

# WORLD TRADE ORGANIZATION

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## CZECH REPUBLIC-SLOVAK REPUBLIC CUSTOMS UNION

### Biennial Report on the Operation of the Agreement

#### *Communication from the Parties*

The report below presents the information received from the Permanent Missions of the Czech Republic and the Slovak Republic, dated 2 June 1999. It is organized in accordance to the Standard Format for Information on Regional Trade Agreements (WT/REG/W/6).

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## I. BACKGROUND INFORMATION ON THE AGREEMENT

### 1. Membership and Dates of Signature, Ratification and Entry into Force

The Agreement establishing the Customs Union between the Czech Republic and the Slovak Republic was signed on 29 October 1992 and has been implemented since 1 January 1993.

The Agreement, concluded in accordance with the provisions of Article XXIV of the General Agreement, constituted a part of a far broader spectrum of agreements and arrangements ensuring an orderly dissolution of the former Czech and Slovak Federal Republic.

The main objectives of the Agreement are to ensure the free movement of goods, the integration of economies and economic policies of the Parties, provision of favourable conditions for development of trade with third countries and pursuance of conforming commercial and customs policies towards third countries.

The Agreement applies to all products falling within HS Chapters 1 to 97. It also contains provisions on state aid, state monopolies, competition, intellectual property and public procurement. Some aspects of cooperation in agriculture were further elaborated in the Agreement on Mutual Relations and Principles of Cooperation in Agriculture, Food Processing, Forestry and Water Management.

The Agreement was notified to the GATT and examined in 1994.<sup>1</sup> At that time, the respective Working Party concluded that the Agreement was consistent with the provisions of Article XXIV of the GATT.<sup>2</sup>

The experience over six years of the existence of the Customs Union has confirmed its importance, usefulness and positive impact on mutual trade between the Parties and trade relations with third countries. The Agreement encourages the development of both Parties and contributes to

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<sup>1</sup> Documents L/7212 and L/7212/Add.1, dated 30 April 1993 and 12 May 1993.

<sup>2</sup> Report adopted on 4 October 1994 (L/7501).

development of their national economies and foreign trade as well as the integration efforts in the European context.

A list of the Agreements concluded since 1994 in the framework of the Customs Union is found in Annex 1.

### **Trade data**

Trade data is found in Annex 2.

## **II. TRADE PROVISIONS**

### **1. Import Restrictions &**

### **2. Export Restrictions**

Since the day of entry into force of the Agreement the Parties applied no customs duties, quantitative restrictions, or other measures having equivalent effect in their mutual trade. The Agreement did not envisage any transitional period which is normally necessary for the elimination of trade barriers as no duties and other restrictive regulations of commerce existed between the Parties within the former federation. Instead, the Agreement prohibits their future introduction with the exception of certain particular circumstances (public morals, public security, protection of life and health, protection of national treasures of artistic, historic or archeological value, preservation of exhaustible natural resources and injury arising from increased imports originating in one of the Parties).

#### **1.3. Common external tariff**

The Parties have been pursuing conforming commercial and customs policies towards third countries since the creation of the Customs Union in January 1993. They have been applying a Common Customs Tariff incorporated in two identical national Customs Tariffs.

The basic customs duties applicable on 31 December 1992, which served as a basis for the establishment of the Common Customs Tariff, have been modified to reflect jointly negotiated Uruguay Round tariff reduction commitments and commitments resulting from subsequent plurilateral negotiations (information technology products). These commitments are contained in two national WTO Schedules which are identical, with the exception of the volumes of agriculture imports eligible for in-quota rates. In their relations with preferential partners, both Parties apply identical schedules for gradual elimination of customs duties.

### **3. Rules of Origin**

The 1993 applied bilateral rules of origin were modified with a view to introducing new pan-European rules of origin, providing for diagonal cumulation among European countries since January 1997. These rules were further amended in January 1999.

