

ORGANISATION MONDIALE DU COMMERCE

RESTRICTED

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Comité des restrictions appliquées à des fins de balance des paiements

RAPPORT SUR LES CONSULTATIONS DE 1996 AVEC LA REPUBLIQUE SLOVAQUE

1. Le Comité des restrictions appliquées à des fins de balance des paiements de l'OMC a mené des consultations avec la République slovaque les 24 et 25 juin 1996. Ces consultations se sont tenues sous la présidence de M. P. Witt (Allemagne) et, conformément au mandat du Comité, en application de l'article XII:4 b) du GATT de 1994 et du Mémorandum d'accord sur les dispositions du GATT de 1994 relatives à la balance des paiements. Le Fonds monétaire international était invité à y participer conformément à l'article XV:2 du GATT de 1994.

2. Le Comité disposait des documents ci-après:

Document de base présenté par la République slovaque WT/BOP/12

Document de base établi par le Secrétariat WT/BOP/W/12

FMI, République slovaque: Selected Background Issues, 15 août 1995
Supplementary Background Material for the WTO, 30 mai 1996

Exposé introductif du représentant de la République slovaque

3. L'exposé introductif du représentant de la République slovaque est reproduit à l'annexe I.*

Déclaration de représentant du Fonds monétaire international

4. La déclaration du représentant du Fonds monétaire international est reproduite à l'annexe II.*

Débats du Comité

i) Situation et perspectives d'évolution de la balance des paiements; autres mesures propres à rétablir l'équilibre

5. Les membres du Comité ont noté que, malgré un certain fléchissement enregistré au cours des premiers mois de 1996, les réserves se trouvaient encore à un niveau confortable, après avoir presque doublé entre la fin de 1994 et la fin de 1995. La balance commerciale s'était dégradée principalement à cause de facteurs exceptionnels et cette dégradation devrait être considérée comme une aberration temporaire qui ne reflétait pas la tendance. Il a été rappelé qu'aux termes de l'article XII:2 les mesures ne devaient pas aller au-delà de ce qui était nécessaire "pour s'opposer à la menace imminente d'une baisse importante [des] réserves monétaires ou pour mettre fin à cette baisse". Un membre a fait observer

*Anglais seulement.

qu'une augmentation des importations était un phénomène naturel dans un contexte de croissance et de libéralisation de l'économie.

ii) Modalités et effet des restrictions à l'importation

6. Les membres ont rappelé que, depuis 1994, année où la surtaxe était entrée en vigueur, la Slovaquie, contrairement à l'intention qu'elle avait exprimée, n'avait pas supprimé la surtaxe avant la fin de 1994, ni avant le 30 juin 1996 comme que le Comité le lui avait demandé lors des consultations de 1995. L'abaissement de la surtaxe de 10 à 7,5 pour cent, avec effet au 1er juillet 1996, a été noté avec satisfaction, mais était en deçà de l'intention antérieurement exprimée par le gouvernement de la ramener progressivement à 7,5 pour cent à la fin de 1995, à 5 pour cent à compter du 1er juillet 1996 et à 3 pour cent à compter du 1er octobre, puis de la supprimer complètement à la fin de 1996. Il a été relevé que la surtaxe ne s'appliquait qu'à 13 pour cent des importations et que les importations de ces produits n'étaient pas à l'origine du déficit commercial actuel; en outre, d'après le rapport établi par le Secrétariat en vue de l'Examen des politiques commerciales de décembre 1995, la surtaxe avait un effet de protection sur les industries de consommation.

iii) Réponses de la Slovaquie

7. Le représentant de la Slovaquie s'est déclaré satisfait de la manière positive dont le Comité avait perçu l'évolution économique en Slovaquie depuis la précédente consultation. Il a noté que le Comité demandait clairement la suppression de la surtaxe à l'importation, en se fondant, entre autres choses, sur les considérations de politique financière exposées dans la déclaration du représentant du FMI. L'intervenant a insisté sur le fait que la Slovaquie avait été l'un des premiers pays en transition à établir dès le départ les structures d'une économie de marché et il a souligné que la priorité était donnée aux mesures axées sur les exportations. Rappelant son exposé initial concernant le renversement de la situation de la balance des paiements et l'évolution générale au cours du processus de transformation, il a redit que son gouvernement avait l'intention de procéder à une réévaluation du taux de la surtaxe à l'importation au vu de la situation à la fin de 1996.

8. A la suite de nouvelles consultations avec son gouvernement, le représentant de la République slovaque a transmis une lettre émanant du Ministre des finances, dans laquelle il était indiqué que la surtaxe serait supprimée avec effet au 1er janvier 1997. Le Comité s'en est félicité.

