

TRADE POLICY REVIEW

SLOVAK REPUBLIC

Report by the Government

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by the Government of the Slovak Republic is attached.

Note: This report is subject to restricted circulation and press embargo until the end of the meeting of the Trade Policy Review Body on the Slovak Republic.

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I. INTRODUCTION

1. Since December 1995, when the first trade policy review was undertaken, the Slovak Republic has continued its process of economic transformation to a market economy. The main objective has been to achieve political and economic consolidation of the Slovak Republic with the market economy completed from the legislative and institutional aspect, with companies sufficiently competitive in foreign markets and achievement of an adequate position and participation of the Slovak Republic within the multilateral trade system.

2. The Slovak economy achieved by a high level of openness. Due to this reason foreign trade is of key importance for its further economic growth and trade policy is a significant part of the overall foreign and economic concept of the Slovak Republic.

3. The Slovak Republic applies a liberal trade policy targeted at integration into international economic structures, with the emphasis on European economic structures and on promotion of liberalization and removal of barriers to international trade within the multilateral trade system. Within this context the Slovak Republic supports strengthening of a stable, transparent and predictable legal and institutional multilateral environment created by the World Trade Organization, which is an important precondition for achieving sustainable global development and economic growth while preserving social peace.

4. In order to achieve long-term sustainable economic growth the Government of the Slovak Republic has adopted measures focusing on increasing overall competitiveness, carrying out complex restructuring of its banking and corporate sectors, promoting foreign investment, promoting growth in performance of foreign trade and application of a consistent macro-economic policy oriented towards enhancing a stable legal and economic environment.

5. Business and trade-policy environment is created by legislation, tax, credit, customs and overall economic policy, and also availability of financial services, qualification and adaptability of employees. In all these areas the Slovak Republic has made significant progress and has created preconditions for smooth economic and social growth that has begun to show in macro-economic indicators.

II. THE ECONOMIC AND TRADE POLICY ENVIRONMENT

(1) MACROECONOMIC PROCESSES

6. The macro-economic environment of the Slovak Republic, especially since 1998, can be characterized by the following facts:

- a) Dynamics and strengthening of the accession process of the Slovak Republic to the EU;
- b) Creating of a stable and transparent legislative framework for securing full transition to a market economy;
- c) Securing macro-economic stability and acceleration of economic reforms with the aim of increasing standards of living;
- d) Restructuring and privatization of the state enterprise and banking sectors and development and implementation of a promotion program for FDI into the Slovak Republic; and

- e) Implementation of a program for lowering the macro-economic imbalance and promotion of sustainable economic growth (fiscal consolidation, launching delayed structural reforms, creating a legal and institutional framework for support of the private sector).

7. The Slovak Republic, despite a difficult starting situation, continues its economic transformation process. The growth of the Slovak economy from 1996 was high, when the average year-to-year GDP growth was 5.5%. However, this growth had been accompanied by a widening of economic imbalances, contributed by insufficient structural reforms and growing public finance deficits (the deficit of the public administration in 1998 was 4.6% of GDP). Consequently, in 1998, economic growth started to slow down and GDP growth in 1999 – 2000 dropped to 2%.

8. The Government's reaction to this development was the adoption of several measures of a short- and medium-term nature aimed at stabilizing the economy in 1999 and 2000 and the creation of preconditions for renewal of economic growth in 2001. The effect of these measures was positive; they reduced the fiscal deficit and the current account deficit significantly. The Government launched an ambitious program of structural reforms – including restructuring of the banking sector, adoption of an amendment to the act on bankruptcy and compensation, reducing the tax burden on natural persons and legal entities and improving conditions for entry of FDI. Moreover, the goal of continuing reforms in legislation is to strengthen shareholder and creditor rights, and in general to improve the principles of administration and management of companies.

9. Clear signals of economic recovery in the Slovak Republic started to be shown in the course of the second half of 2000, when GDP growth began gradually accelerating. Development in several indicators shows that increased dynamics of economic growth will continue also in 2001, when GDP growth is expected to be in the range of 3.0 to 3.2%.

