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ECONOMIC RELATIONS BETWEEN THE SOVIET UNION
AND CZECHOSLOVAKIA IN THE 1980s

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1. General Economic Development of Czechoslovakia in the 1980s
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Like the other CMEA countries, Czechoslovakia experienced distinct slowdowns in its economic growth at the beginning of the 1980s. By the second half of the 1970s a downturn in the overall trend could be observed. There was a shift from stable, satisfying growth characterized by an annual average growth of produced national income of 5.7% during the years 1971-75, to a decreasing (although still positive) 3.6% growth rate during the period 1976-1980. The author of this paper has elaborated on the causes of this change in the overall trend in an earlier article.¹

However, in 1979 and 1980 rates of growth of national income (produced) were still 3.0% and 2.9% respectively. In 1981 a severe drop in economic growth occurred, resulting in a negative growth rate of 0.1%, calculated by the standard net method, which was used at that time.² After a stagnation in 1982, some tendencies of relief were apparent in 1983 and 1984. In 1985, however, signs of weaker economic performance again prevailed. Officially, the extreme winter temperatures in the first two months of 1985 were blamed for the difficulties in the economy. The main critique raised by economists in professional discussions on the state of the economy, however, was that the enterprises failed to achieve the urgently needed and planned savings of raw materials and energy. These savings are considered indispensable for resuming stable economic growth in Czechoslovakia. A constant rise in inputs of primary resources (mainly imported raw materials and energy) which accompanied the process of economic growth in the past, cannot be maintained any longer without causing increasing frictions, imbalances, and growth barriers in the economy. Summing up this short look at

the state of the CSSR-economy, one can assume that Czechoslovakia is likely entering a phase of slower, but moderate economic growth in the second half of the 1980s. Compared with the rest of the CMEA community the CSSR will thereby probably have one of the smaller rates of growth of the socialist countries.

Table 1: Rates of Economic Growth of Czechoslovakia's Gross and Net National Income, and of Some Important Sectors of the Economy, 1980-85.

	1980	1981	1982	1983	1984	1985
	(Previous year = 100)					
National Income (prod.)						
gross	102.3	100.8	100.6	102.7	103.6	103.3
net	102.9	99.9	100.2	102.3	103.5	.
National Income (distr.)	102.7	96.6	98.4	100.7	101.2	.
Industr.Gross Production	103.2	102.0	101.0	102.8	103.9	103.4
Construction	101.2	98.2	96.2	102.8	101.7	101.1
Agric.Gross Production	104.8	97.5	104.4	104.2	103.6	98.4

Sources: Calculated from Statisticka rocenka CSSR 1985; report on plan fulfilment in 1985, in: Rude pravo, Jan.25, 1986.

Turning to the development of the external economic relations of Czechoslovakia in the more recent years, one notes from tables 2 and 3 a striking trend towards an increase in trade with the East. Table 2 generally explains the development that caused the increase in the share of Czechoslovakia's trade with the East as shown in table 3.

During the 1970s, particularly in the first half, Czechoslovak trade was constantly experiencing deficits with the socialist countries as well as with the western industrialized countries. These deficits decreased in volume towards the end of the 1970s, but only in 1980 was trade with the non-socialist countries balanced for the first time. It is only the fact that the developing countries are included in this group of countries, however, that caused the overall balance in non-socialist foreign trade: high surpluses with developing countries offset deficits in trade with the developed West.

Table 2: The Development of Czechoslovakia's Foreign Trade, 1971-84

	5.FYP 1971-75	6.FYP 1976-80	1980 (Previous period = 100)	1981	1982	1983	1984	1981-84 (1980=100)
For.Tr.Turnover	180.6	166.1	111.0	107.5	108.9	109.2	110.4	140.9
Export	170.9	171.8	114.5	109.4	108.7	108.9	110.1	142.5
Import	190.6	160.8	107.6	105.8	109.2	109.4	110.4	139.5
FT with Socialist								
Countries, Turnover	182.2	164.3	108.2	110.6	113.9	111.5	112.2	157.6
Export	173.0	167.2	110.2	111.8	112.8	110.1	112.1	155.6
Import	191.7	161.6	106.4	109.8	114.9	113.0	112.4	160.2
FT with CMEA								
Turnover	185.6	164.8	108.0	110.2	113.6	112.1	112.7	158.2
Export	175.6	168.4	110.3	111.4	112.4	110.5	111.7	154.5
Import	196.0	161.5	105.9	109.0	114.8	113.7	113.6	161.6
FT with the Industr.								
West, Turnover	180.2	171.5	115.9	97.4	95.9	98.5	104.2	95.9
Export	166.6	188.5	124.9	98.7	98.6	100.6	108.6	106.3
Import	191.9	160.0	109.0	96.2	93.5	96.6	99.8	86.7
FT with Developing								
Countries, Turnover	167.1	166.4	123.8	109.6	97.4	111.6	101.8	121.3
Export	163.2	172.2	127.1	117.2	98.5	116.6	95.4	128.4
Import	173.1	158.1	118.9	97.7	95.3	102.0	115.9	110.1

Sources: See table 1; Statisticke prehledy, No.6/1985.

Table 3: Regional Structure of Czechoslovakia's Foreign Trade, in per cent

	1970	1975	1980	1981	1982	1983	1984	1985
Foreign Trade Turnover	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Export	50.6	47.9	49.6	50.4	50.3	50.2	50.1	49.9
Import	49.4	52.1	50.4	49.6	49.7	49.8	49.9	50.1
Share of FTT with:								
Socialist Countries	70.0	70.6	69.9	71.9	75.2	76.9	78.3	78.8
Thereof: CMEA ^a	64.2	66.0	65.5	67.1	70.0	71.9	73.5	
Western Indust. C.	22.4	22.4	23.1	20.9	18.4	16.6	15.7	
Developing Countries	7.6	7.0	7.0	7.2	6.4	6.6	6.0	

^aCMEA includes the 7 European member countries as well as Mongolia (since 1962), Cuba (since 1972), and Vietnam (since 1979).

Sources: Statisticka rocenka CSSR, various years; Rude pravo, Jan. 25, 1986.

It was not until 1984 that Czechoslovakia, after ongoing curtailments of imports, became able to achieve an overall surplus with the western industrialized countries. Due to reductions in imports in 1984, however, the nominal volume of imports from the industrialized West reached just 86.7% of the 1980 level! Exports to these countries increased over the same four years by a mere 6.3%. Nevertheless, this rigid import policy together with continuing high surpluses from trade with the Third World - 80% of which are in hard currencies - enabled Czechoslovakia to bring under control and even reduce its admittedly small indebtedness to the West.

On the other hand, trade with the socialist countries remained imbalanced in the first half of the 1980s. Because shortages in supply permanently exist in CMEA countries problems for sellers normally do not occur. Therefore, deficits over such a long period as observed in Czechoslovakia's trade with the East must be the result of a distinct trade policy that aims at purchasing on credit when it is relatively cheap. The year 1985 seems to mark for the first time a change : in addition to the already mentioned surpluses in trade with the non-socialist countries Czechoslovakia now also attempts to reduce its deficit in CMEA trade! Czechoslovak politicians recently announced publicly that the country must begin repayment of rouble credits now.