Conclusions

9. Le Comité a reconnu les résultats obtenus par la Slovaquie sur le plan macro-économique depuis 1994, en particulier la nette amélioration des performances de l'économie en 1994 et 1995. Il a noté que, bien qu'il y ait eu une dégradation de la balance commerciale et de la balance des opérations courantes ces derniers mois, cette dégradation pouvait être imputée à certains facteurs exceptionnels, aux contraintes de capacité dans des secteurs d'exportation et à la forte demande d'importations découlant de la croissance et de la restructuration de l'économie. Le Comité a noté que la situation globale des réserves s'était considérablement améliorée en 1995 et que celles-ci étaient restées au même niveau au cours des cinq premiers mois de 1996.

10. Le Comité a noté que la surtaxe à l'importation appliquée par la Slovaquie était en vigueur depuis 1994 et que, malgré l'amélioration de la situation de ses réserves, elle n'avait pas respecté les engagements qu'elle avait contractés antérieurement auprès de l'OMC. Il a rappelé une fois de plus que les mesures prises pour des raisons de balance des paiements devaient être temporaires et qu'il ne devait pas y être recouru à des fins budgétaires ou protectionnistes. Le Comité s'est déclaré très préoccupé par le recours continu à la surtaxe à l'importation. En outre, il a déclaré qu'il était opposé à ce que la surtaxe soit appliquée de manière sélective. Le Comité a noté la déclaration du représentant

du FMI, selon laquelle "si elle va de pair avec l'adoption de taxes causant moins de distorsions, l'élimination progressive de la surtaxe ne semble pas devoir créer de problèmes majeurs dans le budget".

11. Le Comité a conclu qu'il n'y avait pas de menace imminente de baisse importante des réserves monétaires de la Slovaquie. Il a estimé que la surtaxe à l'importation ne saurait être justifiée par les dispositions du GATT de 1994 relatives à la balance des paiements, et qu'elle devait donc être supprimée. Le Comité s'est félicité de la décision prise le 25 juin 1996 par le gouvernement de la Slovaquie par laquelle il s'engageait à supprimer la surtaxe avec effet au 1er janvier 1997 et à ne pas invoquer en même temps les dispositions de l'article XII du GATT de 1994.

ANNEX IStatement by the Representative of Slovakia

It is a great honour and privilege for me to have this opportunity to take the floor for the first time on behalf of the Slovak Republic on consultations in the WTO Committee on Balance of Payments Restrictions.

Before the start of my introductory statement I would like to apologize for the late submission of the basic document. This fact has been caused mainly by anticipated reversed developments in some macro-economic indicators requesting careful consideration, on which I would like to elaborate later on in a more detailed fashion.

Now, let me focus on macroeconomic development registered from the last consultations held in July last year. Slovak real GDP grew by 7.4 per cent in 1995, led mainly by continuing growth of exports as well as by domestic demand. This GDP growth in the second consecutive year, while showing the elements of recovery, should be however, taken in the broader context of its sharp decline in previous years. In real terms it means that in comparison with 1989 GDP reached 89% which is still 11% lower level. This clearly indicates complexity and controversy of the overall transformation process in our economy. Although predictions of GDP development in 1996 are not indicating serious reversed trend, the level of 1989 will not be reached yet. Inflation rate was further consolidated and in the first quarter of this year reached on monthly basis of 6.2%. Some stabilization trend is registered also in unemployment rate, which is however still more than 12%.

State budget development in 1995 has improved, but still a deficit amounting to 8.3 billion Slovak crowns was recorded. Current figures which are showing a deficit of 4.4 billion Slovak crowns confirm to a large extent the existing continuing trend. Nevertheless, Government policy in this area is aimed to tighten financial flows and tax discipline as a part of modifying financial policy from restrictive to an expansionary one with stabilization and development features. Current taxation level is in this context considered as utmost.

Main objectives of the anti-inflationary monetary policy of the National Bank of Slovakia were the further support of internal and external stability of the monetary development under the existing economic conditions in the Slovak Republic and support of the real GDP growth. Slovakia had introduced convertibility of the national currency on current account under Article VIII of the IMF Agreements on 1 October 1995. At the same time the clearing agreement with the Czech Republic was dismantled. The NBS monetary programme for 1996 includes features similar to those of programmes for the years 1993-1995. To achieve these goals the NBS has employed mainly indirect instruments, with the aim to apply both the exchange rate and interest rate policies as well as securities transactions and the creation of a prudent financial environment through banking supervision.

Current account of the balance of payments is to a considerable extent determined by the development of the trade balance. The percentage of the merchandise turnover from the whole turnover of the current account was 78% in 1995. A favourable development of the foreign trade in 1994 deteriorated later - during the year 1995. A tendency of the growth of imports was more dynamic than of exports. The mentioned trend was fully manifested in the first quarter of the year 1996 when the export stagnated and its volume was approximately on the level of the first quarter of the 1995 and the import increased by nearly 31%. The stagnating export is a result of the structural barriers of the Slovak economy. The change of this phenomenon requests for the restructuring of the economy which is connected with huge investments. These investments influence the import of machinery and technology. While in the years 1994 and 1995 the bearer of the dynamic GDP growth was driven predominantly by exports, in the year 1996 this part was taken over by the investments and the domestic

demand. Both factors required strongly claims to import from abroad. the increase of imports which is determined by the growth of the domestic demand would be significantly higher without the import surcharge.

