WAIVER TO CZECHOSLOVAKIA FROM ARTICLES XV of the GENERAL AGREEMENT ON TARIFFS AND TRADE

1. At their Ninth Session the CONTRACTING PARTIES adopted a Decision, under which Czechoslovakia without derogation from any other provisions of Article XV is relieved from the provisions of paragraph 6 of that Article, for such time as Czechoslovakia satisfies the CONTRACTING PARTIES by means of annual consultations and such other consultations as may be held pursuant to the Decision, together with the information required therefor, that its action in exchange matters is fully consistent with the principles of the special exchange agreement and in accordance with the intent of the General Agreement.

2. Further, Czechoslovakia is required to report to and consult with the CONTRACTING PARTIES annually on any action taken by it during the preceding year which would have been required to be reported to the CONTRACTING PARTIES had Czechoslovakia signed a special exchange agreement.

3. In exchange matters Czechoslovakia follows principles which are in accordance with the principles and aims of the General Agreement and of the special exchange agreement, and in the past year did not take any action which would be contrary to these aims. In the field of exchange Czechoslovakia follows the provisions of the Act Relating to Foreign Exchange of 22 December 1953, No. 107 (see Annex A) and the Decree of the Minister of Finance of 31 December 1953, which regulates in more detail certain general provisions, though not those affecting trade, of the said Act.

4. The Act is characterized by the fact that it abolishes the licensing procedure for payments arising from foreign trade. Until the promulgation of this Act provisions had been in force under which all payments, and thus also payments for goods, were subject to foreign exchange licensing procedure, whereby the National Bank could refuse to allow payments for goods despite the fact that import licences had been issued. These measures were caused in particular by the difficulties arising from the Second World War and had a temporary character. After the economic conditions in Czechoslovakia had been stabilized and planned economy had been established, it was possible to abolish these restrictive measures and to confirm this situation by a formal legislative act, which happened by the adoption of the said 1953 Act.
5. The Foreign Exchange Economy Act contains in its Sections 2 and 3 certain provisions, usual in this kind of statute, concerning the import and export of money, cheques, bills of exchange, letters of credit, etc., furthermore securities and precious metals, which provisions are more fully specified in the Announcement of the Minister of Finance, so as to facilitate as much as possible the transit of these values across the frontier by travellers coming from or going abroad.

6. Furthermore, the Act contains in its Section 4 the most important new provisions, according to which the State Bank of Czechoslovakia effects payments abroad and allots foreign currency to foreign trade corporations for the settlement of obligations arising in connection with the carrying on of foreign trade without the necessity of a foreign exchange permission as required by the previous Act. It follows from this provision that the importer of goods from abroad is not obliged to apply for a foreign exchange permission to pay for the goods imported into Czechoslovakia and that therefore a rejection of such permission cannot in practice occur. This provision gives thus the foreign exporter a security that the payment of goods delivered to Czechoslovakia will not be rendered impossible by a foreign exchange authority.

7. On the other hand, payments for other purposes have remained subject to a licensing procedure, which, especially in respect of capital transfers, renders it possible to exercise an effective foreign exchange control with the object of preventing disturbances in the functioning of payments relations with abroad.

8. Section 5 of the Foreign Exchange Economy Act requires Czechoslovak residents to have their claims against debtors in foreign countries remitted to Czechoslovakia through the medium of the State Bank of Czechoslovakia and to offer for sale to the State Bank of Czechoslovakia foreign money, exchange and precious metals.

9. Section 6 of the said Act requires Czechoslovak residents to declare their claims against debtors in foreign countries and their obligations towards creditors in foreign countries, as well as certain other assets, so that a survey of Czechoslovakia's foreign exchange assets and liabilities in relation to foreign countries may be obtained. In addition, under the same Section, any disposal of the assets liable to declaration is made subject to licensing procedure, as it affects the position of the assets and obligations towards abroad.

10. The Announcement of the Minister of Finance, in addition to the reliefs granted to travellers, grants further reliefs to foreign nationals who are staying in Czechoslovakia for a prolonged time but not permanently. It likewise grants numerous facilities to Czechoslovak residents.

11. Among the provisions of fundamental importance the Act contains especially a provision concerning foreign accounts (Section 11). Under this provision all foreign accounts maintained in a foreign currency enjoy practically full liberty as regards dispositions in that particular currency. Foreign banks may also open foreign accounts in Czechoslovak crowns, to which similar facilities apply. The condition is that the account shall originate from payments in foreign currency or from transfers from other foreign accounts having the same character,
or with a foreign exchange permission. Their credit balances may be freely disposed of in the currency with which the account has been opened while accounts in Czecho-Slovak crowns may be freely disposed of in favour of residents of the bank's country. This arrangement of foreign accounts makes it possible for the payments relationship with abroad to function with great elasticity.