As a result of this restrictive trade policy with the West (the turnover with the West shrank between 1980 and 1984 by 4%) and the increased orientation towards socialist countries (the turnover increased by more than 57% between 1980 and 1984; see table 2) one must note that in 1985 already three quarters (78.8%) of total foreign trade turnover was completed with the socialist countries, of which, 44.8% alone with the Soviet Union! This puts Czechoslovakia first among the European CMEA countries as regards socialist trade as a percentage of total foreign trade, and places it first on a par with Bulgaria in terms of

trade intensity within the CMEA-region. Since 1983 Czechoslovakia holds an 11% share in overall intra-CMEA trade, which places it third behind the Soviet Union and the GDR.

2. Causes for Czechoslovakia's Increased CMEA Orientation in the 1980s

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The intensification of Czechoslovakia's trade linkages with its CMEA partners leads to the question of whether this happened due to a quasi-automatic development, or whether it reflects an intended stronger orientation and concentration of Czechoslovakia's further structural policy in the socialist economic community.

2.1. Domestic Political Position

There is a fairly simple explanation which finds the respective motives in conservative political behavior and implicitly includes the deliberate orientation towards CMEA. The assumption is that the more uncertain a regime domestically, the less willing it will be to risk its internal position by intensifying economic relations with the West. This reasoning may bear some justification when one looks at Poland as a negative example of a country which exposed itself to western, in particular US-American 'opportunities to backmail' as a result of a too extensive Western-orientation. It is argued that the present instable political situation in Poland urges its government - not regarding economic limitations, necessities and/or possibilities - to free itself from critical economic linkages with the West, and to recover from its failures of the 1970s in the security of the CMEA community.

Immediately the question arises of whether the reverse argument is also substantial. Is it possible to assume that the communist parties in those CMEA countries, which to date still try to maintain or even enforce their relatively

intensive economic relations with the West, feel more secure about their position vis-a-vis the population? In the case of Hungary the answer probably would be 'yes', as it would be for the Poland of the 1970s and the present situation in the GDR. If one tries to transfer this alleged political coherence between domestic self-reliance and foreign relations policy to the case of Czechoslovakia, then it seems easy to recognize indications of a politically motivated reluctance of the Husak leadership against stronger contacts with the West in the 1970s (i.e. the years of the so-called policy of 'stabilization and normalization' following the forcible ending of the Prague reform-spring movement). Czechoslovakia was at that time extremely cautious about borrowing from the West, and did not allow its Western trade to increase in overall foreign trade between 1970 and 1980. On the other hand, the Czechoslovak communist party hardly appears more uneasy in the early 1980s than during the 1970s. Therefore, this does not explain the noted intensification of Czechoslovakia's economic orientation towards CMEA.

2.2. Problems of Economic Adaptation

More plausible reasons can be found in the country's difficulties with its Western exports. Czechoslovak economists, in particular foreign trade specialists, have been complaining for years that Czechoslovak producers and foreign trade organizations are not able or willing to develop improved abilities of adaptation to the ever more rapidly changing conditions on the Western world market. This holds true in particular for machinery and equipment, a sector which traditionally bears the main burden of Czechoslovakia's export endeavors: Its share in Czechoslovakia's total exports to the developed West has further decreased between 1980 and 1984.³ On the other hand, in exports to the East and to the developing countries the share of deliveries of machinery and equipment increased clearly signalling Czechoslovakia's lack of competitiveness in modern and

pretentious products. To some extent the economic stagnation or even recession in the Western economies during these first years of the 1980s caused a general lack of demand for investment commodities. This, however, only intensified overall competition among producers of machinery and equipment, more clearly manifesting Czechoslovakia's loss of market positions by the aforementioned lack of competitiveness. It should be kept in mind that machinery and equipment are generally considered to represent the measure for the overall competitiveness of an industrial nation, which Czechoslovakia certainly is.

This fatal combination of lack of competitiveness and a generally weak demand on the markets of Western industrialized nations obviously caused insurmountable problems to Czechoslovakia in these years during its attempt increase exports to the West in order to achieve the necessary trade surpluses for the repayment of its hard currency debts. Although these debts have been relatively minor compared to other East European or even Latin American nations, politicians in Prague regarded their reduction as preeminent. Thus, the only possible way of solving this problem was to curtail imports from hard currency countries, a measure which in these years did not have any value of originality.

Table 2 clearly shows this decision of reducing imports from the West. Between 1981 and 1984 the volume of imports from the Western industrialized countries decreased by 13.3 %.⁴ in value (nominal) terms. In order to maintain or even extend domestic production Czechoslovakia had to purchase the necessary inputs elsewhere, in this case in the CMEA region. Consequently in the same four years the (nominal) volume of imports from the CMEA countries increased by 61.6 %. We will return later to the question of why this increase was so much larger than the corresponding decrease of Western imports.

In this context the development of Czechoslovakia's trade with the Third World seems to be worth mentioning. In the critical years 1981 and 1982 one also finds import reductions. This should be mainly due to the fact that 80% of Czechoslovakia's trade with the Third World is accounted for in hard currency. In contrary to the more pretentious trade with the Western developed countries, Czechoslovakia was able to achieve further increases in its trade with the developing countries, with the only exception of 1982. The surpluses of hard currency from this trade were extremely welcome for the repayment of Western credits!

2.3. The Development of Terms of Trade

Table 4: The Development of Czechoslovakia's Terms of Trade, 1970-84

	1970	1975	1980 (1970=100)	1984	1984 (1980=100)
Export Prices	100.0	126.0	159.6	184.3	115.5
Import Prices	100.0	139.4	194.5	276.8	142.3
Export Volume, nominal	100.0	170.9	293.6	418.3	142.5
Export Volume, real	100.0	135.6	183.9	227.0	123.4
Import Volume, nominal	100.0	190.6	306.5	427.5	139.5
Import Volume, real	100.0	136.8	157.6	154.4	98.0
Terms of Trade	100.0	90.4	82.1	66.6	81.1

Source: Statisticka rocenka CSSR 1985, p.456.

Looking at Table 4, one can see to what extent Czechoslovakia was hit by the unfavorable development of its export and import prices. When only trying to maintain its real volume of imports, it had to export almost 19% more in real terms than in 1980 in order not to run into a deficit in its balance of trade! In 1970, Czechoslovakia even had to increase its exports in physical terms by exactly one third. It becomes very clear that such a development in price relations causes enormous additional efforts for an economy which already

had difficulties in fulfilling only modest production targets with no visible reserves at all.⁵ It should be mentioned in this context that the volume of imports in physical terms decreased in 1980 and in particular in 1981. Since 1982, slight increases can be registered, but still in 1984 the real volume of imports was 2% below the figure of 1980 and even 3.5% below that of 1979! All the more impressive is the increase of real exports which in 1984 grew by 23.4% compared to 1980 and 29.2% compared to 1979. This does not contradict what was said before, namely that an increase of real exports by 19% became necessary in order to be able to pay the import bill if real imports only stagnated. The difference of 6.4% - resulting from a 23.4% increase of real exports minus a 2% decrease of real imports minus a 19% terms of trade loss represents a real surplus that could be used for repayment of debts.