### **4. Standards**

A new agreement between the Office for Standardization, Metrology and State Testing of the Czech Republic and the Office for Standardization, Metrology and Testing of the Slovak Republic entered into force in September 1997. This agreement provides for cooperation in the area of

certification and state trading. It does not apply to agro-food products, tobacco and cosmetic products. These areas are governed in the Act on foods and tobacco products No. 110/97 Coll. of the Czech Republic and in the "Codex Alimentarius" of the Slovak Republic.

In the area of sanitary and phytosanitary measures, cooperation is based on the Agreement between the Government of the Czech Republic and the Government of the Slovak Republic on veterinary medicine cooperation and the Agreement between the Government of the Czech Republic and the Government of the Slovak Republic on cooperation in quarantine and plant protection. These Agreements were concluded in 1996 and their objectives are to intensify bilateral professional cooperation in the sector of animal and plant protection and to avoid different kinds of diseases to be spread around the territories of the Parties.

## **9. Other**

The Parties apply a customs legislation encompassing conforming regulations for the assessment, payment, refund and exemption from customs duties, customs regimes, including transit. The same customs formalities apply in practice in both Parties. Cooperation in customs matters was upgraded by an agreement providing for mutual customs assistance which entered into force in October 1995.

# **III. GENERAL PROVISIONS**

## **5. Institutional Framework**

The main bodies of the Customs Union are the Council of the Customs Union, Permanent Secretariat and Arbitration Commission.

The Council of the Customs Union is composed of four Members of the Government of the Czech Republic and four Members of the Government of the Slovak Republic (Ministers of Industry and Trade (Economy), Foreign Affairs, Finance, Agriculture). It is directed by its President, whose office rotates every six months between a representative of the Czech Republic (Minister of Industry and Trade) and a representative of the Slovak Republic (Minister of Economy). The Council takes decisions by agreement and it meets two or three times a year.

The Permanent Secretariat is the executive body of the Council exercising powers arising out of the Agreement, drafting recommendations for the Council and performing other tasks charged by the Council. The Seat of the Permanent Secretariat is Bratislava.

An Arbitration Commission is to be established on an *ad hoc* basis for each individual case, to settle disputes resulting from the Agreement. The Arbitration Commission shall open proceedings upon request from the Council or from one of the Parties. It shall be composed of one arbitrator to be nominated by the Government of the Czech Republic, one arbitrator to be nominated by the Government of the Slovak Republic and a Chairman agreed by the two designated arbitrators. Decisions of the Arbitration Commissions shall be binding and both Parties pledge to implement them in a timeframe set up by the decisions.

The Parties agreed on the Rules of the Arbitration Commission which entered into force in August 1997. So far no arbitration proceeding has been initiated by either Party.

**IV. OTHER**

The year 1995 saw marked changes in the method of applying clearing relations between the Parties. The clearing system in place from early 1993 has been replaced in September 1995 with a free convertible currency payment. Since October 1995, the Czech Republic and the Slovak Republic declared an external convertibility of their currencies at the balance of payments current account.

**ANNEX 1**

**Agreements Concluded since 1994 in the Framework of the Customs Unions**  
**Between the Czech Republic and the Slovak Republic**

Description	Remarks	Entry into force
Rules governing the Arbitration Commission of the Customs Union	The Rules apply for settlement of disputes arising from the Agreement	Signed on 25.11.1995 In force since 8.8.1997
Protocol on the interpretation of Article 19 of the Agreement establishing the Customs Union	The Protocol covers criteria for granting any aid through state resources (not for agricultural products)	Signed on 23.1.1995 In force since 23.1.1995
Agreement between the Parties amending the provision of Article 1 of the Agreement on Rules of Origin and methods of administrative co-operation	Rules on Pan-European cumulation were introduced	Signed on 21.12.1996 In force since 1.1.1997
Agreement between the Parties amending certain provisions regarding the definition of the term "original products" and methods of administrative co-operation	Rules on Pan-European cumulation were introduced	Signed on 7.12.1998 In force since 1.1.1999
Guidance of the Parties in the area of making notifications under international agreements.	Furnishing information under the Agreement establishing Customs Union	In force since 24. 1. 1996
Guidance of the Parties exchanging mutual information regarding the Application of the Agreement	Furnishing information on measures under preparation	In force since 24. 1. 1996
Agreement between the Office for Standardization, Metrology and State Testing of the Czech Republic and the Office for Standardization, Metrology and Testing of the Slovak Republic	Certification is governed by this Agreement; it does not apply to agro-food products, tobacco and cosmetic products	Signed on 20.8.1997 Entry into force 1.9.1997

