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THE CZECHOSLOVAK ECONOMY 2½ YEARS AFTER THE INVASION:
PROBLEMS AND PROSPECTS

Note by the Chairman

Czech.

Attached herewith is a report on the economy of Czechoslovakia which was approved by the Economic Committee on 25th March on the basis of a note of the United Kingdom and the findings of an experts' meeting convened on 18th February. The report is the latest contribution by the Economic Committee to the series of studies regarding the economic situation in Eastern European countries.

2. The Economic Committee has decided to submit this report, including its SUMMARY AND CONCLUSIONS, to the Council.

(Signed) Y. LAULAN

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This document includes: 1 Annex

N A T O C O N F I D E N T I A L

THE ECONOMY OF CZECHOSLOVAKIA 2½ YEARS AFTER THE INVASION:
PROBLEMS AND PROSPECTS

SUMMARY AND CONCLUSIONS

1. Czechoslovakia, one of the most advanced countries in CMEA, has recovered from one of the economic ailments that became acute in 1968-69 but the most serious problems remain and will probably handicap economic recovery for some time. The labour force is nearly static and the industrial plant obsolescent. The Husak régime has curbed inflationary pressures stemming from the experiment with economic reform associated with Ota Sik - but at the cost of a tighter central control that discourages managerial initiative. The Soviet invasion damaged labour morale and productivity and (together with poor agricultural performance) slowed economic growth in 1970 to about half the rate of 1966. Plagued by a mood of individual apathy and resignation since the invasion, the Czechoslovak economy appears to be relying on inertia which, though it has helped forestall economic collapse, has not provided any positive direction.

2. The Soviets, no doubt, have a stronger grip than in 1966 on the Czechoslovak economy. They will probably not object to continued expansion of Czechoslovak economic relations with the West so long as the benefits thereof (e.g. modern technology) are shared by Prague with her allies. But the scope for sudden expansion is limited by Czechoslovakia's reliance on the USSR for vital fuels and materials, her commitments to export machinery to her allies, her traditional reluctance to incur foreign debt and her preference for Czech design.

Prelude to the Soviet Invasion

3. During 1961-65, Czechoslovak national income grew less than 2% per year - by far the slowest in the Warsaw Pact. Novotny's investment policies had produced structural distortions slowing technical advance and stunting transport and consumer goods. Heavy industry had been geared to Soviet needs and traditional Czechoslovak export sectors had lost comparative advantage in the world market.

4. The reform introduced by Ota Sik was designed to solve these problems by decentralizing some economic functions, by increasing the autonomy of the enterprises and by establishing workers' councils. Moreover, some elements of market pricing were introduced. In the rather ebullient political climate that prevailed, however, some of the immediate unfavourable effects of the reforms were magnified. Considerable inflationary pressure resulted from faulty piece-meal implementation of a very advanced but inadequately prepared reform programme.

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Aftermath of the Occupation

5. The Soviet invasion exacerbated these difficulties and created some new ones. The occupation temporarily slowed production and cut short the Sisk experiment in decentralization before it had had time to prove itself. Moreover, the occupation also damaged labour morale, led to widespread displacement of economic executives for political reasons and accelerated the inflationary spiral.

6. The outcome was a combination of inflation with recession. In 1968, growth of labour productivity in industry declined and shortages of power and materials appeared. The increase in industrial production slowed to 5.5%, falling behind that of East Germany. The increase in money wages accelerated to 8.2%, exceeding that of labour productivity. Czechoslovakia incurred a small deficit in trade with other socialist countries in 1968 after years of accumulating surpluses.

Stabilization since 1969

7. The situation has been brought under control by a considerable degree of recentralization. Since the Husak régime came to power in April 1969, inflation and political heresy have been curbed but the economy has remained weak. Husak's stabilization programme has been implemented through, or along with, a reversion to much of the centralized command system that handicapped economic growth in the early 1960s. Starting in July 1969, prices have been frozen, wages regulated, limitations have been placed on new investment projects and taxes on enterprises have been increased.

8. In 1970, the increase in industrial output accelerated to 7.7% - a five-year record. The output of producer goods rose faster than that of consumer goods in 1969 and 1970. In the latter year, the cost-of-living remained virtually unchanged and the rate of growth of money income was only about half that of 1968-69. Foreign commerce grew a surprising 14%; exports to other Communist countries rose 17%, reportedly eliminating the deficit and reducing Czechoslovak short-term indebtedness.