12. As shown in this brief review, only Section 4 is relevant to the General Agreement. The provisions of this Section prove that there are no restrictive foreign exchange regulations affecting trade in force in Czecho-Slovakia.

13. To explain to the CONTRACTING PARTIES why the adoption of the above regulations was possible, we should like to describe briefly the system of foreign trade existing in Czecho-Slovakia.

14. In Czecho-Slovakia foreign trade is a state monopoly established under Act No. 119 of 1948, the fundamental provisions of which are enclosed (see Annex B). Foreign trade is carried out exclusively by foreign trade corporations of which there are nineteen at present (see Annex C). These corporations are specialized according to the kinds of goods in which they deal, and they carry out both imports and exports. These corporations cannot, of course, trade arbitrarily; their activities are governed by a state plan of foreign trade. The foreign trade corporations are independent legal subjects established by Decrees of the Minister of Foreign Trade (see Annex D*), have their own budgets, are entered in the Commercial Register, and issue their own annual statements of balance.

15. The plan of foreign trade which governs the activities of these corporations consists of two parts:

(a) the material plan which contains the kinds and volume of goods;

(b) the foreign exchange plan which is a financial expression of the material plan. This foreign exchange plan contains, naturally, also other payments than for goods (such as freight charges, insurance, re-insurance, payments on government debts, etc.).

16. The import side of the plan is prepared on the basis of the needs of the population and the industry, both as far as production and investments are concerned. This part of the plan is primary and determines the preparation of the second part, i.e. the export side, which secures the acquisition of sufficient funds in foreign exchange to cover imports and other necessary payments.

17. With this planning of foreign trade and of foreign payments for services, there is no need for any foreign exchange restrictions, and the existing foreign exchange control has only a formal character.

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1 Annex D will be issued in an addendum to this document.
18. As concerns the exchange rate of Czechoslovak currency, this rate was set up by Act No. 41 of 1953 which determined the gold equivalent of the Czechoslovak koruna as 0.123426 grammes of pure gold. This determines also the exchange rate of the koruna in respect of other currencies. No multiple currency system is in practice in Czechoslovakia.

19. From what has been said it follows that no report would have to be submitted under the individual provisions of the special exchange agreement, if Czechoslovakia had signed such an agreement. There is no need, therefore, for a consultation under paragraph 2 of the Decision of the CONTRACTING PARTIES of 5 March 1955.

20. The foregoing material on the practices of the foreign exchange economy and foreign trade in Czechoslovakia is submitted for information of the CONTRACTING PARTIES in respect of paragraph 1 of the Decision.
ANNEX A

ACT OF 22 DECEMBER 1953, RELATING TO
FOREIGN EXCHANGE ECONOMY

The National Assembly of the Czechoslovak Republic has passed the following Act:

Section 1

A successful fulfilment of the State plan for the Development of the National Economy requires that the export and import of money and other values, the execution of payments to and from foreign countries, as well as the disposing of certain values, be newly adjusted and made subject to control according to this Act.

Section 2

(1) The export and import of Czechoslovak money is forbidden.

(2) As regards the frontier zone traffic, exceptions from the prohibition of the export and import of Czechoslovak money may be granted by the Minister of Finance in agreement with the Ministers of Foreign Trade and of the Interior.

(3) The export and import of instruments of payment (cheques, bills of exchange, money orders, letters of credit and other payment orders) expressed in Czechoslovak currency, and of Czechoslovak money withdrawn from circulation is allowed only with the permission of the Ministry of Finance.

(4) Only with the permission of the Ministry of Finance is it allowed to export:

(a) foreign money and instruments of payment expressed in a currency other than Czechoslovak,

(b) precious metals (gold, silver, platinum, palladium, ruthenium, rhodium, iridium and osmium in unworked state, moreover in semi-finished products, in mixtures, in alloys, in fragments, and the like, in which there is more than 10 per cent of fine silver or 1 per cent of other precious metal, as well as in coins that are not in circulation), precious stones, pearls and articles made of precious metals, precious stones and pearls, unless these articles are being exported by corporations established to carry on foreign trade (hereinafter "Foreign Trade Corporations" only),
(c) securities (especially shares, debentures, mortgage bonds, interest and dividend coupons and talons), furthermore deposit books, life insurance policies, deposit receipts and powers authorizing to dispose of property values abroad.

