

WORLD TRADE ORGANIZATION

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Working Party on
State Trading Enterprises

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STATE TRADING

Updating Notification Pursuant to Article XVII:4(a) of the GATT 1994 and
Paragraph 1 of the Understanding on the Interpretation of Article XVII

SLOVAK REPUBLIC

The following communication, dated 22 June 1998, has been received from the Permanent Mission of the Slovak Republic.

In accordance with Article XVII:4(a) of GATT 1994 and Paragraph 1 of the Understanding on the Implementation of Article XVII, I wish to notify hereby the operation of the State Fund for Market Regulation of the Slovak Republic in the years 1996 and 1997.

1996

I. ENUMERATION OF STATE TRADING ENTERPRISES

The Government of the Slovak Republic wishes to notify the operation of the State Fund for Market Regulation (SFMR – Štátny fond trhovej regulácie) – a public agency that may qualify under the provisions of GATT Article XVII.

II. REASON AND PURPOSE FOR INTRODUCING AND MAINTAINING THE SFMR

The SFMR was established by the Act on State Fund for Market Regulation in Agriculture No. 270/1991 Coll. of Laws, as an independent economic body. The SFMR is oriented on domestic market stabilization of basic agricultural and food products.

The main purpose of the SFMR is to support and provide fluent adjustment of manufactured agricultural products to the changed market conditions. The SFMR issues the list of agricultural products being subject to market regulation in accordance with the development of supply and demand on the domestic market. Interventions of the SFMR are determined to solve situations when surplus of production overcomes domestic market consumption and the prices have decreased under the real production costs.

With the aim to provide stability and predictability of price development through elimination of excessive price fluctuation the SFMR is authorized to make interventions on the domestic agricultural market. The SFMR is effecting only in subsidized exports, while non-subsidized exports are executed freely out of any influence of this body.

The main commodities presently being subject to the regulation by the Fund are as follows:

- cereals
- live bovine animals and beef meat
- live swine and pork meat
- potatoes
- poultry and eggs
- oilplant by-products

The principal activities of the SFMR are financed from the annual budget allocation approved by the Government of the Slovak Republic. The scope of financing of the SFMR is limited.

III. DESCRIPTION OF FUNCTIONING OF THE SFMR

1. Market regulation with selected agricultural products and foodstuffs

The SFMR Council decides on the commodity subject to regulation, on its quantity and on the guaranteed (minimum reference) price on which the goods are purchased from the producers. Intervention purchases and storage of purchased goods are procured by the domestic economic operators (entities, agents) selected in tenders.

These operators enter into contractual obligations on normal commercial terms and in case of oversupply and subsequent fall in purchasing prices they purchase the goods in question from the domestic producers for minimum guaranteed price and store them. When supply does not meet demand or in case of high level of demand the stocks are released to a domestic market on instructions by the SFMR with the view of stabilizing the consumer prices.

2. Regulation of market through subsidized export

The SFMR Council decides on the commodity being subject to regulation, on its quantity, on the guaranteed (minimum reference) price on which the goods are purchased from producers and on the level of subsidy granted. The level of export subsidies is based on the difference between world market prices and domestic production costs. Export subsidies are provided only in the case when the world market prices are lower than domestic production costs. The volume of subsidies per unit are created by the difference between domestic production costs and market prices, however, as a rule reduced by 10 per cent.

On the basis of tender the economic operators are selected to effect purchase on guaranteed prices from the domestic producers and export transactions of subsidized goods. The SFMR provides monitoring of products subsidized for exports.

The State Budget disbursement in total designed for the SFMR (compared with the previous year) is as follows:

1995	Sk 650 million
1996	Sk 653.5 million

The Fund does not conduct directly any foreign trade operations on its own. All such operations are commissioned to the domestic economic operators which in individual cases enter the standard contractual relations with the SFMR. Foreign trade transactions undertaken on behalf of the SFMR conforming to normal commercial terms, conditions and practices, including price, profit margins, quality, availability, marketability and other trade regulations.