9. Considerable difficulties clearly remain, however. Poor weather in 1969 and 1970 curtailed harvests and nearly halted growth of agricultural production, causing a marked shortage of meat and eggs. Fuel and power shortages continue. Growth of net material product consequently slowed to 5% in 1970, compared with 10.2% in 1966; Husak has curtailed the private housing boom and construction of a record 102,000 dwellings by state agencies in 1970 has not significantly relieved the acute housing shortage.

Outlook

10. Prospects for the Czechoslovak economy are not encouraging and the outline directives of the 1971-75 economic plan indicate a fairly cautious approach. It is still an open question how the Czechoslovak Government plans to solve its problems. A limited switch of resources to consumer products, services and housing is planned, promising modest increases in both the standard of living and personal incentives. Continued below-average growth-rates, however, are projected for net material product and industrial production. Little or no increase in the labour force is expected and its productivity is not expected to increase significantly. Yet it is officially acknowledged that increased productivity must account for nearly the whole planned rise in industrial production and the Government itself recognizes that the investment target for 1971-75 is considerably "less than the total necessary to satisfy all justified requirements". Additionally, Czechoslovak economic recovery will probably be delayed by deficiencies in economic planning and by a lack of effective management personnel as a result of recent political purges.

11. The economic growth-rate planned may well be achieved but this is not really the crucial issue. Large sectors of industry need to be modernized in order to raise quality of output and productivity, and even to maintain her trading position in CMEA, Czechoslovakia will need to carry out some industrial restructuring and greater specialization. This will probably be done by administrative action from the centre but using the economic levers introduced during the reforms. But Czechoslovakia will remain closely tied to the USSR and the other CMEA states and her competitiveness on world markets is unlikely to show any significant improvement over the next few years. Her main hope must be that by the cautious use of economic criteria in the planning system, she will be able to prevent any further decline in her position.

Implications for the West

12. Expanded Czechoslovak economic relations with the West could provide a much-needed stimulus but there may be limited scope for such an expansion. The Soviets would probably not object so long as the benefits (e.g. modern technology) of Czechoslovakia's commerce with the West were shared with Prague's allies. In any event, Czechoslovakia relies heavily on Soviet fuels and materials and, under recent agreements, has committed a portion of her machinery output (e.g. diesel locomotives, rolling and textile equipment) to her allies. During 1971-75, Czechoslovakia's trade is scheduled to rise more rapidly with the USSR (7.4% per year) and with Communist countries generally (8% per year) than with non-Communist nations (6%). Co-operation and specialization of production is likely to be increased by Prague in bilateral relations with her CMEA allies.

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13. It follows that there can only be a limited scope for the expansion of economic relations with the industrial West. We would expect the volume of trade to continue to grow gradually, partly because of the contribution which Western technology could make to the Czechoslovak modernization programme. This increase will, however, be inhibited by the Czech reluctance to take on more than a very low level of credit, and by their traditional reliance on purely Czech design and research and development. Any reduction in political tension between East and West would, however, facilitate the growth of economic contacts.

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THE ECONOMY OF CZECHOSLOVAKIA

BACKGROUND INFORMATION

Natural Resources

1. Czechoslovakia is a land-locked country in Central Europe occupying an area of about 127,870 square kilometers (49,369 square miles). It shares boundaries with the USSR, Poland, West and East Germany, Austria and Hungary. The climate is humid and continental in type with cool summers (temperatures rising to no more than 75°F-80°F) and cold winters (temperatures dropping to -5°F and -10°F). Owing to the varied nature of the relief, there are many local micro climates and rainfall varies between 18" and 60" per annum. Few areas are subject to drought.

2. Czechoslovakia is one of the main industrialized East European countries, but agriculture and forestry are also major contributors to the economy. The Czech lands (Bohemia and Moravia) are the more industrialized and developed region, but the relatively underdeveloped region of Slovakia has been receiving priority in terms of new investments and Slovakian performance in virtually all sectors of the economy has been showing significant increases recently.

3. Czechoslovakia is one of the most forested countries in Europe: 34% of its area being tree-covered, with a further 14% of pasture and 39% of arable land. The area of arable land is gradually decreasing and fell by about 14,838 hectares in 1969 to total some 5,010,555 hectares at the beginning of 1970. This decrease is due mainly to afforestation and devastation, although capital construction and mining caused less loss of agricultural land in 1969 than in 1968.