The balance of services had a key position in the balancing of the current account in the former period. On the other hand, tendency of the faster growth of imports over exports was manifested in the area of the balance of services too. This phenomena was the reason that the surplus of balance of services cannot fully cover a deficit in the trade balance at present.

Development of the trade balance and the balance of services is a principal determinant of a passive balance of the current account. The current account deficit was 9.4 per cent of the GDP in the first quarter of 1996. In the same period of 1995 a surplus of about 4.3 per cent of the GDP was generated. This tendency in the current account development will continue also in the next months of 1996. Capital and financial account plays an important role in the financing of the current account. The deficit of the current account in the Slovak Republic tends to be financed with the foreign credits to the businesses.

The prediction of overall balance for the year 1996 is based on the principle that the borrowing through the project financing will be covering current account deficit while maintaining a level of foreign exchange reserves of the National Bank of Slovakia - equal to 3 month's imports of trade and services. If the imports continued to grow further and the deficit of the current account deepened, the expected inflow of capital would not be satisfactory and the NBS would have to take steps and draw foreign credits.

The Slovak economy has an open and liberal trade regime which is further supported by valuable commitments in the Uruguay Round and GSP scheme. In addition, Slovakia has not applied to date any safeguard or antidumping measures. Moreover, non-tariff measures are being applied on a few products only.

Restructuring process in the Slovak economy has made progress, however, its dynamism is not satisfactory and it is still negatively influenced by previous patterns in industry. Export performance depends extensively on several dominant companies, which are producing mostly semi-finished products or products with low value added. Export share of these companies is currently unfavourably high amounting to 44%. This situation is a challenge for the industrial and trade policy of the Slovak Government which is reflected in its priority programme in this area. In the short term period restructuring process will lead to a temporary decrease in export dynamism on the contrary to the expected growth of imports which would consequently deteriorate the overall trade balance of developments with impacts to balance of payments position.

The Slovak Government feels to be bound by its international commitments for active and effective cooperation with other countries. Reversed developments in some key elements of the balance of payments and of trade balance in particular have led the Government to careful and complex consideration of the possible impact of phasing out the import surcharge on 30 June 1996. In this context and in the context of adopted conclusions at the last consultations the Slovak Government was not in a position to abolish the import surcharge completely, however, it adopted a commitment to reduce its rate to 7.5%. Further re-evaluation of the rate applied in dependence with the actual situation in specific macro-economic results of this year will be carried out thoroughly.

Finally, I would like to thank you Mr. Chairman and distinguished representatives for your kind attention. I wish to express my strong belief that will take into your esteemed consideration an explanation of our economic situation in its complexity, that will be reflected in the final conclusions of the Committee.

ANNEX II

Statement by the IMF Representative

Over the 12 months since the last Consultation of the WTO Committee, Slovakia has continued with the liberalization of its balance of payments transactions, both in the current and capital accounts. Significantly, on October 1, 1995 the authorities accepted the obligations of Article VIII under the Fund's Articles of Agreement, signalling full convertibility of the current account. Slovakia continues, however, to avail itself of a 10 per cent import surcharge on consumer goods.

Since its independence in 1993, the Slovak Republic has made significant progress in its economic management and performance. Growth has been strong and inflation has fallen steadily, supported by tight fiscal policies and continuing enterprise restructuring. The balance of payments also strengthened through 1995. However, since the beginning of this year several favourable trends have subsided, and in some cases reversed. The precautionary stand-by arrangement, which was approved by the Executive Board of the IMF in July 1994, expired in March 1996. An Article IV consultation mission is scheduled to visit Bratislava in October 1996.

Overview of Economic Developments

In 1994 the Slovak economy initiated a recovery after several years of steep decline. Real GDP rose by 5 percent, led by a growth of over 20 per cent in exports. Inflation fell from 25 per cent at end-1993 to less than 12 per cent at end-1994. The external current account improved by more than 10 percentage points of GDP, to a surplus equivalent to almost 6 per cent of GDP, and official foreign exchange reserves rose to the equivalent of over 3 months of imports of goods and services from about 1 month at end-1993. This performance was supported by a tight fiscal policy--the fiscal deficit declined to 1.3 per cent of GDP from over 7 per cent in 1993.