Of course, it would be especially interesting to find out with which group of countries Czechoslovakia's terms of trade have experienced distinctly favorable or unfavorable developments. In other words, do changes in terms of trade in economic relations with the socialist countries differ from those resulting from trade with the West? Unfortunately the statistical yearbook of Czechoslovakia does not reveal relevant figures. Some structural tendencies, however, can be compiled by use of limited information found in different scattered publications of Czechoslovak and Western economists:⁶

Until 1974 very little deterioration of terms of trade occurred in Czechoslovakia's trade with the CMEA. On the other hand, in commodity exchange with non-socialist countries the terms of trade had already decreased to 92.8, given 1970=100. Altogether the terms of trade index was at 96.5 in 1974. When, in 1975 in accordance to the new Moscow price formula, intra-CMEA prices for energy

and raw materials began to adapt more quickly to changes in (Western) world market prices, Czechoslovakia's terms of trade with CMEA immediately fell by 10 points. Again, in 1976 and 1977, smaller deteriorations of its CMEA terms of trade happened. For the following years separate terms of trade data for Czechoslovakia's commodity exchange with the East could not be found. Since information about the development of prices in its trade with the West are available, and figures for the development of overall terms of trade are published in the official statistical yearbook, one can infer a rapid deterioration of Czechoslovakia's terms of trade with the socialist countries in the second half of the 1970s from the fact that instead of a slight improvement of the terms of trade with the West (from 82.0 in 1977 to 83.8 in 1980) total terms of trade fell from 85.6 to 82.1. For 1980 one can assume that terms of trade with socialist countries must have been close to 81.

In the first four years of this decade, when the share of trade with the West decreased substantially (see table 3), another even more rapid⁷ deterioration of Czechoslovakia's terms of trade occurred. This leads to the conclusion that this deterioration must be caused by the continuation of the negative trend of price developments in its socialist trade. In chapter 3 it will be demonstrated that this predominantly concerns trade with the Soviet Union. In any case it should be clear by now that the deterioration of the terms of trade with the East automatically produces an increase in the share of this country group in Czechoslovakia's exports (nominally as well as in physical terms) if the country only wants to balance the trade flows.

2.4. Insufficient Successes in Relative Savings of Inputs

Like other socialist countries Czechoslovakia tries to gradually reduce its

enormous input of energy and raw materials. Two specially designed target programs had formulated quantitative savings goals for the Five Year Plan period 1981-85, but fulfilment fell short. Still the economy can be found on the so-called extensive development path, mainly through achieving increased inputs and less through distinctly improved productivity. This development, which is unfavorable in principle, becomes even worse by the strong import dependence of the country towards raw materials and primary energy resources. If one investigates in the regional distribution of these imports, again a notable preponderance of CMEA, the Soviet Union again becomes apparent.

2.5. Combined Effects of 2.3. and 2.4

Increases in prices for imports, primarily for imports from CMEA, and rising import demands for securing economic growth, inevitably bring about increments on the import side, in nominal as well as in real terms. If the government does not want to allow further or increased deficits in foreign trade, then deteriorating terms of trade must also lead consequently to a (real and nominal) increase in exports which means that total foreign trade turnover will expand. Czechoslovak politicians stated that the share of foreign trade turnover in material net product was 36% in 1980. In 1982 it already reached 42%, and in 1984 almost 50%!⁸

According to data from the 1985 statistical yearbook, where an input-output table with 37 vectors was published for 1982, the share of goods destined for export in total domestically produced and distributed final production (= final consumption, in Czech: finalni uziti)⁹ was already 32.3 %.¹⁰ Unfortunately such an input-output table does not exist for every year. Therefore one can only compare this with data from the last available table which describes input-

output relations in 1977. At that time the respective share of exports in final production was 29.9%. The increase of the export share is obvious, and naturally bears consequences for the entire economy.

The entire problem must be seen in the fact that the pie which is to be distributed (national income or net material product) cannot be augmented just at the will of the planners. If national income remains the same or even grows only marginally, and exports increase at a higher rate of growth than total output (as occurred in Czechoslovakia), the remaining parts for consumption and investment must decrease. This is true in particular increases in imports are only nominal (due to upward changes in prices only, see table 4). When this happens, increases in the import bill do not reflect additional deliveries either for production (primary or intermediate products) or for consumption or accumulation. With Czechoslovakia this implies that between 1980 and 1984 - when real imports decreased by 2% and real exports increased by 23.4% - that remainder of the pie which was destined for domestic distribution became substantially smaller. This presumed impact of the above described development of foreign trade on domestic possibilities of consumption and accumulation can be traced quite clearly in official statistics:

Table 5: Indices on Distribution of National Income (NI), After Deduction of Exports. Calculated from Data in Constant Prices.

	1980	1981	1982	1983	1984
NI, distributed	100.0	96.5	95.5	95.7	96.7
- Non-productive Consumption	100.0	102.7	101.5	104.3	107.2
Private Consumption	100.0	101.7	99.3	101.5	102.8
Material Social Consumption	100.0	104.9	106.8	111.3	117.6
- Accumulation*	100.0	78.3	75.5	69.5	65.5

* Accumulation = Increase of capital stock + changes in the volume of non-completed constructions + increase/decrease in inventories and stocks.

Source: Calculated from Statisticka rocenka CSSR 1985, p.130.

In constant prices, total distributed national income decreased between 1980 and 1984. It was politically impossible to reduce consumption to a larger extent because the entire political maneuvering of the Prague leadership after 1968 was an attempt to keep its disappointed citizens in political neutrality by securing a sufficient supply of consumer goods. The only mass to manipulate, therefore, was accumulation. This also becomes evident from investment statistics: In 1984 total gross investment was smaller by 10.2% compared to 1980, in industry alone it fell by 13%, and in construction (if one includes the preparing of projects and geological activities) even by 17.4%! Only agriculture reported substantial increases in investment during these four years which became necessary after severe neglect during the 1970s. Positive results here could already be noticed, in particular in 1984.

Altogether this restrictive investment policy, which was forced by the described unfavorable development in foreign trade, showed two visible and sensible effects: Firstly the share of so-called non-productive consumption in distributed national income increased from 74.0% in 1980 to 80.2% in 1984. Correspondingly the share of accumulation (net investment) decreased. This emergency policy entailed a further 'decapitalization' of the Czechoslovak economy due to the rapid aging of the already over-aged capital stock, in particular machinery and equipment. In this context one could even read the label 'deindustrialization' which certainly overstresses the actual effects, but nevertheless describes the direction of the process.

A possible way out of this situation could have been to run into (nominal) trade deficits, but Czechoslovakia was not willing to consider any higher indebtedness in the West, from where it mainly has to purchase the technically advanced investment goods. On the contrary, the distinct goal of its Western

trade policy was and still is the further reduction of the remainder of its debt.

In its trade with the East these objections did not exist, and in fact one can find greater deficits in Czechoslovakia's trade with CMEA, in particular in 1983 and 1984: In 1980 the deficit vis-a-vis CMEA amounted to 1.5 billion devisa crowns, in 1984 roughly 6 billion (3.6 with the USSR, 1.7 with the GDR, and 0.7 with Hungary).

3. Contents of the CMEA Orientation =====

3.1. CMEA or the Soviet Union?

In order to facilitate the reading of table 6, the last column tries to make plain the respective developments by using the signs + and - , indicating whether increases or decreases occurred over the time of observation. In addition, the last two double rows should clarify the differing development of Czechoslovakia's trade with the Soviet Union and the 8 other CMEA-countries respectively.