10. The average year-to-year inflation rate, measured by the increase in consumer prices, in 1996 – 2000 reached 8.5%. The highest value of the year-to-year inflation rate was in 1999 (14.2%) and the lowest in 1996 (5.3%). In 2001 the month-to-month inflation rate has been slowing down. The inflation rate as of March 2001 was 7.1%.

11. Renewal of balance between generation and use of resources by limiting domestic demand strengthened the imbalance in the labor market demonstrated in an adverse development in employment. Average unemployment, which in 1995 – 1998 reached 13.5%, in 1999 19.2% and in 2000 17.9%, was affected also by the process of restructuring and increasing competitiveness of companies on the basis of productivity growth, and by releasing redundant staff. These changes relate also to the higher pace of industrial growth, especially in those sectors of medium technical demand.

12. The embarked trend of stabilization of the Slovak economy from 1998 can also be seen in developments in the following areas:

- substantial decrease in interest rates on loans (in the mid 1990s 13%, in 1998 increase to 20%, and in 2000 drop to 12%);
- stabilization of external debt of Slovakia;
- dynamic growth of industry;
- principal stabilization of consumer prices; and
- increasing foreign exchange reserves of NBS.

(2) DEVELOPMENTS IN FOREIGN TRADE AND INVESTMENT FLOWS

13. The Slovak foreign trade went through several development phases. At the very beginning it was marked by the economic transition process, disintegration and collapse of the East-European markets, and general economic recession of the global economy. In the following period there was a dynamic growth of the Slovak economy and foreign trade, which however, led to an increase in macro-economic imbalances and to significant deepening of the trade deficit.

14. The trade deficit started to develop already at the end of 1995 and fully demonstrated itself in the course of 1996 – 1998, when the current account deficit of the balance of payments reached 9.4% of GDP on average. This development caused pressure on the currency and culminated by forced change in the foreign exchange regime and subsequent weakening of the Slovak koruna exchange rate; this meant a de facto devaluation in October 1998. Consequently, the regime of fixed nominal exchange rate of the Slovak koruna against the basket of currencies within the fluctuation band was abolished and replaced by a floating regime.

15. The Government of the Slovak Republic, with the aim of establishing macro-economic stabilization, stabilization of the Slovak currency exchange rate and creating conditions for development of the micro-sphere, started to implement a set of measures focused especially on lowering the deficit of the trade balance of the current account of the balance of payments and lowering the deficit of public funds. The implementation of these measures brought in 1999 a decrease in the deficit of foreign trade of goods and services to 34.8% of the 1998 level. A similar trend continued also in 2000. This was followed by a significant reduction of the current account deficit of the balance of payments. This favorable development was caused mainly by a fast growth in exports of goods, which in 2000 reached close to 30%.

16. In the period from 1996 to 2000 the average annual export growth reached 16.8% and import growth 21.4%. This increase was influenced mainly by the application of the Association Agreement with the EU and the CEFTA Agreement. Nearly 80% of imports and over 90% of exports in 2000 were to these territories. In this period, the share of Slovak exports to the EU market was increasing; in 2000 it represented 59.07%.

17. With the aim of improving the quality of the business environment and removing barriers for investments in 2000, the Government adopted a document entitled “Improvement of the legal, regulatory and tax framework for promotion of businesses and investments.” The Government also adopted other measures defining the statute of important foreign investor, tax benefits, contributions to newly created jobs, incentives for newly established entities and for building industrial zones and parks.

18. One of the key reasons for the slow restructuring of the Slovak economy for many years has been a very low influx of FDI, which lagged behind significantly the levels of neighboring countries. This trend was turned around by adopting a Strategy for promoting entry of FDI to the Slovak Republic, which resulted in FDI in 2000 exceeding the total volume of FDI for the period 1996 – 1999. Increasing volumes of FDI influx play a vital role in achieving the revitalization and sustainable long-term development and growth of the Slovak economy. Implementation of the strategy for promoting entry of FDI into the Slovak Republic is governed by the Slovak Agency for Investments and Trade Promotion (SARIO, a.s.).