4. Apart from adequate coal supplies, Czechoslovakia is relatively poor in mineral resources, although there are good deposits of antimony, magnesite, mercury, uranium, graphite, kaolin and other clays, glass sands, limestone and common building materials. There are also small supplies of petroleum, iron ore and other ferrous ores, but these cover only a very small part of domestic requirements.

Human Resources

5. At the end of the first-half of 1970 the population numbered 14,467,000 of whom 9,913,000 lived in the Czech lands and 4,554,000 in Slovakia. There is an average of 290 people per square mile (324 in the Czech lands and 236 in Slovakia) which is rather more than the East European average of 266. "Over the past 12 years the natural population growth has decreased by some 32%" and this is giving cause for concern,

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especially as the birth rate now appears to have dropped below the death rate. This is partly due to the greatly increased incidence of abortion, for example in the first-half of 1970, 34% of pregnancies were terminated. A recent survey showed that while, in order to maintain a population increase, every family should have an average of 2.5 children, in fact only 5.5% of married couples wanted a third child. The present average is 2.8 per Slovak family and 1.7 per Czech one. A further cause of population decline is emigration. In 1967, about 13,800 people departed, compared with about 8,000 the year before, according to official Czechoslovak statistics. It is probable that at least 50,000 emigrated or failed to return from visits abroad during 1966-69.

6. Not only is the population beginning to decline, but numbers of working age are declining even more rapidly. The number of workers in the productive sphere dropped from 83.3% in 1960 to 78.4% in 1969. In 1969, when the natural increment was 64,000, there was an increase of 165,000 persons of pensionable age. At the end of 1969, there were nearly seven million employed persons in Czechoslovakia, 47% of whom were women. At the end of the same year there were 87,000 labour vacancies, of which 67,000 were in the Czech lands. According to an official statement about the economy in 1970, labour supplies were exhausted last year, especially in Czech lands, and the increase in workers in construction fell below plan. During the next Five-Year Plan (1971-75) it is estimated that there will be an increase of only 25,000 men and 100,000 women of working age in the Czech lands. Employed pensioners are to be allowed to retain part of their pension to encourage them to work and thus relieve some of the shortages.

7. The population is now over 60% urban, an urban area being classed as one with more than 2,000 inhabitants. In 1967 over 15% of the population lived in the six metropolitan areas of Prague, Brno, Bratislava, Ostrava, Plzen and Kosice. Recently there has been a third attempt to resettle the border areas (two previous attempts having been made in 1945 and the mid-1950s) in particular to encourage qualified people to move there by offering resettlement bonuses, higher wages, and guaranteed accommodation. In 1945, 3,325,000 people lived in the border areas, but this had dropped to 2,618,424 in 1966 (less than 20% of the total population).

Education

8. There is at present a compulsory nine-year period of education, consisting of an unspecialized primary period and a specialized secondary period. In a recent speech, the Czech Minister of Education, J. Hrbek, suggested that the secondary period might be prolonged at the expense of the primary or even that a total of 11 compulsory years might be considered. At present there are 40,000 pupils undergoing pre-school education; 2,100,000 primary pupils; 650,000 secondary; 200,000 at technical schools; 350,000 at apprentice schools; 40,000 university students; and a further 100,000 persons engaged in part-time studies whilst employed. Only 35% of pupils complete their secondary education.

9. The authorities are reintroducing political indoctrination into school curricula and fairly stringent measures were introduced at the beginning of the 1970-71 school year. Despite a severe shortage of teachers, many were dismissed and large numbers moved - some to schools at some distance from their homes.

I. ECONOMIC DEVELOPMENTS

Economic Growth

10. According to Czechoslovak official statistics, national income has been growing somewhat erratically over the past five years, and fell short of the 1970 level as projected by the revised version of the 1966-70 Five-Year Plan.

Table I: National Income

<u>National Income</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1970 Five-Year Plan</u>	
						<u>Original</u>	<u>Revised</u>
Total (in thousand million crowns)	221.6	233.2	250.5	266.8	280	274.7	288
% Increase	+5.2%	+7.5%	+6.5%	+5%			
Per capita*	15,561	16,302	17,446	18,466	19,354*		
Per capita % increase*	+4.8%	+7.0%	+6.0%	+4.8%			

* planned

11. Using the official national income valuation as a basis, it is possible to obtain the approximate gross national product (GNP) on the following lines:

Table 2: Czechoslovakia:
Gross National Product (Current Prices)

billion Kcs.