From table 6 it becomes clear that the intensified orientation of Czechoslovakia towards CMEA exclusively represents closer economic ties with the USSR: its share in Czechoslovakia's exports increased from 33% in 1975 over 35.6% in 1980 to 43.4% in 1984, whereas in the same period the rest of CMEA fell back from 33.5% to 27.1%. Even stronger was the increase of the Soviet share in Czechoslovak imports (due to price increases and Czechoslovak deficits!): From 32.1% in 1975 to 46.8% in 1984. Simultaneously the share of the other CMEA-countries shrank from 33.2% in 1975 to 27.7% in 1983, and increased only in 1984 to 29.4% which still is less than in 1980. Therefore, one cannot speak of a strengthened multilateral integration of Czechoslovakia into CMEA when a purely bilateral (USSR - CSSR) development has obviously occurred.

Table 6: Shares of the CMEA-Countries in Czechoslovakia's Foreign Trade.
1975-84, in per cent, calculated from data given in current prices.

Country	Czech. EX/IM	1975	1980	1981	1982	1983	1984	1984/80
USSR	EX	33.0	35.6	37.6	40.7	41.7	43.3	++
	IM	32.1	36.0	39.9	43.4	46.2	46.8	++
GDR	EX	12.3	9.3	9.6	9.1	8.9	8.8	-
	IM	12.2	10.5	9.9	9.5	10.3	10.4	o
Poland	EX	8.9	7.5	6.7	6.2	7.0	7.1	- (+)
	IM	9.6	7.6	6.5	6.3	6.2	7.2	- (+)
Hungary	EX	5.9	5.4	5.0	5.3	5.3	4.9	-
	IM	5.2	5.7	5.5	5.5	5.0	5.6	o
FRG (for com- parison)	EX	5.5	6.5	5.9	5.1	4.7	4.7	--
	IM	6.5	5.4	5.0	4.7	4.5	4.2	--
Bulgaria	EX	2.2	2.6	3.0	2.8	2.8	2.8	o
	IM	2.5	2.1	2.5	2.7	2.8	2.8	+
Romania	EX	3.2	3.0	2.5	2.5	1.1	1.7	-- (+)
	IM	2.8	2.9	2.4	2.6	2.3	2.0	-
Cuba	EX	.6	.8	1.0	1.4	1.2	1.3	+
	IM	.7	.7	.7	.8	.7	.9	o
Vietnam	EX	.2	.3	.4	.3	.2	.3	o
	IM	.1	.1	.1	.2	.2	.2	o
Mongolia	EX	.2	.2	.2	.2	.2	.2	o
	IM	.1	.1	.1	.1	.2	.1	o
CMEA total	EX	66.5	64.7	66.0	68.5	68.4	70.4	+
	IM	65.3	65.7	67.6	71.1	73.9	76.2	++
CMEA without USSR	EX	33.5	29.1	28.4	27.8	26.7	27.1	-- (+)
	IM	33.2	29.7	27.7	27.7	27.7	29.4	-- (+)

+ slight increase; ++ substantial increase
 - slight decrease; -- substantial decrease
 o no change; in () diverging development in 1984 from trend in 1980s.

Source: Calculated from data given in Statisticka rocenka CSSR, various years,
 and Statisticke prehledy, no.6/1985.

Before we deal with possible qualitative aspects of economic relations between the Soviet Union and Czechoslovakia, a short excursus on past development and mutual (quantitative) significance of these relations shall be allowed. Prior to the Second World War the Soviet share in Czechoslovakia's foreign trade turnover was negligible (1938: 1.6%). In the first year after the end of WWII (1946) the Soviet share jumped to 12%, only to fall back to 6% one year later. When the communists seized power in Czechoslovakia in early 1948 (Feb.) they immediately also started to shift in economic relations from the former predominant West orientation to the East. Thus already in 1948 the Soviet share climbed to 16.4%, a development which continued in the following years: 1950: 27.5%; 1960: 34.4%. In the second half of the 1960s, a corresponding reduction of the Soviet Union's share occurred in the course of the Prague reform spring movement which, due to its gradual introduction of market economic instruments, also automatically induced a reorientation of the Czechoslovak economy towards the developed West. Still in 1970 it was 32.5% before it again began to rise. In 1980 the Soviet share was already back to 35.8%, and in 1985 the plan fulfilment report of the Czechoslovak government even states 44.8%. Since 1948 the Soviet Union can be found first rank among Czechoslovak trading partners.

The CSSR, on the other hand, is ranked second in USSR's foreign trade (behind the GDR), holding 8.0% of Soviet exports and 8.4% of Soviet imports (in 1982). Here too, a clear increase of the share after the end of WWII can be observed. Prior to it the then CSR (CSSR only after 1960) was so unimportant in Soviet foreign trade that her share was less half of one per cent. In 1950, 2 years after the communist seize of power, Czechoslovakia was already number 3 (behind Poland and China) with a 12.3% share in Soviet trade turnover and in Soviet imports was even in second place (behind Poland) with 13.8%! In the course of

the Soviet Union's intensification of foreign trade, Czechoslovakia's share slowly but steadily decreased. In 1960 it was at 11.3 % and 11.8 % in Soviet exports and imports respectively, which placed it third behind the GDR and China. In 1970 Czechoslovakia's shares were down to 9.4% and 10.5% in Soviet exports and imports respectively, which still secured third place, but now behind GDR and Poland. 10 years later it had already surpassed Poland in Soviet imports and was second behind the GDR with 7.9%, whereas in Soviet exports it was still third behind GDR and Poland with 7.3%. Only the Polish crisis at the beginning of the 1980s caused Czechoslovakia to become second in Soviet imports as well as in exports.¹¹

3.2. Qualitative Contents of Soviet-Czechoslovak Economic Relations

The question arises whether the increase in Czechoslovakia's trade with the Soviet Union is only a quantitative result of the unfavorable development of terms of trade, aggravated by deficiencies in the Czechoslovak economy. In other words, is it just an inevitable result of unfavorable developments of prices in Czechoslovakia's USSR trade and of the so-called 'extensive growth policy'(which still tries to achieve economic growth by the increase of inputs - the latter being mainly imported from the Soviet Union), or can one also observe qualitative aspects in this strengthening of Czechoslovakia's economic ties with the USSR?

3.2.1. Verbal Intensification

It is generally noticed that in recent years Prague has become the most resounding supporter of Moscow in issues concerning CMEA integration. This became apparent during the skirmishes in spring 1984 that preceded the June 1984 CMEA summit. Before the last CMEA summit (1969) the question of preserving

national sovereignty of a single member countries was the main issue of verbal-ideological pre-discussions. This time (1984) the sphere of economic relations with the West served as casus belli.