19. Promotion of foreign investment is closely linked with export promotion, which was done by the Foreign Trade Promotion Fund established by Act No.379/1996 Coll.1. This Fund fulfilled this role until the end of 2000. In 2001 it was transformed and the activities taken over by SARIO, with

its major shareholders being the Government Office of the Slovak Republic, Ministry of Economy of the Slovak Republic and Ministry of Finance of the Slovak Republic.

20. Influx of foreign capital, especially its significant increase in the recent period, has had a positive impact on the Slovak economy and was capitalized through the foreign trade exchanges in a significant way. Links between companies with foreign participation and local industry have contributed to increased export performance of the economy.

21. Regarding the structure of foreign capital influx into the Slovak economy the continuing trend can be positively viewed as the dominant position was taken over mainly by FDI (76.9%) instead of financial credits, which prevailed in the period of 1996 – 1998 (80% of the total medium- and long-term resources).

22. From the view of FDI influx, a significant role is played by entry of foreign investors into large companies (Slovak Telecom, VSŽ Košice and Slovnaft). The Slovak economy still lacks strategic foreign investors in technologically more demanding sectors of the processing industry contributing to transfer of new technology, increased productivity and expansion of sales networks.

23. Further development of Slovakia's SMEs is of crucial importance; the state programs for promotion of investment in this field are implemented through the Slovak Guarantee and Development Bank and National Agency for Development of Small and Medium Enterprises. SMEs recorded a positive development since creation of the Slovak Republic, where currently in some parameters it achieves comparable levels to those in the EU countries. SMEs currently employ 56% to 58% of employed population by regions, they create value added of more than 56% of that created in the national economy and they contribute a significant portion of exports to countries with advanced market economies.

24. With regard to restructuring of the corporate sphere, the solution of inter-company indebtedness and improved payment discipline, and the amendment to the Act on Bankruptcy and Compensation have had a great importance. The amendment, which entered into force in August 2000, enhances the rights of creditors and improves their ability to enforce debts, creates conditions for lowering tied up capacities in inefficient companies and their freeing up for competitive entities, by which the efficiency of implementing the law would significantly increase.

25. Competition is a natural mechanism operating in the market economy as a regulator of effective behavior of businesses, and at the same time it leads to optimum use of resources of the economy, and effect on consumers. The goal for legal protection in competition in Slovakia is the protection and promotion of effective competition, as well as creating conditions for its further development. Within economic competition, an important contribution is made by the National Quality Program (until 2003) adopted by the Government and developed in compliance with the EU concept. The Government of the Slovak Republic, in order to achieve the goal of securing intensive economic growth and continuous improvement of the living standards of the population, securing its health, security and environmental requirements in cooperation with the institutions of public and private sectors, pursues quality in the field of production, trade and consumption by increasing general awareness and quality management, increasing the quality of SMEs, as well as in the services sector, organization of prestigious quality contests, and by providing a system of protection of public health.

26. In connection with Art. 64 of the Europe Agreement, the Ministry of Finance of the Slovak Republic prepared in 1999 a draft law on state aid. This draft was adopted on 24 August 1999 by the National Council of the Slovak Republic as Act No. 231/1999 Coll. on State Aid, which entered into

force from January 1, 2000. The main goal of this Act is to prohibit state aid that would prevent, disturb, limit or represent a threat of limiting, competition as a result of giving advantage to certain businesses, production of certain types of products or provision of certain types of services. Based on this law, the Office for State Aid was established, as a body of state administration for review, assessment and approval of state aid, control and record keeping of provided state aid. The provider of state aid – with the exception of minimum state aid according to §3 of Act on State Aid – is obliged prior to provision of state aid, to apply to the Office for approval of state aid. The establishment and functioning of the Office for State Aid therefore allows for higher transparency in providing state aid, as all the forms of state aid are subject to approval by the Office.

27. An important element of economic transformation in the Slovak Republic was the transfer of state property to private ownership. This process had several forms and phases. In the transformation and privatization process, the decisive role was played by so-called small and large privatization. However the transformation process also included restitutions and liquidation of state enterprises. Currently the continuation of the privatization process is one of the priorities of the Government. The condition is transparency in all transformation steps, following the rules of competition and a corresponding legislative environment. Approval and assessment of privatization projects in the process of privatization is governed from the methodology aspect by the Ministry for Administration and Privatization of the National Property of the Slovak Republic.