<u>Factor Cost</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
(a) National income	218.7	233.7	250.0
(b) Less indirect taxes			
Turnover tax	47.4	36.2	38.0
Profits tax	52.5	99.9	53.8
	99.9	90.0	46.5
(c) "Net" National income	118.8	143.7	165.5

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	<u>1966</u>	<u>1967</u>	<u>1968</u>
Plus:			
(d) Services (20% of (c))	23.8	28.7	33.1
(e) Depreciation (10% of (a))	21.9	23.4	25.0
(f) Subsidies - Nat. Econ. Vote	<u>89.8</u>	<u>70.7</u>	<u>63.0</u>
GNP at Factor cost	<u>254.3</u>	<u>266.5</u>	<u>286.6</u>
Annual increase %		4.8	7.5
<u>Market Prices</u>			
National income	218.7	233.7	250.0
Services	23.8	28.7	33.1
Depreciation	<u>21.9</u>	<u>23.4</u>	<u>25.0</u>
GNP at Market Prices	<u>264.4</u>	<u>285.8</u>	<u>308.1</u>
Annual increase %		8	7.4

Western estimates of GNP, using a different method of calculation and in dollar terms, show a declining growth rate since 1966.

Table 3: GNP (Market Prices)

GNP (billion 1968 US dollars converted at
US purchasing power equivalents)

<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
25.5	26.7	27.6	28.4
+ 4.9%	+ 4.7%	+ 3.3%	+ 2.9%

Per capita GNP rose from \$1,830 in 1968 to \$1,970 in 1969. The comparable figures for East Germany (the East European country most resembling Czechoslovakia in this respect) were \$1,850 and \$2,020 respectively. The widening gap represents a decrease in the Czechoslovak growth rate, rather than an increase in the East German one.

12. In comparison with Western countries, per capita GNP in Czechoslovakia most resembles that of Japan (\$1,950 in 1969) and is somewhat lower than those of the United Kingdom and the Netherlands (\$2,410 and \$2,420 respectively). However, such comparisons are misleading as indicators of relative standards of living or economic strengths. Much of the production included under the Czechoslovak GNP for example is of relatively inferior quality.

Economic Reforms

13. The Czechoslovak reform programme (the "new system of planned management") outlined in 1965 was implemented very quickly and at the beginning of 1967 twenty detailed Articles on "General Conditions of Enterprise Management" (issued by the Government in 1966) were introduced into industry, building and domestic trade. The main aim was to create a flexible economic system in which demand would exercise far more influence over the producer with a more realistic pricing system forcing enterprises to reduce costs and increase productivity. It involved substantial decentralization to enterprises, changes in the allocation of capital resources and the substantial restructuring of an economy modelled on, and clearly tied to, that of the USSR.

14. The Action Programme of April 1968, a political, social, legal and economic document, reaffirmed the principles of the 1966 Decree but highlighted the new importance of the consumer, the move away from egalitarianism in the wage structure, the concentration at the centre on macro-economic decisions and the relative independence of the enterprise. It envisaged the opening of the economy to world markets including, ultimately, convertibility of the currency, the raising of living standards (including the introduction of a five-day working week at the end of 1968) and the need to reduce the undue concentration of investment in heavy industry and raise investment in such sectors as housing and services.

15. Various problems arose in implementation of the Czechoslovak economic reform measures. The reforms were inadequately prepared and lacked any complete theoretical model. Planners misapplied the concept of gross revenue, in whose calculation unfinished production and unsold finished products were mistakenly included. Another problem was the failure of market conditions to develop when administrative controls were lifted. However, the main defect of the Czechoslovak economic reform measures which were possible to implement, was that the financial resources of enterprises increased too rapidly, well above plan. By February 1967 it was clear that the average increase in wholesale prices in industry and transport was much higher than planned, 29% instead of 19%. The taxes on enterprises had been carefully adjusted to the price revision with the object of siphoning off the entire profit resulting from the price reform itself. Only increased effectiveness in comparison with 1966 would in theory yield a return for enterprises, thus giving them means at their own disposal. This aim was never achieved and the price reform was mainly responsible - it had been prepared too hurriedly, by groups rather than individual products - and enterprises were able to raise prices substantially.

16. Husak was faced in April 1969 with a deteriorating economic situation which was partly connected with the aftermath of the Soviet invasion but was rooted mainly in a reform programme which had become out-of-hand. Party and Government control over the economy was weak, enterprises were not only administratively very independent but were increasing their financial resources well above plan and through high bonus payments and large investment projects intensifying inflationary pressures. Industrial growth was low and the rapidly expanding domestic market was attracting additional imports and affecting export capacity.