The decisions of the Fund are taken by the SFMR Council consisting of representatives of the following bodies: Director of the SFMR, Ministry of Agriculture, Ministry of Finance, Ministry of Economy, Anti-monopoly Office of the SR, Slovak Agricultural and Foodstuffs Chamber, Slovak Chamber of Commerce and Industry, State Material Reserves, Slovak Consumers' Union, Trade Union Body and State Fund for Market Regulation.

The SFMR has no monopolistic or exclusive position on the market since other traders remain free to export or import on competitive terms and under normal market conditions. The rights of these operators are not affected adversely by the Fund activities.

IV. STATISTICAL INFORMATION

The activity of the SFMR in 1996 was conducted in the following areas and commodities: (see table).

Statistical Information on Main Operations of the SFMR in 1996

(in thousand tons)

Commodities	Production	Total export	SFMR export	Total import	SFMR import
Grain (cereals)	3,322.0	24.6	0	158.2	101.2
Beef meat	66.6	7.6	0.3	4.5	0
Pork meat	199.7	1.5	0.4	4.3	0
Poultry	61.5	3.6	0.4	7.0	0
Eggs	89.0	3.9	0	0.6	0
Butter	13.1	0.6	0.4	0.8	0
Skim. milk powder	14.3	8.0	6.2	3.3	0
Cheeses	32.9	10.9	7.6	3.3	0

1997

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The main commodities presently being subject to the regulation by the Fund are as follows:

- cereals
- live bovine animals and beef meat
- live swine and pork meat
- sugar
- poultry and eggs
- oilplant by-products

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Since 1993 the Market organizing and promotion measures have been issued consequently for five basic commodities: cereals, sugar beet, milk, beef meat and pork meat. Besides this each year have been updated the principles of state intervention purchases, in 1997 for certain bovine animals and swine, poultry and eggs, milk and milk products.

2. Regulation of market through subsidized export

The SFMR Council decides on the commodity being subject to regulation, on its quantity, on the guaranteed (minimum reference) price on which the goods are purchased from producers and on the level of subsidy granted. The level of export subsidies is based on the difference between world market prices and domestic production costs. Export subsidies are provided only in the case when the world market prices are lower than domestic production costs. The volume of subsidies per unit are created by the difference between domestic production costs and market prices, however, as a rule reduced by 10 per cent.

On the basis of tender the economic operators are selected to effect purchase on guaranteed prices from the domestic producers and export transactions of subsidized goods. The SFMR provides monitoring of products subsidized for exports.

The State Budget disbursement in total designed for the SFMR (compared with previous years) is as follows:

1995	Sk 650 million
1996	Sk 653.5 million
1997	Sk 1,250 million

The Fund does not conduct directly any foreign trade operations on its own. All such operations are commissioned to the domestic economic operators which in individual cases enter the standard contractual relations with the SFMR. Foreign trade transactions undertaken on behalf of the SFMR conforming to normal commercial terms, conditions and practices, including price, profit margins, quality, availability, marketability and other trade regulations.

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The SFMR has no monopolistic or exclusive position on the market since other traders remain free to export or import on competitive terms and under normal market conditions. The rights of these operators are not affected adversely by the Fund activities.

IV. STATISTICAL INFORMATION

The activity of the SFMR in 1997 was conducted in the following areas and commodities: (see table).

Statistical Information on Main Operations of the SFMR in 1997

(in thousand tons)

Commodities	Production	Total export	SFMR export	Total import	SFMR import
Grain (cereals)	3,741.1	86.3	0	226.4	170.9
Beef meat	28.0	11.5	2.6	2.3	0
Pork meat	78.0	0.5	0	4.7	0
Poultry	86.5	0.3	0	5.3	0
Eggs	82.5	2.7	0	0.4	0
Butter	14.4	1.2	0	0.3	0
Skim. milk powder	13.2	8.0	8.0	3.1	0
Cheeses	42.0	10.3	7.9	3.4	0
Sugar	223.8	19.3	4.5	8.3	0
Malt	105.7	66.0	30.5	5.9	0