III. TRADE POLICY DEVELOPMENTS

(1) TRADE POLICY INSTRUMENTS

(a) Tariffs

28. The import regime of the Slovak Republic can be characterized by relatively low customs tariffs (in 2000 the average customs tariffs reached 6.1%) and 100%-binding of tariffs for industrial and agricultural products.

29. The Slovak Republic collects customs duties according to the most-favored-nation clause towards all WTO members. Exceptions from MFN are applied only according to:

- Agreements between the Slovak Republic and Czech Republic on Customs Union;
- Free trade agreements with the EU, EFTA, CEFTA, Israel, Turkey, Estonia, Latvia and Lithuania; and
- GSP scheme.

30. Pursuing the principle of an open economy, the Slovak Republic supports the liberalization process within the WTO and actively participates in further liberalization activities within the WTO, such as ITA, PHARMA, etc.

31. Regional and multilateral liberalization contributed to a significant reduction of customs tariffs. In 2000, the average weighted customs tariffs for all industrial products reached 0.44% (from the EU countries it was 0.54%, from the CEFTA countries 0.29%, and from EFTA countries 0.33%). From January 1, 2001 on imports of nearly all industrial products originating from the EU countries and other countries with which the Slovak Republic has free trade agreement, zero customs duties have been applied.

32. Customs tariffs on agricultural products remain above tariffs on industrial products. The average weighted customs tariff on all agricultural products in 2000 was 2.58% (from the EU countries it was 4.07%, from CEFTA countries 1.45% and from EFTA countries 2.19%).

33. Within the support programme for developing and least developed countries, the Slovak Republic provides a GSP scheme based on the principle of generality, non-discrimination and non-reciprocity. Slovakia offers GSP preferences for 98 developing and 48 least developed countries, while there is a differentiated reduction of MFN rate by 50% and by 100%. Products originating in, and directly imported from, the least developed countries are duty-free.

(b) Non-tariff measures

34. The import regime of the Slovak Republic can be characterized as open and non-barrier taking into account the applied low import duty, and also the application of limitations on imports from third countries in the form of non-automatic licences only on certain products.

35. The list of automatic and non-automatic licences is issued every year by a Decree of the Ministry of Economy the Slovak Republic. Automatic licences are granted to each applicant for imports of goods in a required quantity. They are applied to monitor future trade flows of certain sensitive products. Non-automatic import licences for goods are required only for some products in compliance with the protective measures according to the Article XIX GATT.

36. Customs quotas used for agricultural products are quotas based on the WTO Agreement on Agriculture, applied on the MFN base, and those which were agreed as preferential quotas according to regional agreements. The Slovak Republic uses, for the administration of customs quotas, a system of customs administration based on the actual realization of imports, based on the "first come, first served" principle.

37. Seasonal customs duties are applied to selected agricultural products. The customs tariffs are low, some commodities are duty-free in the period outside the vegetation period on the domestic market. Seasonal customs tariffs are published in the Customs Tariffs of the Slovak Republic.

38. The WTO Agreement on Safeguards was incorporated into the legislation of the Slovak Republic. The Act of the National Council of the Slovak Republic No. 214/1997 Coll. on Safeguard Measures on Imports allows the application of safeguard measures if a certain product is imported in such increased quantities that it causes or threatens to cause a serious injury to the domestic industry. The Slovak Republic has adopted so far only 3 final or provisional safeguard measures against increased imports according to this law (footwear, pork and sugar); all were notified to the WTO.

39. The WTO Agreement on Implementation of Art. VI. GATT 1994 was incorporated into national legislation in 1997 when the National Council of the Slovak Republic adopted Act No. 59/1997 Coll. on Anti-dumping. The Slovak Republic during this review period did not introduce any anti-dumping measures on imports of goods.

40. To protect domestic producers from imports of subsidized goods and in compliance with the WTO Agreement on Subsidies and Countervailing Measures, the National Council of the Slovak Republic adopted Act No. 226/1997 Coll. on Subsidies and Countervailing Measures. During the review period the Slovak Republic did not apply any measures on imports of subsidized goods.