The Stabilization Measures of 1969

17. Economic policy since April 1969 has concentrated on reasserting strong control over the economy by the central administrative organs. The immediate inflationary problems were tackled by attempting to restrict new investment projects and State budget expenditure; by regulating wages; and by restricting or cancelling certain subsidies and tax exemptions to enterprises. In view of the inadequacies of the price reforms, it was also considered that stronger central control had to be reasserted over prices. These so-called "stabilization" measures were promulgated at a Party Praesidium which met in May 1969. The restrictions on investment and budgetary expenditure were the least well-defined of the measures, but it was stipulated that Government control was to be strengthened over new construction and later in the year it was announced that where work on a project was begun before 10th June, 1969 it would be financed within the limits approved by the plan directive for 1969. Housing construction, however, was to continue to receive particular attention. Budgetary expenditure by both State and local Government organs was to be cut by 10%, but the results of this are difficult to assess following the introduction in early 1969 of separate budgets for the Czech lands and Slovakia in addition to the Federal budget. An attempt was made to penalize inefficient enterprises which would not be allowed to raise wholesale prices unless by so doing they would increase their exporting potential or allow a decrease in State budget subsidies. Failure to abide by such conditions would result in bonuses not being paid. Wage ceilings were to be imposed in such enterprises; tax was to be doubled if wages were allowed to rise by more than 5% and was to be raised fourfold if allowed to rise by more than 7%. Emphasis was put on increased labour productivity which was rising very slowly (by only 2% in the first two months of 1969), partly due to the introduction of the five-day week, (later in the year it was suggested that going back to the six-day week could raise productivity by as much as 6%). Real wages rose by 5.9% during the first-half of 1969, but only by 3.8% for the entire year.

18. The removal of about Kcs. 4.8 billion of State subsidies on some industrial and food articles increased their retail prices, but there were to be reductions in the prices of certain other basic items. The range of free prices was revised and some products were reclassified in the category of limited prices. These price changes had the effect of raising the cost of living by 1.7% to 3.1% in the various social and income groups. Further price changes, affecting both wholesale and retail prices, were announced later in the year and involved the introduction of "stop-prices" or maximum limit prices for many items previously in the free price range; wholesale prices were to be as those valid on 1st January, 1969 and retail prices as those on 30th June, 1969. Prices were to fall into four general categories:

- (a) free prices, involving a very small percentage of wholesale goods and between 5% and 10% of retail ones (previously they accounted for 30% of the latter);
- (b) fixed prices, about 25% of wholesale and 40-50% of retail;
- (c) maximum limit prices (in effect similar to fixed prices as they allow downward movement only); and
- (d) prices limited through agreements.

This last category covers 25% of all prices and in some cases prices can be adjusted by agreement between the enterprise and purchaser without further intervention from the Price Office. Despite the favourable official line regarding effectiveness of the price freeze, there is an obvious shortage or non-availability of certain lower-priced goods (which has been confirmed publicly by Strougal). The forced shift to higher-priced goods with no corresponding quality increase represents a hidden cost-of-living increase. Also, an official inquiry in late-1970 uncovered a large number of illegal wholesale price increases.

19. Many of the problems which had been evident for some time in the economy continued throughout 1969. Although the Government saw their solution through a reassertion of central control, Husak stated that this would not involve a return to the pre-reform bureaucratic administrative methods, but that a combination of directive management and economic stimuli would be needed.

20. Productivity was a major issue and was tied up with the general labour situation which had been getting steadily worse. There was (and is) a serious shortage of labour in many crucial sectors such as coal mining, housing construction, building materials construction, and the development of border

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areas. Labour misallocation results not only from management inefficiency but also from inadequate transportation and housing, plus worker reluctance to relocate. In addition to the general shortage and bad organization of labour, work discipline was poor and the five-day week system had been seriously abused in many cases. Worker disillusionment was probably a factor in unreliability of the work force. The effective working week was said to consist often of only three and a half or four days or less. The problem of Workers' Councils (which had developed a considerable influence over managerial policy in some enterprises) was also considered and in October 1969 it was decided that no new ones would be set up. The original announcement in the Spring of 1968 permitting the establishment of these councils, intended that they be only experimental. The period of founding was to end at the close of 1968, but it was later decided to approve any founded before the end of March 1969 in order to "avoid needless conflicts". However, all Workers' Councils were finally abolished in June 1970.