## ANNEX 2

### Trade Data

#### Customs Union Trade (Million US\$)

Year	Imports of the Czech Republic from the Slovak Republic	Imports of the Slovak Republic from the Czech Republic
1994	2,130.9	1,957.9
1995	2,983.6	2,433.7
1996	2,650.4	2,707.9
1997	2,272.3	2,374.4
1998	2,007.5	2,391.2

#### Total Imports from Third Countries (Million US\$)

Year	Czech Republic	Slovak Republic
1994	12,839.6	4,653.1
1995	18,144.3	6,336.8
1996	25,065.3	8,415.6
1997	24,894.9	7,888.8
1998	26,744.9	10,568.2

#### Share of Bilateral Trade with the Slovak Republic in Total Foreign Trade of the Czech Republic (Percentage)

	1994	1995	1996	1997	1998
Percentage of Turnover	15.3	12.8	11.6	10.0	8.9

#### Share of Bilateral Trade with the Czech Republic in Total Foreign Trade of the Slovak Republic (Percentage)

	1994	1995	1996	1997	1998
Percentage of Turnover	33.5	31.5	27.3	25.4	19.3

Imports of the Czech Republic from the Slovak Republic  
by HS Chapter  
(Million US\$)

HS Chapter	1994	1995	1996	1997	1998
01	6,809	5,074	2,683	1,973	2,345
02	5,647	4,045	2,449	1,763	1,150
03	961	1,076	883	672	802
04	7,858	11,593	13,568	10,166	8,607
05	333	487	187	422	1,205
06	1,676	2,669	2,018	1,515	1,436
07	29,175	26,394	26,124	20,306	18,119
08	6,708	5,202	4,853	3,078	2,248
09	2,973	2,139	491	503	771
10	21,691	22,351	5,228	8,406	19,767
11	3,783	7,015	10,701	5,998	6,532
12	8,710	6,963	8,715	4,153	6,074
13	33	53	37	21	208
14	19	9	5	17	6
15	4,131	7,438	8,600	6,887	10,949
16	1,307	1,347	1,283	1,042	1,150
17	5,575	10,670	5,649	6,528	16,941
18	13,290	14,230	15,569	12,280	12,726
19	13,853	15,680	16,345	14,654	12,326
20	6,308	6,841	7,684	4,567	4,205
21	3,916	14,802	13,359	12,893	8,593
22	13,871	11,116	10,874	11,826	11,107
23	1,833	1,890	2,914	2,298	3,545
24	25,272	32,267	22,435	28,696	27,853
25	24,874	32,204	35,494	38,498	37,609
26	3,324	5,188	4,862	3,192	2,553
27	115,395	168,695	185,979	193,716	168,858
28	27,484	36,081	25,507	22,786	19,837
29	52,105	81,751	59,945	54,151	48,987
30	63,888	93,873	92,473	73,578	69,324
31	25,137	28,444	36,968	29,923	21,090
32	13,207	14,383	11,228	8,990	5,437
33	8,151	8,837	9,272	7,778	7,876
34	20,445	22,351	21,155	22,095	18,461
35	1,175	1,012	1,110	1,076	1,847
36	1,403	3,553	3,564	2,274	1,366
37	472	517	1,370	272	318
38	20,175	28,709	24,309	22,098	17,625
39	127,761	179,392	158,646	127,898	111,512
40	68,560	96,642	89,310	72,022	68,777
41	13,504	13,616	6,938	5,873	4,263
42	4,470	4,514	3,292	2,016	1,558
43	3,252	3,968	2,775	1,153	749

