

# GENERAL AGREEMENT ON

RESTRICTED

Spec(89)11

18 April 1989

## TARIFFS AND TRADE

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### ADMINISTRATIVE AND FINANCIAL QUESTIONS

#### Request of the Czechoslovak Socialist Republic to Review the Basis for Calculation of its Contribution to the GATT Budget for 1989

#### Note by the Secretariat

On 21 October 1988, the Secretariat received a letter from the Permanent Mission of the Czechoslovak Socialist Republic concerning the basis for calculation of its contribution to the GATT budget for 1989.

#### Historical background:

Contributions are calculated on the basis of foreign trade figures of the last three available years. F.o.b. figures are used for exports and c.i.f. figures for imports. In the case of Czechoslovakia, f.o.b. figures only are published for exports and imports. Consequently, the import f.o.b. figures have to be adjusted to take account of freight and insurance costs with a view to making these figures consistent with imports c.i.f. used for the other contracting parties. In this regard, the Secretariat has been applying a correction factor of 8 per cent which was confirmed in November 1962. This correction factor corresponded to Czechoslovakia's external trade structure at that time and it has not been revised since then. The present structure of Czechoslovakia's trade which is now made at the level of 77 per cent with neighbouring countries, clearly justifies now an adjustment factor of 2.5 per cent.

Czechoslovakia is at present the only country whose external trade figures are adjusted.

A copy of the letter received on 21 October 1988 from the Permanent Mission of Czechoslovakia and a copy of the Secretariat's reply are attached hereto. (Annex I and Annex II)

ANNEX I

Communication received from the Permanent Mission of the Czechoslovak Socialist Republic:

"Geneva, 21 October, 1988  
No.: 1271/88

Dear Sir,

During consultations held on the 13 October, 1988, on the report of the Committee on budget, finance and administration, the permanent representative of Czechoslovakia to GATT informed the Committee that the calculations of the turnover of foreign trade of Czechoslovakia contained an inaccuracy and that he was in contact with the Secretariat of GATT. As you are aware, the Secretariat of GATT added to the FOB value of czechoslovak imports 8 % as being its assessment of the difference between FOB and CIF value.

The 18th October I transferred to you the information of Federal Ministry of Foreign Trade of Czechoslovakia that due to the fact that 77% of czechoslovak foreign trade is with neighbour countries, the real difference is not 8%, but 2,5%. The information was taken into due account by the Secretariat for the purpose of recalculation of the share of Czechoslovakia in the international trade of Contracting parties and of the respective czechoslovak contribution to GATT.

I would appreciate your taking the necessary steps for the correction as indicated above.

Yours faithfully,

Oto Hlaváček  
Commercial Counsellor"

ANNEX II

Answer from the Secretariat:

\*15 November 1988

Dear Mr. Hlaváček,

Thank you for your letter of 21 October 1988 about the calculation of the Czechoslovak annual contribution to GATT.

As you know, contributions are calculated on the basis of foreign trade figures of the last three available years. FOB figures are used for exports and CIF figures for imports.

In the case of Czechoslovakia, FOB figures only are published for exports and imports. Consequently, the import FOB figures have to be adjusted to take account of freight and insurance costs with a view to making these figures consistent with imports CIF. In this regard, the Secretariat applied an 8 per cent correction factor and arrived at trade figures totalling US\$ 127,993 million for your country. On this basis the 1989 contribution for Czechoslovakia amounts to Sw F 708,069 (Schedule II of the Budget Committee's Report No. L/6408).

With a correction factor of 2.5 per cent as mentioned in your letter, the figures for calculating the Czechoslovak 1989 assessment would be as follows:

	<u>Million US\$</u>	
	Exports FOB	Imports adjusted (FOB + 2.5%)
1985	17,541	18,068
1986	20,456	21,581
1987	22,958	23,976
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Total		124,580 -----

Mr. Oto Hlaváček  
Permanent Representative to GATT  
Czechoslovak Permanent Mission to the  
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I wish to inform you that the Secretariat intends to bring the matter to the attention of the Budget Committee with a view to adjusting the Czechoslovak contribution for 1989. On the basis of the above-mentioned trade figures, your contribution would amount to Sw F 688,932. I will keep you informed of developments on this issue.

Yours sincerely,

E. von Holzen  
Director  
Administrative and Financial Division"