(5) The import of values mentioned in paragraph (4) is free.

**Section 3**

(1) Travellers proceeding abroad may deposit in custody with the Custom House-Office at their own expense the values whose export is prohibited or for whose import or export they hold no permit (Section 2). The acceptance into custody does not entail the duty to administer the values thus accepted.

(2) The terms of the custody shall be laid down by the Ministry of Finance in agreement with the Ministry of Foreign Trade.

(3) The values not called for within one year from the acceptance into custody shall fall to the State.

**Section 4**

(1) The Státní banka Československá effects payments abroad and allots foreign currency for the settlement of obligations arising in connexion with the carrying on of foreign trade and international forwarding business to Foreign Trade Corporations and to undertakings carrying on foreign trade in goods the trading in which, under the regulations concerning the state organization of foreign trade, is not reserved to the aforesaid corporations. The regulations concerning the control of foreign trade and international forwarding business are thereby not affected. Payments in connexion with the patent, trade-mark and design rights, as well as payments of licence fees of all kinds, shall be effected by the Státní banka Československá on the strength of a permit of the Ministry of Foreign Trade.

(2) In cases other than those mentioned in paragraph (1) the Státní banka Československá effects payments abroad and allots foreign currency only on the strength of a permit of the Ministry of Finance.

(3) The Government shall lay down the manner in which the rates of exchange of foreign currencies shall be fixed and shall state the price of gold and other precious metals for the requirements of the home market.

**Section 5**

(1) Natural persons who are residing in Czechoslovakia or who have been staying there for at least a period of one year, furthermore Czechoslovak subjects staying abroad by order of the Czechoslovak State and other organs, and
members of their families, who are staying with such persons abroad, as well as juristic persons who have their seat in Czechoslovakia (hereinafter "exchange citizens" only), are in duty bound

(a) to take care that their claims against debtors in foreign countries, no matter in what manner they may have acquired them, be remitted to them through the medium of Státní banka československá immediately upon maturity by transfer to Czechoslovakia, such transfer to be made in the currency in which the claim is expressed or in a manner and within a time-limit laid down by the Ministry of Finance, or, in the case of remittances of claims in respect of the undertakings or cases mentioned in Section 4 paragraph (1), by the Ministry of Foreign Trade,

(b) to offer for sale to the Státní banka československá not later than ten days after the acquisition or after they have become exchange citizens, foreign money, instruments of payment expressed in foreign currency and precious metals,

(c) to realize, when requested to do so by the Ministry of Finance, in the manner laid down by that Ministry immovable property and other assets which they have abroad, furthermore securities payable abroad (foreign securities), wherever they may be deposited, or to follow the Ministry's instructions as to any other disposal of the said values; in case of undertakings mentioned in Section 4 paragraph (1) and in case of patent, licence, trade-mark and design rights the competence to make such a request or to give such instructions rests with the Ministry of Foreign Trade.

(2) Exchange citizens who, no matter for what reason, are staying abroad shall offer the values mentioned in paragraph (1) (b) to the Státní banka československá not later than ten days after their return to Czechoslovakia.

(3) The duties according to paragraphs (1) and (2) continue so long as the exchange citizen has in his ownership the values which he is obliged to have remitted to him or which he is to offer or to realize.

(4) The Minister of Finance may

(a) lay down that certain persons shall not be considered exchange citizens even if they have been staying in Czechoslovakia more than one year,

(b) grant exceptions to the duty to offer to the Státní banka československá precious metals.
(1) Exchange citizens are under obligation to declare:

(a) claims against debtors in foreign countries, immovable property and interests in property abroad, their foreign securities and claims to inheritances or bequests in foreign countries;

(b) securities and inland immovable property belonging to exchange foreigners, which they hold in custody or which they administer on behalf of such exchange foreigners; exchange foreigners are natural and juristic persons that are not exchange citizens;

(c) obligations towards creditors in foreign countries.

Such a declaration to be made within ten days of the arising of the aforesaid rights and obligations, of the acquisition of the assets, of the taking over of the assets into custody or administration, or after they have become exchange citizens or within ten days after they have learned of the arising of such rights and obligations or of the acquisition of such assets. Exchange citizens who are abroad at the time when the duty arises for them to make the declaration, shall make the declaration within ten days after their return to Czechoslovakia. Exchange citizens are under obligation to report in the same manner any changes in respect of the rights, obligations and assets mentioned under (a), (b) and (c), as well as their extinguishment.