In an editorial of Rude pravo (March 30, 1984), the Czechoslovak party daily newspaper, M. Stefanak (deputy head of the international department of the central committee of CPCS) and J. Hlivka polemically argued against 'particularism' and 'attempts to achieve one-sided advantages from the capitalist world and its financial and other institutions'. Although expressis verbis not mentioned, it was obvious that position was taken against the trade of Hungary, Romania, and GDR (intra-German) with the West, because it was expected that during the upcoming summit these countries would try to explain their economic relations with the West as an important factor for the overall development of their national economies. The hereby attacked countries reject a further intensification of their foreign trade with the socialist community (as pursued by the CSSR recently) with the argument that even for a deepening and qualitative strengthening of CMEA integration, impulses from trade with the more developed West are indispensable.¹²

There would not have been as much attention paid to this Rude pravo attack, had there not been immediate answers by the addressed countries¹³, and had not the Soviet Union expressed her approval of the Czechoslovak critique by issuing a slightly shortened and more moderate reprint of the Rude pravo editorial in Novoye vremya, Moscow's journal of foreign policy which appears in 8 languages.¹⁴

Recently when Moscow demanded better quality in deliveries of machinery and equipment as well as of consumer goods from its CMEA trade partners, Prague

distinguished itself as its mouthpiece. On september 6, 1986 Rude pravo published a statement of N. Baibakov - then still head of the state planning commission GOSPLAN - where he complained about discrepancies between quality and prices for certain East European deliveries.

In addition, one repeatedly finds articles in Czechoslovak journals and newspapers which praise the advantages of CMEA integration, not hesitating to stress further intensification of economic ties with the Soviet Union as the optimal strategy.¹⁵ Thus the question necessarily arises as to how in reality the verification of these verbal confessions must look.

3.2.2. Real Contents of the Intensification of Czechoslovakia's Trade with the East

Table 7 shows the commodity structure of Czechoslovakia's trade with the socialist countries broken down into four main commodity groups. As expected the basic finding is that during the last 10 years the principle structure of this trade - machinery and equipment for raw materials and fuels - has become only more pronounced. The share of commodity group II in Czechoslovak total imports from socialist countries increased from 45.2% to 54.5% between 1975 and 1984. At the same time, the share of commodity group I increased on the export side from 56.0% to 64.%. It is particularly interesting that this increase of group II (raw materials and fuels) in imports happened predominately at the beginning of the 1980s. This apparently apparently was a direct result of price changes for fuels which in intra-CMEA trade came into effect somewhat later than on Western world markets, due to the specific adaptation mechanism (Moscow price formula). In Czechoslovak imports the great losers are group I, and to a lesser extent groups III and IV, which means that in 1984 the relatively imported fewer

finished products from the socialist countries than 4 years before. This should be seen as a regress, since one expects an increased exchange with final products as the outcome from more intensive integration which implies expanded division of labor and cooperation. The fact that, in Czechoslovak exports, the share of group I has increased substantially should not contradict this argument if one considers that machinery and equipment traditionally represent the bulk of Czechoslovakia's exports. In all other commodity groups limitations for increases of production are much stronger.

Table 7: The Development of the Commodity Structure in Czechoslovakia's Trade with Socialist Countries.

Commodity Groups, CMEA-Nomencl.	Shares of Socialist Countries in % in					
	Czechosl.Imports			Czechosl.Exports		
	1975	1980	1984	1975	1980	1984
I. Machinery, equipment, and tools	39.4	40.4	35.6	56.0	61.5	64.6
II. Fuels, materials, and raw materials	45.2	47.8	54.5	26.3	22.3	18.7
III. Foodstuffs, incl. raw mat. and intermediates for f.	8.0	5.5	4.6	1.7	2.0	1.7
IV. Industrially manufactured consumer goods	7.4	6.2	5.2	16.0	14.2	15.0

Source: Calculated from data given in current prices in Statisticka rocenka CSSR 1985, p.470.

3.2.3. Real Contents of the Intensification of Czechoslovakia's Trade With the Soviet Union

3.2.3.1. Changes in Commodity Structure

In chapter 3.1. it was stated that the intensified CMEA orientation of Czechoslovakia in the early 1980s was an exclusive focusing on the USSR. The next step in our inquiry must be to find out whether, in addition to the apparent quantitative enlargement of mutual trade, qualitative substance has also developed.

Table 8: Commodity Structure in Czechoslovak-Soviet trade, 1980 and 1984,
(Shares of Commodity Groups in Total Cz.Imports/Exports, in %)

Commodity Groups, SITC, 2nd Rev.	Czechosl. Imports from USSR		Czechosl. Exports to USSR	
	1980	1984	1980	1984
0 Food and live animals	0.6	0.4	1.0	1.2
1 Beverages and tobacco	.2	.2	.7	.6
2 Crude materials, inedible, except fuels	11.0	7.9	4.3	2.9
3 Mineral fuels, lubricants, and related materials	47.2	61.9	.4	.8
4 Animal and vegetable oils, fats and waxes	.2	-	-	-
5 Chemical and related products	.3	2.7	3.6	3.4
6 Manufactured goods, classified chiefly by material	8.6	5.9	9.3	8.9
7 Machinery and transport equipment	27.7	20.1	64.4	64.0
8 Miscellaneous manufactured articles	.9	.7	16.3	15.6
9 Commodities and transactions not classified	.2	.2	-	2.6
0-9	96.9	100.0	100.0	100.0

Source: Calculated from data given in current prices in Statisticka Rocenka
CSSR, 1982 and 1985.

The commodity composition of CSSR-USSR trade presented in table 8 allows some conclusions which indicate a development which does not characterize a qualitative strengthening of mutual economic relations, if under this term one assumes an intensification of trade with finished products, in particular with commodities of SITC-group 7 (machinery and transport equipment). This commodity group does not show an increase in its shares of Czechoslovak exports from or its imports to the Soviet Union. This does not come as a surprise in imports, because here the rapidly soaring prices for fuels had to increase the share of commodity group 3 in the overall import bill, even if quantities of deliveries remained at the same level. Given the restricted possibilities of Czechoslovakia to

of the shares of other commodity groups in the total (nominal and real) volume of USSR imports was inevitable.

It is much more astounding that in Czechoslovak exports to the Soviet Union, deliveries of commodities of SITC-group 7 do not also exhibit a larger share in 1984 than in 1980. In 1983 these goods showed only a of 62.3% share in total exports to the Soviet Union! This seems strange if one realizes that between 1980 and 1984 total exports (in value terms) to the Soviet Union increased by 74%. Thus practically no changes happened in the commodity structure of exports, if one assumes that no substantial differences occurred in the development of prices for the various Czechoslovak export commodities. The latter can probably be excluded since differences in price developments occurred mainly between raw materials and fuels on the one side and manufactured products on the other. Czechoslovakia's exports to the USSR, however, consist by 90 % of manufactured products (SITC 6-8)!

3.2.3.2. Specialization and Cooperation with the Soviet Union

Aside from the strong quantitative enlargement of Czechoslovakia's USSR trade, no further conclusions could be drawn from the trade statistics alone which would indicate qualitative causes for the observed intensification of mutual trade. The question arises, therefore, whether in the sphere of so-called 'specialization and cooperation' developments can be traced which point to a deepened division of labor and intensified cooperation in research, development, and production.

Official Czechoslovak commentaries repeatedly claim that the high share of CMEA in Czechoslovakia's foreign trade is due to intensified integration efforts. In

1984 the share of deliveries resulting from specialization and cooperation contracts in total exports to the CMEA countries has already reached 28%. If only deliveries of the engineering industry are regarded, then this figure is said to be 46%. The respective figures for exports to the USSR were 33% and 50%. These very global figures already lead to the assumption that the qualitative contents in deliveries to the Soviet Union might be stronger.

