

GENERAL AGREEMENT ON

RESTRICTED

L/6555

31 July 1989

TARIFFS AND TRADE

Limited Distribution

Original: English

CZECHOSLOVAK LEGISLATIVE ACTS¹
RELATING TO FOREIGN TRADE

Notification by Czechoslovakia

The following communication dated 18 July 1989 has been received from the Permanent Mission of Czechoslovakia.

In accordance with the provisions of Article X and the Understanding on Notification, Consultation, Dispute Settlement and Surveillance the Czechoslovak authorities are furnishing the following information on the Czechoslovak legislative acts relating to foreign trade which were recently enacted by the Czechoslovak Federal Assembly.

To improve the existing economic system, give full play to the productive forces and create more powerful stimuli for economic, scientific, technological and social progress Czechoslovakia has conducted progressively a profound restructuring of its economic mechanism since 1988.

Major efforts are devoted to improving the foreign trade system. Series of measures have been taken designed to decentralize this system, increase its flexibility and transparency and to regulate foreign trade through economic and legal means without intervention in the operation of the enterprises.

In this connection the following legislative Acts were enacted in 1988:

- (I) State Enterprise Act, No. 88 Coll. of 14 June 1988, Agricultural Cooperatives Act No. 90 Coll. of 15 June 1988, Housing, Consumer and Producer Cooperatives Act No. 94 Coll. of 15 June 1988
- (II) Act No. 102 Coll. on Economic Relations with Foreign Countries, of 10 June 1988 which amends and modifies the Act No. 42 Coll. on these relations, of 10 April 1980

¹The texts of the acts, in English and Czech, are available for consultation in the secretariat (Miss Aspinall, Office 1023, telephone 739.51.09)

(III) Enterprise with Foreign Property Participation Act, No. 173
Coll. of 8 November 1988.

The reasons for introducing the above mentioned acts and their basic elements may be summarized as follows:

- (I) The purpose of State Enterprise Act is to invigorate the enterprises by improving the external environment and promoting reforms within the enterprises, enlarging the decision making powers of the enterprises and making them independent economic entities capable of self-accumulation and self-development with full authority for their own management and full responsibility for their own profits and losses. The enterprises enjoy the right to carry out foreign trade activities and establish direct relations with foreign partners subject to conditions set forth in the Act on Economic Relations with Foreign Countries as amended.

Agricultural Cooperatives Act and Housing, Consumer and Producer Cooperatives Act follow similar objectives as State Enterprise Act and the cooperatives also may engage in foreign trade activities.

- (II) The principal objective of amending the Act on Economic Relations with Foreign Countries has been to create adequate legal basis for the restructuring of the foreign trade mechanism and system. Under the amended Law enterprises engaged in economic and foreign trade activities enjoy economic, financial and commercial independence. Authorization to engage in these activities is granted by the Federal Ministry of Foreign Trade to Czechoslovak legal bodies freely provided they are, from the economic and financial point of view, capable of carrying out such activities.

Rules and procedures governing scientific and technological cooperation, industrial cooperation and disposal of industrial property rights have been simplified. The Law has also modified the functions of the Federal Ministry of Foreign Trade which now mainly formulates foreign trade policies, negotiates trade agreements and exercises general supervision over foreign trade through legal and economic instruments. It does not interfere with the management and business activities of the enterprises.

- (III) The purpose of the Act on Enterprise with Foreign Property Participation is to set forth conditions for creating enterprises wherein a foreign person participates and for their operation on the territory of Czechoslovakia.

This Law replaces in this area a number of existing laws and regulations promulgated over the last 40 years. Under the Law foreign persons enjoy the relevant legal and financial security and their economic and financial interests are effectively

protected and safeguarded. The enterprises enjoy full independence in their economic and commercial activities and their financial and foreign exchange management. No limits are set up for the share of the foreign participant in the basic capital of the enterprise.

The aforementioned legislative acts and their implementation will be conducive to greater outward orientation of Czechoslovakia's economy and fuller Czechoslovakia's participation in the world trade and economy.