(2) Exchange citizens are in duty bound upon request of the Ministry of Finance and organs authorized by it, or of the Ministry of Foreign Trade, to submit even other declarations and information pertaining to circumstances that are either directly or indirectly important from the point of view of the exchange economy and to submit all necessary documentary evidence.

(3) The manner of declaring (paragraphs (1) and (2) and any exceptions thereto will be laid down by the Minister of Finance, or in the case of undertakings or claims and obligations in cases mentioned in Section 4 paragraph 1, by the Minister of Foreign Trade.

(4) The assets mentioned in paragraph (1) (a) and (b) may be disposed of only with the permission of the Ministry of Finance, in the case of undertakings or claims in cases mentioned in Section 4 paragraph (1) only with the permission of the Ministry of Foreign Trade, unless it concerns their transfer to Czechoslovakia, their realization or some other disposal according to Section 5.

(5) Exchange citizens are in duty bound to take due care of the protection of their claims and of their transfer in due time, as well as of the other assets mentioned in paragraph (1) (a).
(6) Exchange citizens may not without the permission of the Ministry of Finance, or, in the case of undertakings mentioned in Section 4, paragraph (1), and in the case of patent, licence, trade-mark and design rights, without the permission of the Ministry of Foreign Trade,

(a) make payment in Czechoslovakia to exchange foreigners, or to anyone else in favour of exchange foreigners or from the latter's assets in Czechoslovakia, in any currency or in any manner whatsoever;

(b) enter into contractual obligations towards debtors in foreign countries or admit liability towards debtors in foreign countries,

(c) transfer to exchange foreigners their own inland immovable property and securities, as well as authors' and publishers' rights, rights based on patents, trade-marks, designs and inventions, and lend out to them such rights and authorizations for manufacturing processes.

(7) Exchange citizens may not without the permission of the Ministry of Finance purchase foreign money, instruments of payment expressed in a currency other than Czechoslovak, precious metals and foreign securities, except in cases mentioned in Section 4 paragraph (1).

(8) If for the performance by a debtor which is to be enforced by a court a permission is necessary, the court shall allow execution only if the permit is produced. The permit for the performance by the debtor may also be obtained by the creditor.

Section 7

(1) The Minister of Finance is empowered to issue orders and other regulations for the carrying out of this Act. He may also delegate the powers conferred by this Act upon the Ministry of Finance to some other organ; if that organ is within the sphere of competence of another Minister, he shall do so in agreement with that Minister.

(2) The Minister of Foreign Trade may, in agreement with the Minister of Finance, issue orders or other regulations in respect of cases which under this Act come within his competence.

(3) The Ministry of Finance and organs authorized by it according to paragraph (1) have the right to carry out examinations for the purpose of ensuring the observance of this Act and of the regulations issued in pursuance of it, especially examinations of administrative trade and other records and documents, of consignments, luggage, means of transport and of persons. At the same time they may demand from the organs and persons subjected to examination all necessary explanations. The examinations shall be carried out under due observance of the legal regulations concerning the protection of personal liberty, the inviolability of the home and the secrecy of the post and due care shall be taken that railway and mail transport be disturbed as little as possible.
(4) The right according to paragraph (3) belongs also to the Ministry of Foreign Trade in cases which, under this Act, come within its competence.

(5) State authorities and other organs are in duty bound to assist the Ministry of Finance and the Ministry of Foreign Trade in carrying out the tasks given them by this Act and to submit to them at their request all necessary information, in so far as this is not in contradiction with special regulations.

Section 8

Hereby expires the validity of Act No. 92/1946 Coll. relating to the controlled exchange economy (Foreign Exchange Law), as amended by Act No. 184/1948 Coll., of the Governmental Decree No. 37/1952 Coll., relating to the competence of the Ministry of Foreign Trade in foreign exchange matters, and of all regulations issued in pursuance thereof.

Section 9

This Act shall come into force on 1 January 1954; it shall be carried out by the Minister of Finance in agreement with the other Ministers concerned.
ANNEX B

ACT OF 28 APRIL 1948,
CONCERNING THE STATE ORGANIZATION OF
FOREIGN TRADE AND INTERNATIONAL TRANSPORT

(Extract)

The Constitutional National Assembly of the Czechoslovak Republic has adopted the following Act:

Part I
Organizational Principles

Section 1

The Minister of Foreign Trade shall regulate, direct and control imports, exports and transit of goods of any kind, as well as international transport, and with the concurrence of the Minister of Finance shall decide in respect of the necessary payments to foreign countries.