(c) Other trade instruments

41. The Slovak Republic fulfills all of its obligations resulting from the WTO Agreement on Agriculture. In the area of market access the reduction of import duty is performed in compliance with the schedule and conditions agreed in the Schedule of Concessions of the Slovak Republic. According to the conditions set out in this Schedule, it secures minimum and current market access for selected items. The Slovak Republic has so far applied special safeguard measures (SSG) according to this agreement only once, on imports of ice cream.

42. Within the market regulation of agricultural products in 2000 new measures were introduced to support and organize the agro-market (market orders) for cereals, potatoes, sugar, beef and pork meat. Compliance with market orders is governed by the State Fund of Market Regulation (SFMR). During the evaluated period, there were several changes in competencies of this Fund and the last change is expected to come into force from January 1, 2002, when an Intervention Agency is expected to be created.

43. As a result of negative developments in the balance of payments and reduction of foreign exchange and monetary reserves, the Slovak Republic resorted to the application of the Understanding on the Balance of Payments Provisions of GATT 1994 and as from 1 June 1999, it introduced an import surcharge of 7%. According to the proposed schedule of reduction, the import surcharge was gradually reduced (from January 1, 2000 until June 30, 2000 –5%, from July 1, 2000 until December 31, 2000 – 3%) and from January 1, 2001 the import surcharge was abolished.

44. As for other instruments of trade policy, the Slovak Republic uses export credit funding and insurance, institutionalized in EXIMBANK, which was established by Act No. 80/1997 Coll. on Export-Import Bank the Slovak Republic and its last amendment was implemented by Act No. 214/2000 Coll.

(2) IMPLEMENTATION OF OTHER WTO AGREEMENTS

45. In implementing WTO Agreements, the Slovak Republic proceeds in accordance with commitments resulting from its membership in the WTO.

46. Regarding the Agreement on Textile and Clothing (ATC), in compliance with commitments adopted in 1995, the Slovak Republic implemented two phases of trade liberalization of textile and clothing products, within which it liberalized 33.88% of the value of imports from 1990. Based on analysis of the first two phases, a proposal for a list of textile and clothing products was drafted which the Slovak Republic proposes to integrate under the WTO rules during phase III of ATP integration, within which from 2002 additional 18.47% of imports of 1990 would be liberalized.

47. According to provisions of the Agreement on the Application of Sanitary and Phytosanitary Measures, the Slovak Republic notifies measures introduced in compliance with this agreement. Since 1999, the Slovak Republic has been applying the Decree of the Ministry of Agriculture of the Slovak Republic on phytosanitary conditions for imports, exports and transportation of vegetable products, as well as objects that could carry harmful organisms. In 1999 – 2000 veterinary conditions were made stricter for imports of sensitive commodities subject to veterinary control (occurrence of BSE, foot and mouth disease) following the principle “one application for one destination of goods” in the Slovak Republic.

48. Concerning the Agreement on Technical Barriers to Trade (TBT), the Slovak Republic notifies regulations and provisions related to this agreement. In 2000 the Slovak Republic adopted implementation regulations to the Act on Technical Requirements for Products and on Conformity

Assessment and created a Working Group of the Legislative Council of the Government of the Slovak Republic for technical regulations. the Slovak Republic has already introduced more than 5000 standards of European standardization organizations CEN, CENELEC and ETSI, and by the end of 2001 it expects to sign the protocol (PECA) on mutual recognition of certification results in the Slovak Republic and in the EU countries.

49. In the field of technical standards (norms, testing, assessment of compliance) an Act No.264/1999 Coll. on Technical Requirements for Products and on Conformity Assessment and on changes and amendments to certain laws has been adopted. Currently an amendment to this law is underway. In 2000 the National Council of the Slovak Republic adopted Act No.142/2000 Coll. on metrology. During 1999 and 2000 regulations and decrees of the government were issued with respect to these laws specifying their operation. Coordination and application of both laws into the national economy falls under the competency of the Office for Standardization, Metrology and Testing of the Slovak Republic.