After the June 1984 summit, Czechoslovakia quite strikingly emphasized predominant cooperation with the Soviet Union. This too is certainly conditioned by the biased import dependence of the CSSR in raw materials: the Soviet Union delivers 96% of all imported crude oil, 100% of imported natural gas and nitrogen fertilizers, covers 85% of the import demand for crude ore, 65% of coal imports, 74% of imports of manganese ore, 72% of imports of chromium ore, and 62% of the import needs of copper. This strong position as supplier makes it easier to launch claims not only for 'normal' counter-deliveries but also for more intensive cooperation in various fields of R & D and production.¹⁶

The Soviet Union has become the main partner of Czechoslovakia in specialized and cooperated production. Out of approximately 300 agreements on specialization and cooperation, which Czechoslovakia has signed with CMEA-countries, two thirds are in force with the Soviet Union.¹⁷

Most intensively developed - and at present also probably most interesting for the entire CMEA region - is CSSR-USSR cooperation in the nuclear power industry. At the beginning of the 1970s Czechoslovakia finally stopped further R & D for its own reactor type which had already reached the state of testing. In 1974 a bilateral cooperation agreement was signed between the USSR and Czechoslovakia covering the common development and cooperation in production of the Soviet

reactor type VORONESH VVER 440 (= 440 MW). Czechoslovakia herewith became the second important supplier of nuclear power station equipment within CMEA after the Soviet Union. This position was consolidated five years later in the multi-lateral agreement on specialization and cooperation of the CMEA countries in the development of nuclear power industry for the years 1981-90. Out of 39 VVER 440 blocks which are to be installed in the European CMEA region, 21 will receive the main parts of their equipment from the CSSR, as happened for example with the first Hungarian nuclear power station in Paks. Furthermore Czechoslovakia is strongly involved in R & D for the successor type VVER 1000 of which it will install four blocks in Temelin.¹⁸

Another specialization agreement, signed in 1975, concerns production of machine tools and metalworking machinery. In this field Czechoslovakia stopped production of 13, allegedly material-intensive, types of machines, and concentrates now on the development and production of 8 groups of machine-tools and 5 groups of metalworking machines. The Soviet Union kept 28 groups of machine tools and 11 groups of metalworking machines. A similar division of labor was introduced for asynchronous electric motors, where Czechoslovakia and the Soviet Union now produce 3 and 4 types respectively.¹⁹

The division of labor by specialization between CSSR and USSR in chemical production seems to be quite extensive. For Czechoslovakia a reduction in its very broad production profile became essential, since it also included the production of energy-intensive basic chemicals. In the course of rapidly soaring prices for imported crude oil and natural gas and of increasing problems in energy supplies this wide production pattern became too much of a burden for the economy. In general, the division of labor assigned Czechoslovakia the production of less energy intensive final products, whereas the Soviet Union

would focus on energy-intensive large-scale production of basic chemicals.

These three examples of preexisting Czechoslovak-Soviet specialization and cooperation, which here were outlined only vaguely in their main directions and contents, undoubtedly show profiles that reach beyond the level of a solely substitutive exchange of goods. In recent years they also included the further extension of joint research and development into this division of labor. This could be observed already to an extent in the nuclear power industry. In other areas declarations of intent still seem to supersede actual projects. According to recent expressions of will of politicians in both countries, this should undergo substantial changes very soon.

In this context both governments regard the establishment of the 'International scientific-technical association ROBOT' in Presov (Eastern Slovakia) as an important step for the joint efforts of the technological development of their economies. The agreement, which was signed on March 22, 1985 in Moscow, constitutes the joint development of a series of various types of industrial robots which will soon be ready for production. The association should perform as any other enterprise, which means that it should yield profit. The distribution of the profit will be made according to the respective production shares.²⁰

3.2.3.3. The Program for Long-Term Economic, Scientific, and Technical Cooperation Between the USSR and the CSSR Until the Year 2000.

On March 31, 1985 the above mentioned long-term program for intensified cooperation was signed by party leaders M. Gorbachev and G. Husak in Moscow.²¹ It is intended to give momentum to a more intensified continuation of those specialization and cooperation efforts which were outlined in the preceding chapter by putting more emphasis on joint R & D (see ROBOT).

In chapter I of this program (cooperation in the sphere of science and technology) areas where R & D should be intensified are enumerated (e.g. machine building, electronics, chemical industry, and the agroindustrial sectors) yet in a rather general way without specifying single projects. Much more interesting is chapter II, where the main areas of 'cooperation in the material production sphere' are put on record.

In machine building, as a result of further specialization, Czechoslovakia will have to narrow its list of products noticeably. At the same time, the task is set of expanding the list of exports of USSR's machine building products "for the purpose of more fully satisfying the CSSR's import requirements". It should be noted here that our table 8 did not indicate any such qualitative changes for the last period. Explicitly in this long-term program the newly founded Czechoslovak-Soviet R & D association ROBOT is mentioned by saying that within this framework a new generation of computer equipment is to be created. Czechoslovakia seems (besides the GDR) to be the perfect partner for the Soviet Union in the broader field of communications techniques, computer and automation equipment, and the electronic consumer goods industry, due to its - by CMEA standards - relatively advanced electrical and electronics industry. Therefore, fields of further cooperation are the development and qualitative improvement of color TV sets with digital signal processing, audiovisual instruments, video tape recorders, and compact discs.

Other chief fields of cooperation will be the nuclear power program and the automobile industry. In the latter, a clear cut division of labor is again foreseen in the production of tractors for the timber industry: wheeled tractors in the CSSR and caterpillar tractors in the USSR. Czechoslovakia will continue its specialization in the production of all-terrain TATRA trucks, small and

medium capacity trucks, locomotives, and highway and sports motorcycles. Already to date the USSR is CSSR's main customer for its standard truck type TATRA 815: 36% of total production are purchased by the Soviet Union. A new version (815 A), which was especially developed for the extreme climate of Northern Siberia, has been added to the production program only in 1984. On the other hand the USSR will continue its specialization in the production of quarry dump trucks, passenger cars, and some specialized motor vehicles. There is also a new attempt to develop a standardized series of diesel motors in joint R & D.

It would take too long to list in detail all the products in the machine building industry that are named in the program for specialization and cooperation. It should be mentioned, however, that the CSSR is obviously chosen to provide important deliveries of the means of production for the two new main development programs of the USSR, the food program and the consumer goods program. Other new areas of specialized equipment deliveries from Czechoslovakia to the USSR will be environmental technique and production of fertilizers.

A changed profile is also foreseen for the second main industry where basic structures of specialization already exist, the chemical industry. According to the long-term program, coordinated investment shall increase the existing division of labor. The USSR will be given the role of supplier of large-volume and energy-intensive chemical products and basic raw materials (ammonia, methanol and other synthetic spirits, rubber and other petrochemical products). Czechoslovakia will concentrate on less energy-intensive specialized products, such as chemical additives for the resin, textile and other sectors of the industry, chemical reagents and other diagnostic materials, medicines, and synthetic aromatic substances. In this context - when the program itemizes still a number

of other products where specialization between the two countries will be improved - the reduction of purchases from western countries is mentioned in particular as one of the main underlying targets of this program.