GDP growth accelerated further in 1995 to 7.4 per cent, with domestic demand replacing net exports as the main source of growth. The external current account again registered a surplus, equivalent to 3.8 per cent of GDP, which together with a surplus in the capital account led to a further increase of US\$1.7 billion in foreign currency reserves, bringing them to a level equivalent to 4.4 months of imports of goods and services. Inflation continued to decline, reaching 7.2 per cent by the end of the year, one of the lowest in transition economies. Fiscal consolidation continued, leading to a surplus in the general government accounts of 0.6 per cent of GDP. On the other hand, the authorities allowed a looser monetary stance than in 1994; rapid expansion of credits to enterprises together with the non-sterilized external surplus caused broad money to grow by over 20 per cent.

The main development so far in 1996 is an unexpectedly large and rapid turnaround in the external current account. In the first quarter of 1996, the current account registered a deficit of about US\$430 million or over 8 per cent of GDP on an annual basis (compared to surpluses of US\$175 million in the first quarter of 1995 and US\$650 million for all 1995) reflecting mainly continued high import growth while exports stagnated. In fact, the deterioration of the current account is due in part to one-off factors--imports of military equipment, a stock adjustment after the elimination of customs duties on small cars in late 1995, the effects on the fuel import bill of the particularly long winter, an extraordinary stoppage of a major petrochemical company -- for technical control purposes, and the abolition of the payments agreement with the Czech Republic. But other factors, such as the weakening of foreign demand and export prices and capacity constraints in some exporting sectors, are behind the continued deceleration of export growth; and the persistently high growth of imports appears to be linked to the buoyancy of domestic demand and the expansionary monetary policy.

The developments in the current account of the balance of payments and other indicators suggest that the economy is growing at the same high pace as in 1995, and that growth is led mainly by private consumption and investment. Confirming the strength of domestic demand, retail sales and industrial production grew by about 9 per cent in real terms through the first quarter of 1996.

Preliminary data for the first four months of 1996 point to continued fiscal tightness. Money and credit to enterprises, on the other hand, continue to expand at very high rates (23 and 17 per cent respectively in the 12-months to end-May 1996). The stable exchange rate, which has enabled demand to spill over into the external accounts, together with excess capacity in the non-tradeables sector, may explain why inflation has continued to decline, reaching 6 per cent in April 1996, in spite of the looser monetary stance.

A first wave of structural reform, including price and financial liberalization, and a mass privatization programme took place before independence. The Slovak Republic has gradually continued with this process, albeit at an uneven pace. Privatization and private sector development have led to over 60 per cent of GDP being produced in the private sector in 1995, compared to only one third in 1992. Enterprise restructuring has enabled Slovak industry to compete in foreign markets and to increase its exports to the European Union. But difficult reforms which are still pending, including restructuring of the banking and energy sectors and further privatization, are crucial to sustain the progress that has been achieved.

The exchange and trade system

The payment agreement with the Czech Republic, that was in effect from February 1993, was abolished on September 30, 1995 just prior to accepting the obligations of Article VIII, Sections 2,3 and 4 under the Fund's Articles of Agreement.

Slovakia has a substantially liberalized trade system. It maintains an Association Agreement with the EU, free trade agreements with Visegrad and EFTA countries, and a few custom union with Czech Republic. Import and export licenses are required for only a few items, and the average import tariff is relatively low (6 per cent on an unweighted basis). Moreover, the Slovak authorities are gradually removing many of the remaining trade restrictions. For example, in late 1995, the customs duty on imports of small cars (under 1,500 cc) was removed.

However, Slovakia continues to maintain a 10 per cent import surcharge on consumer goods, which was imposed in March 1994 to deal with a temporary deterioration of the external accounts. The authorities have delayed the elimination of the surcharge, which was originally intended to take place by end-1994, mainly because of balance of payments concerns. In 1995, they considered phasing out the surcharge in view of their strong balance of payments position, but decided to keep it in place because of the uncertain effects of the changes in the clearing system with the Czech Republic.

In its consultations with Slovakia, the Fund has urged the authorities to phase out the surcharge. Moreover, the Fund continues to maintain that financial policies, rather than the import surcharge, are the most appropriate tool to respond to balance of payments imbalances. If accompanied by the introduction of less distortionary taxes, phasing out of the surcharge is unlikely to create major problems in the budget, given Slovakia's strong fiscal position. The Fund urges the authorities to begin reducing the surcharge on a clear and specific timetable with a view to eliminating it altogether promptly, and to tighten financial policies in parallel, to avoid adverse effects on the balance of payments.

To conclude, the Slovak authorities have made important progress in the transition to a market economy. Tighter financial policies and further structural adjustment are needed to consolidate these achievements, and to ensure a more robust external position. The Fund regrets the Slovak authorities' decision not to phase out the import surcharge in 1995 when the situation was especially propitious. It urges the authorities to reconsider their decision by beginning to phase out the surcharge immediately with a view to its prompt elimination.