50. Compliance of building products does not belong to the competency of Office for Standardization, Metrology and Testing of the Slovak Republic, there is a special regime for it under the competency of the Ministry of Construction and Regional Development of the Slovak Republic, and it is governed by Act of the National Council of the Slovak Republic of 10 February 1998 No.90/1998 Coll. on building products in the wording of Act No.413/2000 Coll. Special regulations for foodstuffs, tobacco and cosmetic products apply, and are within the competency of the Ministry of Agriculture of the Slovak Republic.

51. In the area of the Agreement on Government Procurement, Slovakia is the first country of CEE that adopted a Law on Public Procurement No.263/1993 Coll., which entered into force on 1 January 1994. This law was superseded by Act No.26A3/1999 which came into force on 1 January, 2000, and which *inter alia*, established the Office for Public Procurement, a central body of state administration for public procurement and concessions. Provisions of this law reflect requirements for non-discrimination of participants in the public procurement process, transparency of this process and promotion of a competitive environment. In the future, the Slovak Republic plans to accede to the WTO Agreement on Government Procurement.

52. General Agreement on Trade in Services (GATS) – during the Uruguay Round, a trend of growing share of trade in services on the results of world trade has been highlighted, as well as influence of this trade on the growth and development of the world economy. In this context, the Slovak Republic ranks among the most dynamically developing economies, who recorded increase of the share of the service sector in GDP. In the Slovak Republic this share reached 55.7%.

53. Horizontal and sectoral specific commitments of the Slovak Republic in the area of trade in services are reflected in its Schedule of Specific Commitments, where the Slovak Republic undertook specific commitments in 90 sectors and sub-sectors within the Uruguay Round. Horizontal measures are applied for all sectors contained in the Schedule of the Slovak Republic and correspond with the national legislation.

54. Exemptions from the MFN basis (as contained in Slovakia's "Schedule of Exemptions from Art. II of GATS (MFN)") apply only on audio-visual services, rail transport, internal water transportation, and financial services. The Slovak Republic regularly reviews application of these exemptions.

55. Provision of services, with the exception of professional, financial and telecommunication services, is without any limitation in the Slovak Republic. For these services, there are no limitations in national treatment.

56. In the field of professional services (legal, accounting, auditing, tax services, architects and engineering services, physicians and dentists, veterinary services) market access is limited through the relevant professional chambers, or based on permits issued by the relevant institution. The Slovak Republic does not apply for this sub-sector limitations in national treatment, with the exception of horizontal measures applied in the method of supply No. 4 (participation of natural person).

57. In financial services, the Slovak Republic adopted specific commitments in the field of banking and other services and in insurance services. The provision of banking services was based on reciprocity in the original Schedule of the Slovak Republic.

58. The Slovak legislation in the field of services, contained especially under the Civil Code, Small Traders Act (professional services) and in other legal regulations, in principle does not contain the requirement for Slovak citizenship, with the exception of permits for notary public, forensic distrainers, sworn interpreters, forensic experts and employees in managerial positions in all operators of lotteries and other similar gambling institutions. By adopting Act No.236/2000 Coll. on Chartered Architects, the requirement of permanent residence for performing the occupation of chartered architects and chartered engineers was abolished. With adoption of Act No.330/2000 Coll. on Stock Exchange the requirement for permanent residence for performing stock exchange activities was also abolished.

59. The legislation in the field of banking services is made up of several acts, amongst which is Act No.566/1990 on the National Bank of Slovakia (amended by Act No.149/2001), which entered into force from May 1, 2001. This act strengthens the powers and independence of the central bank relating to securing price stability and changes from monetary to inflation policy. The other laws are: banking law, insurance law, collective investments law and foreign exchange law.

60. Act No.329/2000 Coll. on Financial Market Authority and on changes and amendments of certain acts established, as of 1 November 2000, the Financial Market Authority, as an independent body of state administration with a national competency for the area of capital market and insurance business. Until the establishment of this Authority, the relevant responsibilities were exercised by the Ministry of Finance of the Slovak Republic.

61. Legislation in the insurance sector does not contain limitations related to the requirement of Slovak citizenship or permanent residence on the territory of the Slovak Republic. Insurance companies that are established as joint stock companies with their registered office in the Slovak Republic and branches of foreign companies can participate in insurance business. By Act No.101/2000 Coll. that amended Act No.24/1991 on Insurance Services from April 1, 2000 a limitation was introduced based on which an insurance company cannot offer both life insurance and non-life insurance. This amendment also introduced insurance classification.

