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Committee on Balance-of-Payments Restrictions

1995 CONSULTATION WITH THE SLOVAK REPUBLIC UNDER THE BALANCE-OF-PAYMENTS PROVISIONS OF THE GATT 1994 AND THE RELATED UNDERSTANDING

Background paper by the Secretariat

I. Introduction

1. This paper has been prepared in accordance with paragraph 12 of the Understanding on the Balance-of-Payments Provisions of the General Agreement on Tariffs and Trade 1994.¹

2. The present consultation stems from the introduction of a ten per cent surcharge on particular imports by the Slovak Republic in March 1994. At that time, the official reserves of the Slovak Republic stood at the equivalent of less than one month's merchandise imports. The Slovak Republic notified GATT CONTRACTING PARTIES of the imposition of the surcharge in document L/7428 and stated that the measure was introduced "to prevent the worsening of the situation and to reach the necessary stabilization of the country's monetary reserves.... The measure is considered as a short-term supplementary element within the framework of economic policy aimed at the improvement of the country's external equilibrium."

3. A previous consultation was held in July 1994 with the GATT Committee on Balance-of-Payments Restrictions.² The Committee welcomed early signs of improvement in the Slovak Republic's economic performance and noted that although the measure might have a short-term beneficial effect on the balance-of-payments situation, the import surcharge would, if maintained, become detrimental to efficient resource allocation and discourage economic growth. During the consultation, the representative of the Slovak Republic stated that the authorities intended to eliminate the surcharge by the end of 1994. The Committee encouraged the Slovak Republic to adhere to this date for elimination.

II. Policy Developments

4. The import surcharge was introduced by Decree No. 45/1994 of the Minister of Finance following authorization resulting from Government Resolution No. 161 of 1 March 1994. The surcharge is applied on a non-discriminatory basis, including on imports from the Czech Republic, with which the Slovak Republic has a customs union agreement, and on imports from all other preferential trade partners. Since its introduction, the surcharge has applied to 75 per cent of tariff lines comprising all or portions of 72 chapters of the Harmonised System. According to the Slovak authorities, the

¹It is recalled that, under Article XII, paragraph 5 of the General Agreement on Trade in Services (GATS) procedures for consultations "shall be the same as the GATT 1994 procedures".

²GATT documents BOP/319, BOP/W/156 and BOP/R/218.

affected tariff lines cover 57 per cent of the value of merchandise imports.³ Imports otherwise subject to the surcharge but imported for further re-processing, processing, completion, or assembly in production are exempt.⁴

5. Data provided by the Slovak authorities indicate the wide use of this exemption provision, with the surcharge actually being applied on about 13 per cent of imports. Surcharge revenue for 1994 during the ten months in which the surcharge was in force equalled Sk 2.2 billion, indicating that the surcharge had been applied on Sk 22 billion of imported goods. Total merchandise imports in 1994 were Sk 211.5 billion, or about Sk 176 billion for the ten month period.⁵ Implicit import surcharge rates, based on surcharge revenue data on a six-digit HS basis, vary widely across HS chapters (Table 1). While 56 HS chapters have implied surcharge rates of 2.0 per cent or less, 27 chapters have implied rates of at least 5.0 per cent. The implied import surcharge rate is in excess of half of the simple average tariff rate in 31 HS chapters. In 14 of these chapters the implied import surcharge rate actually exceeds the average tariff rate.

6. The Slovak Republic's m.f.n. tariffs are fully bound as a result of the implementation of Uruguay Round commitments and average 8.0 per cent on an unweighted basis. M.f.n. tariffs average 1.7 per cent when weighted by imports from non-preferential trading partners. According to the authorities, applied tariffs are equal to bound rates.

7. A bilateral payments agreement has existed between the Slovak Republic and the Czech Republic since the currency separation in February 1993. Transactions between the two countries are converted from the currency of the contract into clearing ECUs at the rate set by the respective central bank, and balances in excess of a clearing limit are settled monthly by the central banks. In principle, a clearing ECU is equal to one ECU; however, a five per cent deviation between the two is allowed in the agreement. The Slovak koruna was devalued against the clearing ECU to the maximum 5 per cent differential in December 1993, and this relationship was maintained until recently.⁶ In May 1995 the Slovak koruna was revalued by 4 per cent against the clearing ECU and there now exists only a 1 per cent differential. The bilateral payments agreement gives rise to an exchange restriction and a multiple currency practice subject to IMF approval under IMF Article VIII, section 2(a).