21. In spite of the stabilization measures (which can be said to have been at least partially successful), inflationary pressures were evident throughout 1969 and investment in particular rose far above the plan (10.3% instead of 5%). Consumer goods continued to be in short supply whilst the purchasing power of the population rose rapidly. Housing construction also fell well short of the target, mostly due to a shortage of building materials and of manpower. In Prague, for example, only 45% of the planned flats were completed, and at least 10,000 employees were said to have left this sector during the year. The 1970 plan, therefore, is putting considerable emphasis on the production of consumer goods (if necessary, to be manufactured by factories not previously engaged in their production) and on housing construction which is planned to rise by 26%.

The Present Position

22. Some success in curbing inflation is shown by the decreasing growth rates of retail prices (0.4%) and money wages (4%) in 1970. The stabilization measures taken in 1969 were essentially short-term disinflationary action and the necessity for central action on the economic front harmonized well with political measures. The longer-term need was to deal with the main cause of the inflationary pressures, namely the imbalances between enterprise taxation and price levels and between excessive wage increases and inadequate production. This defect of the 1966 economic reforms would have necessitated action by even the most "reformist" administration.

23. A new law on enterprise taxation came into force on 1st January, 1970 and was designed to control expenditure, to discourage excessive wage increases, and to encourage the efficient use of manpower. There are four distinct taxes:

- (a) a profits tax. This is at present a flat rate of 65% (or 85% in certain financial institutions), but a progressive tax will be tested experimentally in certain enterprises;
- (b) a property tax of 5% (to be applied to an enterprise's assets whether they were supplied by the State or acquired by the enterprise itself);
- (c) a progressive tax on the volume of wages; and
- (d) an independent flat-rate contribution of 25% for social security.

At present these regulations do not apply to agriculture but they will apply to the entire economy from 1971, although the burden on Slovakia will be rather less than that on the Czech lands. Investment will tend to be concentrated in Slovakia, but, in theory at least, will be strictly controlled. Throughout the country further investments will be limited by the introduction of a licencing procedure for construction. Nevertheless, control of capital investment is still an admitted weak spot and will continue to be a problem as industries use pressure (political or otherwise) to win exceptions.

24. The other main measure - the "temporary" price freeze which is now expected to remain for at least another two years - was a confirmation of the decree of July 1969 and affects both wholesale and retail prices. Wholesale prices are fixed at their 1st January, 1969 level, and retail prices at the 30th June level. There is to be no corresponding wage freeze although the planned increase in the average industrial wage in 1970 (2.9%) is rather lower than in recent years.

The Future

25. The present administration has stated that it intends to retain parts of the reform programme and makes some distinction between the reforms of 1966 and the Action Programme of 1968. It is quite likely that enterprises will continue to operate to financial indicators such as profitability and the use of bank credits in investment finance will probably remain, though their proportion of total investment is unlikely to rise. But the annual plan is again binding on enterprises, their administrative and financial independence will be very strictly controlled and the price system is likely to be rigid for the next few years. Implicit in the 1966 and 1968 reforms was the phasing out of uneconomic production lines and greater specialization but this will now be much more difficult. Changes to the economic management structure will probably continue to be very cautious.

Employment and Productivity

26. A major issue in 1970 has been that of manpower utilization and deployment, together with the related problem of materials usage. As regards the latter, it was estimated that a 1% saving on all materials used would represent approximately Kcs. 2,000 million a year. This could partly be achieved by the introduction of new designs and technologies and the utilization of the quite considerable industrial stocks lying idle, but would also require greatly improved management techniques which do not appear to be forthcoming in the foreseeable future.

27. The application of working hours has been getting steadily worse, and in May 1970 it was estimated that in the majority of cases they were only being exploited by 80%. A 10% improvement would represent a saving of tens of thousands of workers, especially in the important sectors of machine-building and construction. New measures to improve the situation included the introduction of four unpaid working shifts throughout the year (many enterprises seem to be unable to fulfil their plans with only five working days a week) and a 10% cut in the administrative staff of ministries, industries and enterprises. One aspect of the redeployment of labour has been the creation of localized redundancies, and new laws have been passed to ease the transitional period. Compensation to workers forced to move to lower-paid jobs will be paid for the first three months and for a further maximum training period of another three months. Efforts to reduce administrative staff have been of dubious effectiveness because of loopholes: many staff members were simply reclassified as labourers and, in several cases, normal attrition was counted as part of the 10% cut.