62. The monopoly position of two types of basic insurance (liability for damage caused by a motor vehicle, liability for damage caused by injury or occupational disease) which is currently taken by Slovenská poisťovňa, a.s. (Slovak Insurance company) will be abolished from 1 January 2002.

63. Telecommunication services are currently fully liberalized, with the exception of basic voice service, for which Slovenské telekomunikácie, a.s. (Slovak Telecom) has an exclusive right; this will be terminated from January 1, 2003. From this date, other providers of public telecom service can enter the telecommunications market of the Slovak Republic, through fixed lines, and there are no

plans to limit licensed operators. As from July 1, 2000 based on Act No.195/2000 Coll. on Telecommunications, the Telecommunication Office of the Slovak Republic was established as an independent regulator for the field of telecommunication services. In the field of postal services, a law is currently in preparation to be put into effect from January 1, 2002, under which the prices of express services will be regulated through a newly created postal authority.

64. An active role and support of the Slovak Republic in further liberalization, according to the GATS, is confirmed by Slovakia's accession to the Second and Fifth Protocols related to financial services and the Fourth Protocol covering liberalization in the field of basic telecommunication services. By acceding to these initiatives, the Slovak Republic has further improved its Schedule of Specific Commitments in the field of services.

65. Based on the above it can be said that the Slovak Republic achieves a high level of liberalization of trade in services on the principles of transparency and non-discrimination. The Slovak Republic also attaches great importance and actively supports further liberalization of trade in services.

66. WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) committed the Slovak Republic to secure the minimum standard for protection of intellectual property rights as a condition for international trade without barriers. The Slovak Republic pays constant attention to the protection and enforcement of intellectual property rights and, since the last review of the trade policy, the Slovak Republic has fully harmonized its national legislation with the provisions of the TRIPS Agreement.

67. In the recent period, there has been a further deepening of intellectual property rights protection, as completely new laws and amendments to individual laws were adopted. Increased levels of rights protection have resulted from the adopted legislative measures, especially in the following categories of intellectual property rights: copyrights and related rights, patents, industrial designs, trade marks, topography of integrated circuits. Enforceability of intellectual property rights was strengthened by several amendments. The amendment to the Customs Law (No. 238/2001 Coll.) significantly strengthens the enforceability of intellectual property rights. This law has been followed by a new Act on Measures against Infringement of Intellectual Property Rights on Imports, Exports and Re-exports of Goods (Act No.271/2001 Coll.). This law sets out precise procedures for the Customs Directorate of the Slovak Republic when there is a suspicion of infringement of intellectual property rights, conditions under which the decisions are taken, rights and obligations of individual parties, and sanctions for infringing intellectual property rights.

68. Within the TRIPS agreement, the Ministry of Culture of the Slovak Republic is the coordinator for protection of copyrights, the performance of which is through organizations of collective administration. Other areas of protection of intellectual property rights are in the competency of the Industrial Property Office of the Slovak Republic.

69. The Slovak Republic is a party to all main international agreements in the field of intellectual property rights protection. Within the World Intellectual Property Organization (WIPO) the Slovak Republic acceded to the Agreement on Patent Act and Internet Protection.

(3) REGIONAL AGREEMENTS

70. In the period since the last trade policy review, within the transition process of the Slovak economy the Slovak Republic has been involved in multilateral trade cooperation through WTO and also through regional integration. The process of regional integration was closely linked with the EU accession process. Within the regional cooperation, the Slovak Republic signed several bilateral and

multilateral agreements on free trade, concluded in compliance with Art. XXIV GATT. Most of the regional preferential agreements were entered into between 1991 and 1995. All preferential agreements entered into since 1996 were notified to the WTO the same way as the previous ones and reviewed in the WTO Committee on Regional Trade Agreements.