To secure future deliveries of raw materials and primary energy, Czechoslovakia is supposed to participate more in the development of corresponding production facilities on USSR territory, by carrying out construction and installation work and supplying technically sophisticated machines and equipment, materials, and consumer goods. In the 15-year cooperation program only Czechoslovak participation in the development of the Yamburg natural gas field, the construction of the 'PROGRESS' gas pipeline (from Yamburg to the USSR's western border), and the creation of a new gas complex on USSR territory is explicitly mentioned.²² However, in October 1985 the CSSR made clear that for the period of the next Five-Year-Plan (1986-90) it was already committed to participating in the construction of mining and industrial facilities in the Soviet Union which will be ten times greater than in 1981-85!²³ The largest projects referred to in this context are the gas pipelines from Kola peninsula and from the Orenburg region, but one may also assume that the construction of an ore enriching combine for oxidized ores in Krivoy Rog is included into this credit program. It should be mentioned in this context that according to a resolution from the 39rd meeting of the CMEA-council (Havanna, October 1984) in the same period (1986-90) the respective increase in joint financing of common CMEA-projects in the field of energy and raw materials will 'only' be five-fold compared to 1981-85: 45-55 bn TRb against 10 bn TRb. The ten-fold increase of Czechoslovakia's participation clearly points to its increased importance for the Soviet development programs.

Special attention should finally be devoted to chapter III of the long-term

cooperation program, which merely covers one type-written page but primarily demands, under the heading 'improvement of the cooperation mechanism', the reduction of differences in the structures of the two countries' economic mechanisms. Whether this general sounding request could serve to make future reform intentions of the CSSR dependent on similar developments in the USSR, remains unclear as long as such attempts are not expected from Czechoslovakia. However, this chapter clearly speaks about closer cooperation on the central level in the fields of science, technology, and production. The development of direct ties not only between ministries, but also between enterprises and other organizations in both countries, and the creation of joint scientific research, production, and even sales associations and enterprises²⁴ emphasize the intended intensified integration of the CSSR-economy into the Soviet economic sphere.

4. Impacts of Czechoslovakia's Economic Rapprochement to the Soviet Union

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It emerged from the previous chapters that the intensified orientation of the Czechoslovak economy towards the Soviet Union cannot be regarded as a purely quantitative enlargement of mutual trade (both, in value and volume) resulting from certain developments in world market prices. It has been shown that at the same time a qualitative deepening of the economic ties has started to become part of this general pattern of intensified economic relations. This change must inhibit certain long-term impacts on Czechoslovakia's economy.

In principle quite a number of reasons speak in favor of an intensified integration of the CSSR into international division of labor. Still the country obtains too large of a share of energy and raw material intensive production (metallurgy, heavy machinery, chemical industry), given the comparatively poor natural endowment of these inputs. In addition, it unfolds a production pattern

which, in the assessment of its politicians, is too widespread and prevents the use of economies of scale. Within this broad palette of products the share of so-called modern industries proves comparatively small. The situation is aggravated by structural imbalances, resulting from a further regression of light industries, primarily those which manufacture domestic raw materials. Reserves of domestic fuels are also increasingly exhausted, and dependence on imports for energy production is in the rise. Investment participation in the development of the Soviet energy and raw material bases seems to become indispensable. Investments abroad, however, imply the diminishing of reserves for domestic investment needed urgently for the modernization and restructuring of the oversized pattern of production.

Higher specialization undoubtedly became an economic necessity for the CSSR. In the short run the Soviet Union seems to be an adequate partner, if only the criterion of raw material and energy consumption is regarded as crucial, as happened in the early 1980s when prices for these products were high both on western world markets and in the East. Under these circumstances the attempt of ceding industrial branches with high consumption of energy and imported materials to the Soviet Union seems to bear some justification, if the Soviet producers prove capable of attaining internationally requested quality criteria. This may be determined relatively easily in some industrial branches, such as the chemical industry. It is certainly much more difficult in engineering, the traditional core of Czechoslovak industry.

Already to date one can assess certain restructurings in the CSSR-industry as a direct outcome of this USSR-oriented specialization. Besides the previously

mentioned division of labor in chemical production, Czechoslovakia completely ceased production of the following: bulldozers, carriages for urban railways, certain types of acids, equipment for oil and natural gas drilling, mining equipment, and transport containers. Substantial reductions in the range of products have taken place in the following areas of production: machinery and equipment for the rubber and plastics industry (tires), plants for processing garbage, and certain types of gears and plastic sheeting. In the production of locomotives the orientation switched from diesel traction to electric trains, and engineering put more emphasis on electronic components and industrial robots.²⁵

It appears to be very difficult to evaluate whether these stopping of production on the Czechoslovak side, in the long run will prove positive or negative for the economy, since at the same time some areas also experienced increases in their production, for example the whole branch of nuclear power station industry including the related intermediate production of armatures, valves, and so forth. But even here from the very beginning of this new industry, many economists did not agree with the emphatically positive, official appraisals of the advantages stemming from Czechoslovakia's new position as the second most important producer of nuclear power plants. It was instead argued that this itself was counterproductive because it is an extremely energy-intensive and raw material consuming production, and therefore does not actually accomplish those criteria which have been and still are considered predominant for Czechoslovakia's needed improvement in division of labor. This young industrial branch, which implied major changes in Czechoslovak engineering when it was initiated, now already faces developments that could once again lead to new restructurings. A decline in demand for Czechoslovak nuclear power station equipment could result from a) the increased ability of other CMEA countries to produce part of the

equipment, b) delays in installations of nuclear reactors not only in the CSSR but also in other CMEA-countries, and c) the most recent extreme drop in prices of crude oil and natural gas which diminishes the economic pressure to switch in energy production from using expensive oil and gas to nuclear power for energy production. It seems quite probable that even in the Third World, which was regarded as a possible future market for nuclear reactor builders,²⁶ demand will not develop as hoped. More attention will be devoted to the production of spare parts, repair sets, and equipment for the processing of nuclear waste.

These few examples which only enlighten ongoing expected changes in Czechoslovakia's production structure may well be advantageous for the CSSR economy if they actually help to alleviate its energy and raw materials problems, and limit this more pronounced division of labor with the Soviet Union to areas that are now dealing with these specific problems. Rapidly plummeting oil prices can substantially alter the relative weight of the chief criterion and in the short run take away some of the immediate financial burden on the import bill by improving Czechoslovakia's terms of trade. In fact, when we started with the quantitative effect of deteriorating terms of trade, urging the CSSR to increase the volume of exports in order to balance the rise in the value of imports, it seemed as if this was triggering the whole process of Czechoslovakia's stronger orientation towards the Soviet Union. Now, when terms of trade should improve over the next years - under the assumption that the Soviet Union has to lower prices for oil and gas deliveries according to the CMEA price formula - one is tempted to speculate how this will influence foreign trade flows and specialization and cooperation programs.

The long-term cooperation program between the Soviet Union and Czechoslovakia includes a number of areas where this easy criterion of raw material and energy

intensiveness does not apply. A stronger general orientation towards the Soviet economy and its requirements, could become very questionable for Czechoslovakia's industry because of its uncoupling from world market mechanisms which steer technological development. The elimination of international specialization patterns puts big question marks on Czechoslovakia's future technological development. The result may be a deepening of the already stated technological congealment, if important impulses for R & D do not come from the hot battlefields of the world market, but instead from the needs of the Soviet Union. In this context one could remind the Czechoslovak planners that the Soviet Union itself did not think at all about curbing imports from the West, whereas for the CSSR a *circulus vitiosus* becomes apparent: decreased imports from the West render it more difficult to maintain the international competitiveness of Czechoslovak export commodities which again threatens exports to the West.