HS Chapter	1994	1995	1996	1997	1998
44	35,680	46,652	40,591	33,715	33,239
45	12	11	4	2	3
46	63	52	110	56	35
47	16,734	23,871	19,248	14,562	18,187
48	75,792	106,637	103,770	97,630	106,400
49	18,766	28,108	30,514	24,075	20,622
50	7	1	2	13	
51	3,242	9,211	4,497	4,423	2,665
52	7,663	16,576	8,159	5,733	5,415
53	1,142	1,400	486	407	482
54	82,242	93,942	84,274	65,676	62,752
55	5,553	13,069	10,642	7,007	4,339
56	1,263	1,818	1,092	868	1,058
57	4,611	2,524	739	317	278
58	112	406	72	112	123
59	772	1,062	767	431	242
60	1,505	3,257	1,442	428	426
61	8,446	10,477	7,373	4,486	3,924
62	18,577	22,337	22,709	16,219	19,091
63	5,982	8,658	8,752	4,751	4,206
64	19,611	36,019	29,150	16,764	14,255
65	284	298	308	200	251
66	989	375	673	172	165
67	213	258	217	164	130
68	14,491	27,631	28,494	24,560	2,623
69	28,314	32,326	23,928	19,511	18,034
70	18,230	27,673	26,610	20,342	18,896
71	4,172	14,862	5,724	4,904	4,892
72	316,314	497,056	403,329	354,280	352,183
73	75,353	101,068	98,757	90,126	82,593
74	33,333	46,463	38,606	30,856	20,755
75	166	123	308	40	45
76	38,330	50,679	45,411	40,615	38,919
78	824	1,178	801	498	294
79	1,415	1,617	1,161	1,146	1,983
80	37	223	23	23	55
81	203	466	83	21	28
82	2,746	4,551	4,141	2,588	2,125
83	5,740	6,157	5,634	3,991	4,497
84	190,808	276,290	251,159	179,974	144,787
85	110,745	142,804	136,285	125,389	114,789
86	3,649	23,562	12,241	21,630	10,919
87	106,186	168,087	153,220	147,034	109,501
88	1,513	2,368	4,146	1,188	1,975
89	13	101	19	200	55
90	29,117	29,262	22,694	16,437	13,366
91	170	269	366	235	343

HS Chapter	1994	1995	1996	1997	1998
92	60	67	48	29	19
94	53,853	53,836	49,709	33,558	24,560
95	2,023	2,465	2,748	2,345	2083
96	1,336	2,254	1,747	901	603
97	220	259	193	100	102

Imports of the Slovak Republic from the Czech Republic  
by HS Chapter  
 (Million US\$)