³Annex I, GATT document BOP/R/218.

⁴Such goods imported for the purposes of providing services (such as repair or restoration) do, however, face the surcharge.

⁵This suggests that the share of imports on which the surcharge was actually paid was equal to approximately 22/176, or 13 per cent.

⁶Earlier rate changes took place during early 1993, but from May until December 1993, the Slovak koruna rate with respect to the ECU and to the clearing ECU were equal. The rates of the Czech koruna with respect to the ECU and to the clearing ECU have been identical since March 1994.

Table 1

Slovak Republic : M.f.n. tariff rates and implied import surcharge rates, by HS Chapter.

(Per cent)

HS	No. of lines	Description	M.f.n. tariff		
			Simple average	Weighted average ^a	Import surcharge
01	15	Live animals	19.5	1.6	0.0
02	50	Meat and edible meat offal	46.3	40.1	1.9
03	87	Fish and crustacea, mollusca & other aquatic invertebrates	0.2	0.0	0.0
04	25	Dairy prods.; birds' eggs; natural honey; edible prods., n.e.s.	29.1	17.7	4.5
05	17	Products of animal origin, n.e.s. or included	0.0	0.0	0.0
06	13	Live tree and other plant; bulbs; roots; cut flowers, etc.	3.5	5.6	8.8
07	57	Edible vegetables and certain roots and tubers	7.1	19.6	6.9
08	50	Edible fruit and nuts; peel of citrus fruit or melons	3.2	4.8	2.0
09	33	Coffee, tea, maté and spices	4.2	3.6	2.3
10	16	Cereals	8.7	14.5	0.0
11	34	Prod. mill industry; malt; starches; inulin; wheat gluten	23.3	20.2	2.7
12	44	Oil seed, oleagi fruit; miscellaneous grain, seed, fruit, etc.	3.6	8.2	0.0
13	12	Lac; gums, resins and other vegetable saps & extracts	1.0	7.3	0.0
14	11	Vegetable plaiting materials; vegetable products, n.e.s.	0.0	0.0	0.0
15	52	Animal/vegetable fats & oils & their cleavage products; etc.	8.1	19.9	5.0
16	25	Preparation of meat, fish or crustaceans, molluscs, etc.	8.2	0.9	1.8
17	15	Sugar and sugar confectionery	50.8	14.9	4.2
18	11	Cocoa and cocoa preparations	8.7	10.1	6.0
19	16	Preparation of cereal, flour, starch/milk; pastrycooks' products	14.0	11.4	7.9
20	45	Preparation of vegetable, fruit, nuts or other parts of plants	10.6	2.9	5.7
21	15	Miscellaneous edible preparations	8.9	5.4	6.7
22	21	Beverages, spirits and vinegar	38.3	69.8	5.9
23	24	Residues & waste from the food industry, prep. animal fodder	0.4	1.0	0.2
24	9	Tobacco and manufactured tobacco substitutes	30.6	42.1	7.4
25	77	Salt, sulphur, earth & stone, plastering materials, lime, cement	0.7	1.5	0.1
26	34	Ores, slag and ash	0.1	0.0	0.0
27	40	Mineral fuels, oils & products of their distillation, etc.	1.7	0.0	0.0
28	190	Inorgn chems, compds of prec met, radioactive elements etc.	1.7	0.0	0.0
29	297	Organic chemicals	4.8	2.8	0.0
30	30	Pharmaceutical products	3.7	3.5	0.0
31	26	Fertilisers	3.0	0.2	1.3
32	46	Tanning/dyeing extracts, tannin & derivatives, pigments, etc.	4.5	4.5	0.1
33	34	Essential oils & resinoids, perfumes, cosmetic/toilet preps	6.5	8.9	7.7
34	23	Soap, organic surface-active agents, washing preparations, etc.	4.4	3.1	5.5
35	13	Albuminoidal substances; modified starches; glues; enzymes	10.9	7.6	2.4
36	8	Explosives, pyrotechnic products, matches, pyrop. alloy, etc.	5.0	5.4	1.0
37	36	Photographic or cinematographic goods	2.8	3.0	0.0
38	56	Miscellaneous chemical products	4.5	5.8	0.0
39	123	Plastics and articles thereof	5.8	5.6	0.7
40	66	Rubber and articles thereof	4.2	0.7	1.3
41	34	Raw hides and skins (other than fur skins) and leather	0.9	0.2	0.0
42	22	Articles of leather; saddlery/harness; travel goods, etc.	5.6	6.7	9.2
43	18	Furskins and artificial fur; manufactures thereof	1.3	1.0	1.7
44	66	Wood and articles of wood; wood charcoal	4.5	1.8	2.0
45	7	Cork and articles of cork	2.1	5.7	0.0
46	6	Manufactures of straw, esparto/other plaiting materials, etc.	4.8	5.3	10.0
47	19	Pulp of wood/of other fibrous cellulosic materials; waste, etc.	4.2	0.0	0.0
48	111	Paper & paperboard; articles of paper pulp, paper/paperboard	9.7	7.0	1.3
49	19	Printed books, newspapers, pictures and other products, etc.	3.3	0.8	1.7

