The following communication, dated 26 September 1991, has been received from the Permanent Mission of the Czech and Slovak Federal Republic.

1. I have the honour to inform you that the Government of the Czech and Slovak Federal Republic has recently undertaken a review of its customs tariff. This was done following the fundamental reform of the CSFR economic régime, in particular the transformation from a centrally-planned to a market economy. Details of this reform were presented to, and considered in, the consultations which the CSFR conducted in July 1991 in the Committee on Balance-of-Payments Restrictions. It will be recalled in this connection that the Committee "commended the authorities of the CSFR for the breadth of the fundamental economic reforms undertaken and for the progress achieved to date" (paragraph 20 of document BOP/R/193); the Committee also encouraged the CSFR to pursue its efforts in the liberalization of its economy. The main principles of the economic reform in the CSFR are described also in the GATT document L/6901 of 29 August 1991.

2. As regards in particular foreign trade, the CSFR has taken significant steps to liberalize its former régime by eliminating the monopoly of state-controlled foreign trade enterprises. Any legal or natural person may now engage in foreign trade activities, subject to a system of simple registration; as a consequence, the number of entities engaged in foreign trade has grown from 60 in 1989 to more than 3,500 by the end of 1990 and to practically an unlimited number at present. Of equal importance is the fact that at the beginning of 1991, all restrictions on imports were eliminated (except for crude petroleum, natural gas, arms, ammunition and drugs). Thus, tariffs have become the only protection for the domestic industry. As a result of previous GATT negotiations, the CSFR has very low tariff levels, i.e. 5 per cent on a trade-weighted average basis, and a very high level of tariff bindings (97 per cent of all tariff lines or 96 per cent on a trade-weighted average basis) - all figures excluding petroleum. However, it should be noted that these concessions were made under an entirely different trade policy régime, i.e. under a past system of strict planning and state monopoly.
3. The review of the customs tariff of the CSFR has revealed that the efforts of the Government of the CSFR to achieve a foreign trade system based on the market principles are being impaired by the inadequacy of the present customs tariff. It has become clear that the protection of certain sectors of the domestic industry through tariffs is insufficient and is bound to result in serious difficulties and in certain cases in unjustified closing down of these industries. The Government of the CSFR has therefore decided to increase, starting 1 January 1992, some tariffs and at the same time modify and withdraw the corresponding GATT concessions in its Schedule X. These modifications or withdrawals will affect a total of approximately 1000 six-digit items, of which 350 in Chapters 1-24 and 650 in Chapters 25-97, representing approximately 20 per cent of total imports of the CSFR in 1990. A list of the sectors for which modifications or withdrawals will take place is contained in the Annex. The Government of the CSFR wishes to underline, however, that in both the agricultural as well as the industrial sector, further 500 GATT-bound tariff rates will at the same time be reduced, a fact which will to a considerable extent compensate for the modifications and withdrawals mentioned above. Preliminary calculations show that the tariff level on a trade-weighted average basis of all bound items will increase by less than 1 per cent, i.e. from the present level of 5 per cent to about 5.7 per cent (excluding petroleum).

4. In view of the need for urgent action and the time necessary to prepare the required documentation and data, it will not be possible to carry out the negotiations under Article XXVIII before the modification or withdrawal of the tariff concessions will take effect. The Government of the CSFR therefore requests, in conformity with Article XXV:5, a temporary exemption from its obligations under Article II of the General Agreement, until 31 December 1992, in order to enable it to implement the revised tariff rates on 1 January 1992.

5. The Government of the CSFR is presently preparing the documentation and data mentioned above and will submit it to the contracting parties as soon as possible. It also declares its intention to enter into negotiations and consultations with interested contracting parties under the procedures of Article XXVIII of the General Agreement.
LIST OF THE MAIN SECTORS SUBJECT TO TARIFF MODIFICATIONS

Live animals
Animal products
Vegetable products
Animal and vegetable fats
Prepared foodstuffs
Products of chemical industries
Articles of wood
Furniture
Paper and articles of paper
Textiles and textile articles
Electrical machinery and equipment
Machinery and mechanical appliances