28. An additional problem has been the amount of work-time lost through sickness and absenteeism. In 1969 absenteeism was said to be responsible for the loss of nearly 80 million working days (an increase of 20% since 1960) and by June 1970 an average of 200,000 workers a day were absent because of sickness. Some 20% of the absenteeism was said to be for reasons other than health and in mid-1970 measures were introduced to prevent the abuse of the health insurance and related systems. It was estimated that if sickness and absenteeism could be reduced to the 1967 level, it would be tantamount to an additional 35,000 workers in the year (1970).

Investment

29. The problem of the volume and effectiveness of investment continues to plague the Czechoslovak economy, and in 1969, 23% of gross national income was directed into capital construction. In the first-half of 1970, the value of investment rose by 9% to about Kcs. 37 billion which though well above plan, showed some slight improvement in the number of projects completed and put into operation. The general trend in the past has been

to place considerable emphasis on increasing the capacity of the metallurgical, power, and engineering industries to the detriment of consumer goods and food processing. Investment in the food industry has in fact been declining - it constituted 9% of investment projects in 1967 but had fallen to 6% in 1969.

30. In 1970 the increase in investment slowed down to 6.1% after two years of 10% growth. Over the past few years, the volume of incompleting projects to those completed has risen considerably, and the 1970 plan has attempted to solve this problem by lowering the planned growth rate of investments, by reducing the number of new projects and concentrating on previously started but still unfinished projects. At the same time the structure of investment is to be altered, a greater share (an increase of 7%) being allocated to the building of schools, hospitals, roads, communications and particularly housing (whose share is to increase by 30%). Investment in agriculture has been cut down slightly and is to be directed to projects which do not demand materials in short supply (i.e. building materials). No investor is allowed to begin a project without the permission of the appropriate superior organ and steps will be taken to ensure that the necessary means for completing the project are available. The capital return on investment is still poor and has remained virtually static over the past few years. The curbs now imposed on new investments should have the desired result of cutting down the number of projects, but to be really effective investments must also improve qualitatively - a much harder goal to achieve and one which cannot be resolved simply through the application of centralized planning procedures.

Standard of Living

31. The Czechoslovak standard of living has undoubtedly been rising but there are still several consumer commodities in short supply and the housing situation is far from adequate. In 1970 output of consumer goods is said to have risen 8% - a five-year record and a faster growth rate than that registered by producer goods. Nevertheless, real wages and retail trade reportedly increased at the slowest pace in five years - 1% and 2.2% respectively. Any differences between the Czech lands and Slovakia are gradually disappearing; per capita incomes in both areas have become very close, and the health and education services (in theory at least) have been equalized. There are, for instance, 6.57 hospital beds per thousand inhabitants in Slovakia, and 7.87 in the Czech lands.

32. Money incomes of the population have been growing very rapidly - by more than 11% over each of the past two years. Production increases have, however, not been able to meet the new level of demand and a rise of only 5.2% in monetary incomes is planned for 1970. The rise for the first-half of 1970 was in fact 4.3% (two thirds of which came from wages as planned).

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Pensions were adjusted at the beginning of 1969 which resulted in the pensioner's standard of living rising an average 8%; and in July 1970 the lowest pension (affecting 700,000 people) was raised from Kcs. 442 to Kcs. 500 a month, the average pension being about Kcs. 845 a month.

33. Monetary expenditure of the population grew by 2.9% in the first-half of 1970; while the increase in savings deposits was 24.6%. This latter figure may have been partly influenced by the introduction of a high interest rate for long-term deposits and a bonus savings plan designed particularly for young people, but it was largely the result of severe shortages in the supply of some consumer goods. There have been shortages both of consumer durables and of food. Towards the end of 1969 the Government prohibited the export of meat and livestock in order to improve supplies in the home market, and early in 1970 it was suggested that a 200% export levy should be imposed on items in short supply. Many consumer goods (including food) were imported after the bad 1969-70 winter but in many cases they were prohibitively expensive. There are shortages of many small household items, washing machines, batteries, furniture and passenger cars. At the beginning of 1970 there were 320,000 applicants for a new car, only one third of whom are likely to be satisfied. Many working women are said to be taking time off work in order to queue for commodities in short supply. Nevertheless there are now 75 television sets, 60 vacuum cleaners, and 79 washing machines per 100 households in Czechoslovakia.