71. Among the most important agreements concluded by the Slovak Republic is the Agreement Establishing the Customs Union between the Slovak Republic and the Czech Republic, signed in 1992 (entered into force on January 1, 1993), which is in compliance with the GATT provisions. The creation of a customs union resulted from the division of Czechoslovakia into two independent states with the aim of preserving economic and trade relations which existed until this division. The agreement confirms the principles of free movement of goods and services in mutual trade, and coordination of compliant trade policy towards third countries.

72. Within the regional agreement system a special position is taken by the Europe Association Agreement that came into force on February 1, 1995, covering all areas of economic activities of the Slovak Republic including political dialogue, economic, financial and cultural cooperation between the Slovak Republic and the EU member states. The Agreement has been made for an unlimited period of time with a transitional period of maximum 10 years, divided into two 5-years periods with the aim of integrating the Slovak Republic into European political and economic structures.

73. The Slovak Republic also entered into agreements with the Central European Free Trade Agreement (CEFTA – Poland, Hungary, Slovenia, CR, Romania and Bulgaria) and a free trade agreement with the European Free Trade Association (EFTA – Switzerland, Norway, Iceland, Liechtenstein).

74. Within the bilateral cooperation, the Slovak Republic entered into free trade agreements with the Republic of Latvia, Republic of Estonia, Israel, Republic of Lithuania and Republic of Turkey. Currently there are free trade agreement negotiations going on between the Slovak Republic and Croatia; its signing is expected with effect from January 1, 2002.

IV. FUTURE TRADE POLICY DIRECTIONS

75. The Slovak Republic will continue on its course of strengthening democracy and political and economic stability. Through realization of foreign policy priorities in the field of integration goals the Slovak Republic strives to achieve early membership in the European Union, as well as to strengthen its position within the international trade system. Political and economic steps taken by the Slovak Republic demonstrate the interest of Slovakia to be fully integrated among the most advanced countries of the world. The final goal for Slovakia is to achieve long-term sustainable economic growth in harmony with long-term sustainable development.

76. In the area of integration into the European Union the Slovak Republic will focus on further intensification of the dialogue with the European Commission and the member states, as well as intensification of the pre-accession strategy by a consistent realization of the accession negotiations schedule. It will also place emphasis on implementation of commitments resulting from the negotiation positions of the Slovak Republic, detailed monitoring of partial processes of the pre-accession strategy, especially in approximation of law, institution building and securing finances for pre-accession preparation.

77. The Slovak Republic supports a new round of multilateral negotiations at WTO, which should be based on mutually agreed principles, based on the original commitments of WTO membership, and take into consideration needs resulting from current economic developments and follow a common goal – to secure constant economic growth. To achieve this goal the Slovak Republic will continue to

support the principle of transparency as a key element in decision-making in all areas within the WTO.

78. Slovakia also supports comprehensiveness of the process of new negotiations, which would secure equal advantages for all WTO members, with the emphasis on developing countries and countries with transition economies. The interest of the Slovak Republic within these negotiations is to achieve a leveling of differences that exist in tariff and non-tariff protection within the trade policy of WTO members.

79. In the process of implementation of agreements and conventions of WTO the Slovak Republic supports special and differentiated treatment for developing countries for their better involvement in the multilateral trade system, and supports the resolution of these problems in a time limited period so that the issues of implementation are consistently separated from those problems, resolution of which is possible within the valid agreements. It also supports efforts aimed at establishing certain mechanisms enhancing and contributing to a better discipline in the WTO.

80. In agriculture, the Slovak Republic supports the idea of multi-functionality of agriculture, and discussion on non-trade issues, which it considers an important part of discussions within negotiations and liberalization of trade in agriculture. The Slovak Republic also supports the principle of special and differentiated treatment for developing countries in trade in agricultural products.

81. The Slovak Republic is interested in promoting further liberalization of trade in services, where from the start of negotiations all services sectors and methods of their delivery, should be included with a balanced outcome for all WTO members.

82. In the process of multilateral trade negotiations, the Slovak Republic supports creation of a multilateral framework for investments, economic competition and government procurement, based on the principles of transparency and non-discrimination.

83. A further trend of the trade policy is the emphasis that will be placed also on the process of creation and diffusion of new economic and environmental knowledge, within sustainable development, and this knowledge would supplement the traditional trend of the trade policy of the Slovak Republic.