As a result, the only possible conclusive demand can be to call for a thorough scrutiny of this policy of curbing imports from the West which seems to be counteracting the urgently needed modernization of Czechoslovakia's production apparatus. Given the country's present almost debt-free status this should be well possible, even though this status is only on paper: the critical financial position of most of the developing countries makes repayment of Czechoslovakia's credits granted to that part of the world quite doubtful.

Some signals from Prague, however, should also be recognized positively. For 1985 for example, the state plan envisaged a 14% increase in imports of western capital goods, and also for 1986 an increase in machinery imports is planned, but only if export targets are accomplished. The director of Czechoslovakia's state bank, J.Kroh, talked about new credits in the range of \$ 1-2 bn which the country will possibly draw during the FYP-period 1986-90²⁷, and a new law regu-

lating the founding of joint ventures on Czechoslovak soil also indicates some 'softening' of the former position of Czechoslovakia's planners concerning their West trade policy.

What finally remains is the question of whether such a return to an intensification of trade with the West on the whole is realizable. Is it possible to stop the self dynamics in the process of such an advanced integration of Czechoslovakia's industry into the Soviet economy, and to again diversify foreign trade with the aim to reenter into international, not exclusively CMEA-related, division of labor? Or should one accept that Czechoslovakia's dependence not only on the Soviet Union's deliveries of raw materials and energy but also on its specific structural needs has already become too great to think of more than mere marginal changes? The answers to these questions certainly lie to a great extent in the political sphere, but also in economic terms differing assessments may be done. What seems to be clear is that imbalances still exist between economically conditioned necessity , and political and economic possibilities. Greater changes, therefore, in the regional pattern of Czechoslovakia's foreign trade cannot be expected in the foreseeable future.

NOTES

- 1 F.-L.Altmann, "CSSR", in H.-H.Hoehmann (ed.), Die Wirtschaft Osteuropas und der VR China zu Beginn der achtziger Jahre, Stuttgart: Kohlhammer, 1983, pp.127-166.
- 2 Beginning with 1983 annual changes of the produced national income are given in gross figures in the plan fulfilment reports, i.e. depreciation for utilization and liquidation of capital stock is not yet deducted.
- 3 See i.a.K.Kudlak, "Hlavni vyvojove tendence zbozove struktury zahranicniho obchodu CSSR po roce 1980", Revue OPH, No.1, 1985, pp. 62-63.
- 4 In physical terms the decrease of imports from the West must have been even greater, if one assumes that the increases in import prices as given in table 4 are not exclusively due to higher prices for imported CMEA-commodities.
- 5 It remains without any doubt - not only for the author of this study - that in many areas of the Czechoslovak economy still sufficient reserves exist which can be mobilized only with great difficulties, if at all.
- 6 For this purpose see in particular: K.Dyba, K.Kudlak, "Agregatni cenove indexy v cs. zahranicnim obchode a cs. realne smenne relace 1948-78", Statistika, No.8/9, 1979; "Fakta o ceskoslovenskem zahranicnim obchodu", supplement to Zahranicni obchod, No.10, 1981; V.Petricek, A.Boehm, "Spoluprace s nesocialistickymi zememi a její efektivnost", Planovane hospodarstvi, No.6, 1981, p.47; F.-L.Altmann, op.cit., p.130.
- 7 Now the deterioration of the terms of trade by 19 points happened within only 4 years (1981-84), whereas before 10 years (1971-80) were needed for a worsening by 18 points!
- 8 F.Vencovsky in Radio Hvezda, Jan.21, 1985, quoted from V.S., "Czechoslovakia's Participation in CMEA Plans", Czechoslovak Situation Report, No.7, April 4, 1985, p.11.
- 9 Final consumption = private consumption + social consumption + investment +/- changes in stocks + exports.
- 10 Final products imported for final consumption were deducted from the aggregate figure of final consumption, so that actually the calculated 32.3 % only reflect the share of exports in domestic production.
- 11 The historic development of Czechoslovak-Soviet economic relations will be under investigation in another forthcoming study of the author.

- 12 See in particular A.Koeves, "Turning Inward or Turning Outward. Reflections on the Foreign Economic Strategy of CMEA Countries", Acta Oeconomica, No.1-2, 1981.
- 13 For more detailed information cf. F.-L. Altmann, "Der Moskauer Wirtschaftsgipfel vom Juni 1984", Berichte des Bundesinstituts fuer ostwissenschaftliche und internationale Studien, No.26, 1984.
- 14 Neue Zeit, No.16, April 1984, pp.12-14.
- 15 Cf. for example L.Strougal in Rude pravo, June 23, 1984, p.1, and Rude pravo, July 5, 1984, p.3.
- 16 For further general information on economic cooperation between the Soviet Union and Czechoslovakia in the coming years see M.Cerny, "Hospodarska spoluprace a koordinace narodohospodarskych planu mezi CSSR a SSSR po roce 1985", Planovane hospodarstvi, No.10, 1984, pp.61-64.
- 17 "CSSR-UdSSR, Zusammenarbeit sozialistischer Laender", Aussenhandel der Tschechoslowakei, No.11, 1984, pp.14-15.
- 18 For further information on cooperation in development and production of nuclear power stations see in particular S.Havel, "Obninsk byl krokem i pro nas rozvoj", Rude pravo, June 27, 1984, p.4; and V.Pelnar, "Spoluprace CSSR a SSSR v jaderne energetice", Nova mysl, No.4, 1984, pp.123-126.
- 19 "CSSR-UdSSR, Zusammenarbeit...", op.cit.
- 20 Rude pravo, March 23, and April 1, 1985; Ekonomicheskaya gazeta, No.16, 1985, p.13.
- 21 Published in Ekonomicheskaya gazeta, No.24, 1985, pp.13-14.
- 22 In an interview to Rude pravo, Dec.17, 1985, p.6, K.Zavazal, CSSR deputy minister of fuels and power, said that Czechoslovakia will account for about 19 % of the total costs of the PROGRESS gas pipeline and the exploitation of the Yamburg gas deposit. (Editorial report on this interview may be found in English in FBIS, Daily Report Eastern Europe, Dec. 26, 1985, pp.D 1-2.)
- 23 CTK (engl.) of Oct.8, 1985.
- 24 Cf. also O.Zincenko's interview about the usefulness of direct ties in Ekonomicheskoye sotrudnichestvo stran-chlenov SEV, No.5, 1985, pp.24-28.
- 25 V.S., "CMEA-linked Restructuring of Industry", RFE, Czechoslovak Situation Report, No.7, April 19, 1985, pp.25-31.

- 26 In August 1985 the PR of China signed a contract on the purchase of a Czechoslovak 1000 MW reactor. The planned location of this reactor is Xien To, north-east of Beijing. FBIS, Daily Report Eastern Europe, Aug. 22, 1985.
- 27 M.Meredith, "Prague to Borrow More in the West?", Financial Times, Aug. 9, 1985.