Table 1 (cont'd)

HS	No. of lines	Description	Simple average	Weighted average ^a	Import surcharge
50	10	Silk	3.2	5.3	4.2
51	36	Wool, fine/coarse animal hair, horsehair yarn & fabric	3.1	0.0	0.8
52	127	Cotton	7.1	0.7	0.6
53	31	Other vegetable textile fibres, paper yarn & woven fabric	2.4	0.7	1.3
54	65	Man-made filaments	6.3	4.8	3.7
55	115	Man-made staple fibres	6.2	6.0	1.9
56	27	Wadding, felt & non-woven, yarn, twine, cordage, etc.	7.5	7.5	0.2
57	23	Carpets and other textile floor coverings	10.9	12.0	5.2
58	41	Special woven fabrics, tufted tex. fab, lace, tapestries, etc.	7.2	5.9	0.5
59	25	Impregnated, coated, cover/laminated textile fabric, etc.	6.5	4.4	0.3
60	18	Knitted or crocheted fabrics	7.4	6.6	2.6
61	114	Art. of apparel & clothing access, knitted or crocheted	9.1	9.9	8.3
62	119	Art. of apparel & clothing access, not knitted/crocheted	10.4	11.1	8.8
63	58	Other made-up textile articles, sets, worn clothing, etc.	11.2	9.0	5.2
64	29	Footwear, gaiters and the like, parts of such articles	10.4	11.0	6.0
65	11	Headgear and parts thereof	5.1	5.3	9.0
66	7	Umbrellas, walking sticks, seat sticks, whips, etc.	7.0	9.7	9.4
67	8	Prepr feathers & down, artif. flowers, articles human hair	4.3	8.9	0.0
68	53	Art. of stone, plaster, cement, asbestos, mica/sim. mat.	6.7	4.8	3.0
69	28	Ceramic products	7.1	7.3	6.8
70	57	Glass and glassware	10.8	11.1	1.4
71	52	Natural/cultured pearls, prec. stones & metals, coin, etc.	2.2	8.5	5.2
72	194	Iron and steel	5.0	4.8	0.0
73	118	Articles of iron or steel	6.5	5.9	1.1
74	58	Copper and articles thereof	3.9	1.5	0.2
75	16	Nickel and articles thereof	1.9	3.1	0.0
76	34	Aluminium and articles thereof	5.4	1.4	0.4
78	10	Lead and articles thereof	3.6	1.0	0.0
79	11	Zinc and articles thereof	3.8	0.0	0.0
80	9	Tin and articles thereof	2.3	0.0	0.1
81	36	Other base metals	0.3	0.0	0.0
82	65	Tool, implement, cutlery, spoon & fork, of base met. etc.	5.3	4.8	6.6
83	36	Miscellaneous articles of base metal	5.6	5.5	1.9
84	498	Nuclear reactors, boilers, machinery & mech. appliances, parts	5.0	3.0	0.7
85	264	Electrical mach., equipment, parts thereof, sound recorder, etc.	5.3	3.5	1.8
86	24	Railway/tramway locomotives, rolling-stock, parts thereof, etc.	7.5	5.7	0.0
87	76	Vehicles o/t railway/tramway roll-stock, parts and accessories	8.4	13.8	2.6
88	15	Aircraft, spacecraft, and parts thereof	5.9	7.0	0.0
89	17	Ships, boats and floating structures	5.7	6.2	3.0
90	152	Optical, photo., cine., measuring, checking, precision, etc.	4.0	4.2	0.2
91	55	Clocks and watches and parts thereof	3.1	3.5	6.1
92	23	Musical instruments; parts and access of such articles	7.0	5.4	4.4
93	17	Arms and ammunition, parts and accessories thereof	3.7	1.4	1.2
94	37	Furniture, bedding, mattress, mattress support, cushion, etc.	8.2	7.4	5.2
95	43	Toys, games & sports requisites, parts & accessories thereof	7.6	7.3	6.8
96	51	Miscellaneous manufactured articles	5.0	5.2	5.9
97	7	Works of art, collectors pieces and antiques	1.4	0.0	3.8

