NOTIFICATION PURSUANT TO PARAGRAPH 3 OF THE DECLARATION ON TRADE MEASURES TAKEN FOR BALANCE-OF-PAYMENTS PURPOSES

Communication from the Czech and Slovak Federal Republic

The following communication, dated 24 January 1991, has been received from the Permanent Mission of the Czech and Slovak Federal Republic.

The Czech and Slovak Federal Republic has embarked on a fundamental reform of the economy which comprises also a major liberalization of foreign trade. The Government's economic programme for 1991 is designed to establish a market economy, while restoring internal and external balance. The economy moreover will be subject to strong destabilizing influences arising both from the process of transformation itself and from the severe deterioration of terms of trade and payment conditions that result from the breakdown of the CMEA clearing trading and payment arrangements, the impact of the Middle East crisis on oil prices and shrinking of important traditional markets. These external factors over which the Czechoslovak authorities have no control carry particular risks for external balance and put undue pressure on foreign reserves.

The external current account deficit is targeted at US$2.5 billion in 1991 and external debt of convertible currencies is projected to be about US$11 billion by the end of 1991. In order to prevent further deterioration of balance of payments and sharp decline in the country's monetary reserves the Government of the Czech and Slovak Federal Republic introduced on 17 December 1990 a temporary restrictive measure on imports of consumer goods and foodstuffs under Article XII:2 (a) of the General Agreement on Tariffs and Trade in the form of a 20 per cent import surcharge. This measure is considered as a short-term supplementary element within the framework of the economic policy pursued by the Czechoslovak Government aiming at the improvement of the country's external equilibrium.

Introducing this measure the Government of the Czech and Slovak Federal Republic made every effort to avoid interference with its international trade relations and existing arrangements with our trade partners and is ready to consult with the contracting parties on the measure it has taken.

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