HS Chapter	1994	1995	1996	1997	1998
1	1,045	7,688	8,169	6,982	17,945
2	189	6,110	5,477	9,342	19,258
3	783	2,581	3,692	3,150	2,531
4	1,828	18,369	19,008	15,964	14,684
5	11	373	209	174	435
6	33	1,181	1,277	1,300	1,538
7	150	3,311	3,813	1,936	2,386
8	272	4,187	3,074	1,463	629
9	208	5,560	6,200	6,910	7,759
10	200	627	930	1,285	1,921
11	86	2,534	2,664	2,524	2,182
12	2,347	17,477	10,854	4,556	6,210
13	14	526	850	519	191
14	0	19	19	14	2
15	1,557	22,583	24,161	22,006	21,998
16	260	10,148	11,387	10,430	14,505
17	2,167	24,430	18,163	8,569	7,727
18	1,717	22,156	22,912	21,259	19,462
19	1,591	22,425	27,376	26,465	28,119
20	362	7,606	8,227	13,225	14,334
21	674	14,675	20,151	19,450	20,868
22	2,935	38,193	48,170	40,161	34,191
23	660	9,564	11,079	6,445	7,704
24	2,002	36,172	43,830	52,053	49,435
25	830	13,460	15,301	15,753	17,116
26	2	44	130	132	256
27	17,558	230,538	213,599	186,103	154,819
28	3,442	37,290	36,290	25,461	28,835
29	5,696	79,535	76,327	81,076	83,981
30	2,926	63,799	76,387	68,647	49,256
31	40	982	860	1,085	1,099
32	1,371	20,422	20,208	16,319	16,822
33	1,051	16,356	19,567	17,814	12,595
34	1,594	20,296	22,396	18,998	20,147
35	173	2,267	2,168	1,831	1,523
36	216	2,097	2,154	1,849	1,843
37	244	2,212	2,003	1,227	1,015
38	1,499	16,162	17,028	14,558	13,927

HS Chapter	1994	1995	1996	1997	1998
39	6,856	100,432	109,656	98,958	91,390
40	3,049	47,092	47,236	40,280	33,527
41	595	6,905	11,312	6,065	5,896
42	299	4,130	5,102	4,950	3,956
43	144	1,825	2,391	2,902	2,410
44	1,644	19,637	22,104	21,601	23,257
46	17	106	91	101	123
47	703	6,687	15,486	16667	17,414
48	6,022	83,094	78,902	59,744	62,114
49	1,729	18,946	25,028	34,058	39,608
50	0	25	5	15	3
51	522	7,888	5,984	8,163	7,940
52	1,817	23,760	22,459	21,166	21,923
53	84	1,178	1,387	1,687	2,248
54	220	3,944	4,157	3356	3,047
55	1,131	17,560	17,035	16,371	14,330
56	611	6,999	7,137	7,327	7,680
57	262	4,134	5,838	3,315	1,944
58	460	5,300	5,787	4,866	4,575
59	3,584	40,135	33,930	23,479	40,084
60	502	6,001	7,093	5,501	5,651
61	859	10,266	11,104	12,712	11,755
62	1,121	14,003	16,469	17,778	17,181
63	511	6,571	7,620	8,735	8,392
64	1,002	12,259	16,711	14,323	10,447
65	104	759	979	999	951
66	20	265	299	487	419
67	10	160	103	135	131
68	1,094	14,924	17,873	15,175	15,240
69	1,965	19,202	22,746	24,587	28,047
70	2,143	29,961	32,390	27,558	23,646
71	905	6,948	10,014	10,810	9,893
72	11,415	195,648	201,165	161,195	167,770
73	12,094	174,402	190,918	173,246	169,823
74	2,337	18,092	18,646	18,950	14,936
75	16	513	493	799	428
76	1,650	26,537	25,156	21,454	22,548
78	201	2,277	1,799	941	801
79	40	1,167	412	275	514
80	25	516	351	302	190
81	25	508	337	381	382
82	1,218	15,854	20,198	17,194	15,491
83	2,000	22,074	23,643	19,463	18,449
84	19,794	247,714	292,931	253,458	203,648
85	12,857	138,301	146,286	140,752	126,735
86	2,640	34,704	42,446	55,936	38,592
87	14,069	181,472	288,715	323,623	319,924
88	9	1,173	1,448	2,383	3,360
89	2	136	418	687	1,021
90	2,736	30,806	33,469	26,582	21,696
91	84	1,233	1,004	1,075	834

HS Chapter	1994	1995	1996	1997	1998
92	18	342	440	521	417
93	124	1,783	2,695	2,902	2,338
94	1,631	20,397	26,121	26,878	31,754
95	726	4,494	5,821	5,868	5,717
96	721	10,182	10,793	9,031	8,953
97	0	103	104	82	161

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