... Not available

a Weighted by imports from countries that do not have a preferential agreement with Slovakia and are not granted GSP; based on 1995 tariffs and 1994 import values.

Source: WTO Secretariat, based on data provided by the Czech and Slovak authorities.

III. Macroeconomic and Trade Developments

8. The Slovak economy experienced a 5 per cent, export-led expansion in 1994 (Table 2). The merchandise trade balance moved from a deficit equal to 8 per cent of GDP in 1993 to a surplus equal to 1 per cent of GDP in 1994, while the current account balance similarly moved from a 5 per cent deficit in 1993 to a 6 per cent surplus in 1994. Overall, Slovakia's surplus on the balance of payments increased from 3 per cent of GDP in 1993 to 11 per cent in 1994.

9. Corresponding to the large surplus on the balance of payments in 1994 was an increase of similar magnitude in Slovakia's gross reserves, which rose by US\$1.7 billion, equal to some 12 per cent of GDP.⁷ Official reserves increased from US\$0.4 billion at the end of 1993 to US\$1.7 billion at the end of 1994. This amount is equivalent to 2.4 months of Slovakia's imports of merchandise and nonfactor services, or 3.1 months of merchandise imports.

(a) Output, Employment and Prices

10. Measured economic activity in the Slovak Republic fell in each of the first four years of the economic transition. In 1993 real GDP was 22 per cent below its rate in 1989. This reflected large declines in personal consumption and fixed investment during the period. The 5 per cent growth of 1994 followed a 4 per cent contraction in 1993. The share of the private sector in 1994 was 58 per cent, including cooperatives (14 per cent) and firms with mixed public and private ownership.

11. The unemployment rate in Slovakia at the end of 1994 remained near 14 per cent, its level of a year earlier. Consumer prices averaged some 13 per cent higher in 1994 than in 1993.

(b) Public Finance

12. Slovakia's fiscal deficit continued to decline in 1994, falling to 2.5 per cent of GDP from 7.6 per cent of GDP in 1993 (Table 3). Real government expenditure did not change substantially although as a share of GDP, government expenditure declined from 55.7 to 52.6 per cent. Government revenue increased from 48.1 to 50.1 per cent of GDP.

(c) Money and Credit

13. Broad money continued to grow rapidly in 1994, increasing by 19.1 per cent in the year ending December 1994 after an increase of 18.5 per cent the previous year. This expansion resulted from substantial increases in net foreign assets (foreign assets doubled to over Sk102 billion and foreign liabilities changed little), while net domestic assets declined slightly. Interest rates averaged higher in 1994 than in 1993, with increases from 14.1 to 14.9 per cent on credit to enterprises and an increase on rates for household deposits from 9.6 to 11.2 per cent. The rate on household deposits was nevertheless below the rate of increase of consumer prices.

