded by the Federal Fund for Market Regulation carrying out identical functions and activity which ceased to exist due to the dissolution of the Czech and Slovak Federal Republic.

The Main purpose of the SFMR is to provide the market regulation of selected agricultural products. The SFMR issues the list of agricultural products subject to market regulation in accordance with the development of supply and demand on domestic market.

With the aim to provide stability and predictability of price development through elimination of excessive price fluctuations the SFMR is authorized to make interventions on the domestic agricultural market. Simultaneously, the task of the SFMR is to ensure protection of the domestic agricultural production against low-priced imports.

The main commodities presently subject to the regulation by the Fund are as follows:

- grain (cereals),
- live cattle and beef meat,
- pork meat,
- butter,
- skimmed milk powder,
- cheeses,
- sugar,
- potatoes,
- potato starch.

The principal activities of the SFMR are financed from the annual budget allocations approved by the Government of the Czech Republic. The scope of financing of the SFMR is limited.

III. Description of functioning of the SFMR

1. Regulation of market through intervention sales and purchases

The SFMR Council decides on the commodity subject to regulation, on its quantity and on the guaranteed (minimum reference) price on which the goods are purchased from the producers. Intervention purchases and storage of purchased goods are procured by the domestic economic operators (entities, agents) selected in tenders.

These operators enter into contractual obligations on normal commercial terms and in case of oversupply and subsequent fall in purchasing prices they purchase the goods in question from the domestic producers for at minimum guaranteed price and store them. When supply meets demand or in case of high level of demand the stocks are released to a domestic market on instructions by the SFMR with the view of stabilizing the consumer prices.

2. Regulation of market through subsidized exports

The SFMR Council decides on the commodity subject to regulation, on its quantity, on the guaranteed (minimum reference) price on which the goods are purchased from the producers and on the level of subsidy granted. On the basis of tender the economic operators are selected to effect purchase on guaranteed prices from the domestic producers and export transactions of subsidized goods.

3. Regulation of market through variable levies

In accordance with Decree No. 38/1992 on variable levies in imports the SFMR Council proposes the level of variable levies to the Ministry of Finance. The variable levy is a non-tariff instrument which eliminates or narrows the difference between the domestic price and the price of agricultural imports. It is applied to unbound items listed in the above-mentioned decree.

The state budget disbursements designed for the activity of the SFMR totalled as follows:

1992	Kč 3.113 billion
1993	Kč 2.134 billion

The SFMR does not conduct directly any foreign trade operations of its own. All such operations are commissioned to the domestic economic operators which in individual cases enter into standard contractual relations with the SFMR. Foreign trade transactions undertaken on behalf of the SFMR conform to normal commercial terms, conditions and practices, including price, profit margins, quality, availability, marketability and other trade regulations.

The decisions of the Fund are taken by the SFMR Council consisting of the representatives of the following bodies: State Fund for Market Regulation (Director of the Fund), Ministry of Agriculture, Ministry of Finance, Ministry of Industry and Trade, Ministry for Economic Competition, State Material Reserves, Agrarian Chamber (Chamber of Agriculture?).

The SFMR has no monopolistic or exclusive position on the market since other traders remain free to export or import on competitive terms and under normal market conditions. The rights of these operators are not affected adversely by the SFMR activities.

IV. Statistical information

The activity of the SFMR in the period of 1992 and 1993 was conducted in the following areas:
(See table)

The main operations of the SFMR in the period 1992-1993 were conducted in the following commodities:

Table 1: Main operations of the SFMR in 1992-1993: (in thousand tons)

Commodities	Years	Production	Total export	SFMR export	Total import	SFMR import
Grain (cereals)	1992	6564.9	480	420.14	50.00	-
	1993	6468	158.89	-	160.66	109.28
Beef meat	1992	420	30.60	29.31	1.59	-
	1993	380	32.94	13.75	1.95	-
Pork meat	1992	740	2.60	-	1.80	-
	1993	685	10.60	8.40	0.24	-
Butter	1992	86.31	29.36	28.32	0.02	-
	1993	66.65	31.67	30.46	0.05	-
Skimmed milk powder	1992	113.43	48.00	12.05	0.47	-
	1993	92.04	66.40	14.48	0.58	-
Cheeses	1992	76.81	10.85	7.44	2.02	-
	1993	52.53	10.36	1.49	5.00	-
Sugar	1992	544.53	39.62	39.42	0.00	-
	1993	580.00	86.60	20.00	1.5	-
Potatoes	1992	1969.23	10.00		23.08	-
	1993	2395.81	28.74	2.10	37.00	-
Potato starch	1992	25.00	0.16	-	-	-
	1993	25.00	0.78	-	0.07	-