Section 2

(1) Foreign trade and international transport shall be carried out only by enterprises which the Minister of Foreign Trade shall determine or establish by a decree published in the Official Gazette. At the same time he shall decide as to their form and shall define the extent and methods of their activities.

(2) The day on which foreign trade with a certain kind of goods, or international transport, will begin to be carried out exclusively by the enterprises referred to in Section 1, shall be determined by the Minister of Foreign Trade in a decree published in the Official Gazette.

(3) Should there be important economic reasons warranting it, the Minister of Foreign Trade may amend the measures undertaken on the basis of Sections 1 or 2; he may also establish additional enterprises and merge, divide and abolish enterprises established under the present Act.

(4) Should the interests of the Czechoslovak economy require it, the Minister of Foreign Trade may allow exceptions of the provisions of paragraph (1) of this Section.
Section 3

(1) Foreign trade under the terms of the present Act shall be understood as meaning imports and exports of any kind of goods carried out on own behalf and on own or foreign account, including temporary free admission under Sections 62 and 63 of the Tariff Act of 14 July 1927, published in the Collection of Acts and Ordinances under No. 114.

(2) International transport under the terms of the present Act shall be understood as meaning activities defined in Title 4 of Chapter 17 of the General Business Code, or Title 4 of Part II of Article of Law No. XXXVII/1875 Concerning Business Law, and the related regulations, insofar as they are aimed at relations with foreign countries.

(3) The present Act shall not apply to gold and silver coins and bullion, platinum and metals of the platinum group, securities, letters of exchange, cheques, letters of credit, money-orders, money, insurance policies, and deposit books.

(4) Additional kinds of goods and cases excluded from the provisions of the present Act shall be determined by the Minister of Foreign Trade in a Decree published in the Official Gazette.

Section 4

(1) The enterprises determined or established under Section 2 of the present Act shall purchase and sell, both on the domestic and foreign markets, according to directives issued by the Government on the basis of a plan of foreign trade.

(2) Enterprises determined or established under Section 2 of the present Act shall carry out their financial transactions through the Živnostenská banka, National Enterprise, in Prague.
ANNEX C

LIST OF CZECHOSLOVAK CORPORATIONS FOR FOREIGN TRADE

METALIMEX
Foreign Trade Corporation for the Import and Export of Ores, Metals and Solid Fuels, Prague II, Štěpánská 34.

FERROMET
Foreign Trade Corporation for the Export and Import of Metallurgical Products, Prague II, Opletalova 27.

STROJIMPORT
Foreign Trade Corporation for the Import of Machinery and Industrial Equipment, Prague I, Konviktská 5.

STROJEXPORT
Foreign Trade Corporation for the Export of Machinery and Industrial Equipment, Prague II, Václavské nám. 56.

TECHNOEXPORT
Foreign Trade Corporation for Export of Complete Industrial Plant, Prague II, Václavské nám. 56.

MOTOKOV
Foreign Trade Corporation for the Import and Export of Vehicles and Light Engineering Products, Prague VII, Tř. Dukelských hrdinu 47.

KOVO
Foreign Trade Corporation for the Import and Export of Precision Engineering Products, Prague VII, Tř. Dukelských hrdinu 47.

CHEMAPOL

CZECHOSLOVAK CERAMICS
Foreign Trade Corporation for the Export and Import of Ceramic Ware, Prague II, V jámě 1.

GLASSEXPORT
Foreign Trade Corporation for the Export of Glass, Prague II, Václavské nám. 1.

JABLONEC
Foreign Trade Corporation for the Export of Articles of Jablonec, Jablonec n. N.

LIGNA
Foreign Trade Corporation for the Export and Import of Timber and Products of the Woodworking and Paper Industries, Prague II, Vodičkova 41.
PRAGUEXPORT  
Foreign Trade Corporation for the Export and Import of Smallware and Outfitting Articles, Prague II, Jungmannova 34.

CENTROTEX  

KOOSPOL  
Foreign Trade Corporation for the Import and Export of Foodstuffs and Agricultural Products, Prague VII, Tř.Dukelských hrdinu 47.

ARTIA  
Foreign Trade Corporation for the Import and Export of Cultural Commodities, Prague II, Směčky 30.

ČECHOFRACHT  
Corporation for Shipping, Prague I, Příkopy 1.

METRANS  
Corporation for International Forwarding, Prague I, Příkopy 8.

INVESTA, Limited  
Heavy Engineering Products, Import and Export Company, Prague II, Václavské nám.56.