⁷The difference between the balance of payments surplus and the increase in gross reserves is due to changes in short-term liabilities and net IMF credit.

Table 2

Slovak Republic: Performance and major features of the economy

	1992	1993	1994
Population (millions)	5.31	5.33	5.36
Unemployment (end of year; per cent)	10.4	14.4	14.2
Real GDP ^a (SK billions)	181.2	173.8	182.2
Per cent change from previous year	-7.0	-4.1	4.8
Consumer prices (per cent increase; period average)	10.0	23.2	13.4
Nominal GDP (SK billions)	307.8	340.2	401.2
Nominal GDP (\$ billions)	10.9	11.0	12.5
Nominal exchange rate, SK per US\$ (end of period)	28.9	33.2	31.3
Real effective exchange rate appreciation, per cent (end of year)	0.5	-1.8	2.4
Official reserves, incl. gold ^b (US\$ billions)	0.4	0.4	1.7
Official reserves in months of imports of goods and services	0.5	0.6	2.4
Official reserves in months of imports of goods	0.7	0.8	3.1
Composition of GDP^a	Per cent of GDP		
Private consumption	49.4	52.1	48.0
Government consumption	25.2	27.4	25.0
Gross fixed capital formation	29.2	25.6	21.9
Change in stocks	-4.5	-4.9	n.a.
Net exports of goods and non-factor services	-0.7	-0.2	n.a.
Statistical discrepancy	1.4	-0.1	n.a.
Sectoral GDP shares^c			
Agriculture and forestry	6.2	6.6	7.4
Industry and construction	44.7	43.6	35.7
Market and non-market services	49.1	49.8	56.9
Macroeconomic balances^d			
Gross national savings	19.5	22.4	n.a.
Government	-6.9	-3.3	n.a.
Gross domestic savings	19.8	22.4	n.a.
Gross domestic investment	24.7	24.8	n.a.
Government	6.2	4.1	n.a.
Non-government	18.5	20.7	n.a.
Foreign savings	5.2	2.4	n.a.
Memorandum: General government surplus	-13.1	-7.6	-2.7
Balance of payments:			
Current account balance	0.4	-5.4	5.7
Merchandise trade balance	-6.6	-8.4	0.8
Exports, f.o.b.	59.9 ^e	49.3	53.7
Imports, f.o.b.	66.5 ^e	57.8	52.8
Services balance	-0.2	2.4	5.2
Receipts	14.1	17.7	18.0
Expenditures	14.3	15.2	12.8
Net factor income from abroad	-0.3	-0.4	-1.0
Net current transfers	7.5	0.9	0.6
Capital account balance	-0.8	8.9	3.6
Net direct foreign investment	0.9	3.4 ^f	2.0
Clearing balance with Czech Rep. (neg. indicates surplus)	n.a.	1.7	-4.9
Errors and omissions	-4.6	-0.2	2.1
Balance of payments	-5.0	3.2	11.4
Change in gross reserves (neg. indicates increase)	-0.9	-4.7	-11.9

n.a. Not available.

a Preliminary data; 1984 prices. Includes Transgas and foreign trade organizations.

b Excluding US\$0.5 billion in gold and foreign exchange obtained through gold swaps (US\$122 million as of November 1994).

c At current prices.

d Figures for 1992 exclude fiscal transfers from the Czech Republic that amounted to seven per cent of Slovak GDP. Figures for 1993 exclude military imports from Russia valued at 1.6 per cent of GDP, which were exchanged for a write-down of debt. This explains the discrepancies for 1992 and 1993 between the savings - investment difference in this section and the current account balance in the following section.

e Includes transactions with the Czech Republic.

f Including US\$529 million (4.8 per cent of GDP) of Slovak shares in Czech companies acquired through voucher privatization; the counterpart, a capital transfer, is included in the capital account balance.

Source: IMF and Slovak authorities.

Table 3**Slovak Republic: Fiscal Developments in 1992-1994^a**

(Per cent of GDP)

	1992 ^b	1993	1994 ^c
Total revenue	49.7	48.1	50.1
Indirect taxes	13.1	13.8	14.5
Direct taxes	17.7	10.7	12.5
Social security contributions	9.8	12.6	12.6
Other taxes	2.0	2.4	2.8
Import surcharge	n.a.	n.a	0.5
Nontax revenue	7.2	8.5	7.7
Total Expenditure	62.6	55.7 ^d	52.6
Current expenditures	54.5	49.5	47.6
Wages	5.0	4.7	4.2
Social expenditures	18.4	17.2	15.8
Health care	5.0	4.6	5.8
Subsidies	5.3	5.1	4.6
Debt service ^e	...	3.9	5.0
Other	...	14.0	12.2
Capital expenditures	8.1	6.2	5.0
Fiscal Balance	-12.8	-7.6 ^d	-2.5

a Consolidated general government.

b Based on an estimate of general government revenue and expenditure in the territory of the Slovak Republic (i.e., including portions of federal revenues and expenditures).

c Original estimate of GDP.

d Excluding military imports, equivalent to 1.6 per cent of GDP, in exchange for a write-down of claims on Russia.

e Interest, lending, and guarantees called, excluding all amortization.

Source: IMF and Slovak authorities.

(d) Exchange Rate

14. The Slovak koruna is pegged to a currency basket comprising the United States dollar (40 per cent) and the Deutsche Mark (60 per cent). Following a 10 per cent devaluation in July 1993, the koruna's value against the basket has remained unchanged. At end-March 1995, the exchange rate was SK 28.995 per US\$1 compared with SK 31.277 per US\$1 at end-1994 and SK 33.202 per US\$1 at end-1993. High inflation in Slovakia relative to that in its key trading partners led to an appreciation in the real effective exchange rate of the koruna of some 2.4 per cent during the year ending December 1994.

(e) Balance of Payments

15. Slovakia's external sector was the primary force behind the strong GDP growth experienced in 1994 (Table 4). Slovakia experienced positive surpluses on merchandise trade, services trade and the overall current account, and on the capital account. The overall balance of payments in 1994 was in surplus by US\$1430 million, compared to a surplus of US\$360 million in 1993 and a deficit of US\$540 million in 1992.

Table 4**Slovak Republic: Balance of payments, 1992-4^a**

(US\$ million)

	1992 Prelim.	1993 Prelim.	1994 Prelim.
Current account	46	-601	712
Trade balance	-715	-932	105
Exports, f.o.b.	6,515	5,447	6,727
Imports, f.o.b.	7,229	6,379	6,622
Services balance	-1	270	657
Receipts	1,535	1,951	2,256
Transportation	414	460	538
Travel	200	390	568
Other	921	1,101	1,150
Expenditures	1,554	1,681	1,599
Transportation	263	292	161
Travel	165	216	283
Other	1,126	1,173	1,155
Income from abroad	-35	-39	-120
Receipts	170	189	155
Expenditures	205	228	275
Current transfers	814	100	69
Private (net)	70	96	63
Official (net)	744	4	6
Capital account	-85	980	446
Capital transfers (net)	--	529	87
Foreign investment (net)	100	-373 ^b	250
Other long-term capital (net)	251	562	659
Credits received, net	196	313	477
Credits extended, net	55	249	182
Short-term capital (net)	-436	73	-195
Clearing account balance (surplus, -)	--	189	-609
Settlement under clearing account (payment, -)	--	--	255
Errors and omissions	-500	-23	268
Overall Balance	-539	356	1,426
Gross reserves (increase, -)	-95	-521	-1,492
State Bank	5	-59	-1,173
Commercial banks	-100	-462	-319
Fund credit, net	94	90	48
Short-term liabilities (decrease, -)	540	75	18
Financing gap	--	--	--

a Including transactions with the Czech Republic.

b Including US\$529 million of Slovak shares in Czech companies acquired through the "first wave" of voucher privatization in the former CSFR. The counterpart is presented as a capital transfer.

Source: IMF.

16. The current account moved from a US\$600 million deficit to a surplus of US\$710 million in 1994. This turnaround of US\$1310 million largely reflects an increase of US\$1280 million in merchandise exports. Merchandise imports rose only some US\$150 million and Slovakia's merchandise trade surplus equalled US\$100 million. The surplus on services also grew in 1994, with services receipts rising US\$300 million while services expenditures fell by US\$80 million. Slovakia continued to have a deficit on net income from abroad, which in 1994 equalled US\$120 million and compares to a deficit of some US\$40 million in 1993. Slovakia received net transfers from abroad in 1994 of some US\$70 million, a decrease of US\$30 million from 1993.

17. Slovakia's capital account was in surplus in 1994 by some US\$450 million. The decrease from the nearly US\$980 million surplus in 1993 largely reflects the turnaround in the clearing account balance with the Czech Republic, which is the counterpart to the substantial increase in net exports to that country.

The Pattern of Merchandise Trade

18. The Czech Republic remained Slovakia's largest trading partner in 1994 (Table 5), accounting for 37 per cent of Slovak exports and 30 per cent of imports. More than half of the 23.5 per cent increase in merchandise exports from 1993 was in trade with the European Union, however. Exports to the Czech Republic accounted for about one sixth of the increase, while exports to Hungary accounted for one tenth of the increase.

Table 5
Slovak Republic: Geographic Composition of Merchandise Trade, 1994

	All partners	Austria	Czech Republic	European Union - 12	Hungary	Poland	Russia	Ukraine	United States
	US\$ million								
Merchandise exports, f.o.b.	6,727	5.2	37.1	29.2	5.4	2.8	4.1	1.7	1.6
Merchandise imports, f.o.b.	6,600	5.8	29.6	26.2	1.7	2.4	17.8	1.8	2.9

Source: WTO Secretariat calculations based on data provided by the Ministry of Economy of the Slovak Republic.

19. Imports increased some 4 per cent in 1994 from their value in 1993. The largest sources of Slovak imports, along with the Czech Republic, are the EU and Russia. Despite little growth in overall imports, imports from the EU increased 33 per cent. Imports from the Czech Republic, in contrast, fell by 14 per cent in 1994, while those from Russia fell by 5 per cent.

20. The product categories that make up the largest shares of imports include fuels, chemicals, and non-electrical machinery (Table 6). Product categories that comprise a large share of Slovakia's total merchandise exports include iron and steel, chemicals, and other semi-manufactures. Substantial increases in exports account in most product categories in 1994.

Table 6

Slovak Republic: trade by broad product category, 1994

Product category	Exports	Imports
Total (US\$ million)	6,710.0	6,580.6
		Per cent
Agricultural products	9.3	11.0
Food	5.7	8.8
Raw materials	3.5	2.2
Mining products	8.2	24.1
Ores and other minerals	1.4	2.8
Non-ferrous metals	2.1	1.9
Fuels	4.6	19.3
Manufactures	81.7	64.5
Iron and steel	17.0	4.3
Chemicals	12.8	13.3
Other semi-manufactures	15.3	7.9
Textiles	4.9	2.8
Clothing	3.5	1.2
Machinery and transport equipment	19.4	27.7
Power generating machinery	1.5	1.5
Other non-electrical machinery	5.7	10.5
Office machines and telecommunications equipment	1.6	5.8
Electrical machinery and apparatus	3.3	4.2
Automotive products	4.5	4.1
Other transport equipment	3.0	1.6
Other consumer goods	8.9	7.3
Other	0.9	0.4

Note: SITC Rev.3 definitions used for the broad product categories.

Source: WTO Secretariat calculations based on data provided by the Ministry of Economy of the Slovak Republic.

(f) Foreign Exchange Reserves

21. Official reserves increased from US\$0.4 billion at the end of 1993 to US\$1.7 billion at the end of 1994, largely as a result of the large balance of payments surplus. The end-1994 reserves level was equal to 2.4 months' imports of goods and services or to 3.1 months' imports of goods.

(g) Foreign Debt

22. Slovakia's external debt at the end of 1994 was equal to US\$3.9 billion, excluding disputed interbank liabilities to the Czech Republic, and is equivalent to some 31 per cent of GDP; this was up from US\$3.4 billion in 1993. Debt service was equal to 8.8 per cent of total exports, down slightly from 8.9 per cent in 1993.