34. The main shortages in food are of pork and veal (but, say the authorities, there are plentiful supplies of cheap chicken) and this is partly because per capita meat consumption has risen very fast over the past few years. In 1968, an average 65.6 kg of meat was consumed per capita, 3 kg more than the level anticipated for 1970; and in 1969 the average daily calorific intake was 3,050-3,150 calories, said to be about 200 more than the required physiological optimum, although vegetables and fruit formed an insufficient part of the diet.

Wages

35. Average nominal wages grew by 3.6% in the first-half of 1970, which was rather more than the planned increase of 2.6% for 1970 as a whole. However, the trend of the past few years has certainly been reversed (the increases in 1968 and 1969 were 8.2% and 7.4% respectively) largely due to the reintroduction of the central regulation of wages in 1969. The main problem now is seen to be the linking of wages to the quality and quantity of work done. The average industrial wage is now about Kcs. 1,867 a month; the lowest rates being found in the garment and textile industries (Kcs. 1,500-1,700) and the highest in the fuel and metallurgical industries (Kcs. 2,100-2,580).

36. Agricultural wages are gradually being brought into line with those in industry and by 1970 should reach 92% of the industrial level. This follows an overall review of agricultural wage regulations which became effective at the beginning of 1967 and which included changes in the classification of workers and a consideration for the introduction of overtime pay.

II. PRODUCTION SECTORS

Agriculture

37. Agricultural production accounts for just over 10% of national income. Since 1947 the agricultural labour force has decreased by 40,000 or 5.5% and a recent survey indicated that work-time is only 70% utilized. The high ratio of women and elderly workers (nearly 20% of workers are over 60 and about half are female) is giving cause for concern, particularly as the increasing mechanization of agricultural work makes it unsuitable for these categories of workers.

38. While the Czechoslovaks have no evident intention - or likelihood - of attaining complete self-sufficiency in food, they have tried to increase domestic food production. Between 1966 and 1968 the gross value of agricultural production was 13.4% higher than in the previous three years, and over the past four years the average annual rate of growth has been 6%. (The figures for Slovakia are rather higher - an increase of 31.6% being recorded between 1966 and 1969). However, several problems remain. The most urgent are probably the decrease in land under potatoes and sugar-beet and the constantly declining numbers of cattle and pigs (although there has been some recent improvement in the latter). The import of farm products is gradually decreasing. In 1970 it is estimated that home supplies will provide 92% of meat, 91% of butter and 95% of vegetables, but unfavourable weather conditions may lower some of these figures. The most acute shortage is felt in meat supplies (particularly pork) and eggs. This year meat imports are expected to reach a record 100,000 tons, consumption having risen by about 10% over the past two years. A reasonably good grain harvest (between seven and eight million tons) is said to cover about four-fifths of domestic requirements and about 1,300,000 tons of grain are supplied annually from the USSR.

Structure

39. Czechoslovak agriculture is divided in the main between State farms and co-operatives, although private farms are still of some importance. At the beginning of 1969 for example, they accounted for about 9% of total agricultural land and nearly 20% of total output. In 1967, about 6,400 co-operatives (4,300 in the Czech lands) farmed 4,270,000 hectares whilst about 350 State farms (250 in the Czech lands)

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covered about 2,110,000 hectares. The average size of a co-operative was therefore rather less than 700 hectares, although the trend is to increasing size, whilst that of a State farm was about 6,000 hectares. Members of a co-operative who have registered their property are entitled to permanent employment, but the State farms use hired labour. There has been a certain amount of difficulty in finding men of sufficient knowledge and ability to manage the large-scale State farms.

40. Modern trends in agriculture and the diminishing labour force make it imperative to introduce more mechanization as efficiently and rapidly as possible. The difficulty here is the inability of Czechoslovak industry to provide the necessary equipment. This partly stems from the problems following various agreements under which the production of grain harvesters was transferred to Hungary, that of straw-handling machinery to the GDR, windrowers and similar items to Bulgaria, and potato-lifters to Poland. In September 1969, little over one quarter of agricultural requirements for machinery could be considered (let alone met) and at least 50% of home-produced machinery was said to be of low standard. The situation is particularly bad in the supply of wheeled tractors, in March 1970 it was said that only 2,000 tractors of Czech manufacture could be supplied although 12,000 were needed. There is also a scarcity of mechanized equipment to lift sugar-beet and a constant shortage of spare parts for all types of machinery. The lack of storage-space for grain is another problem, and the lack of drying facilities has been felt particularly acutely this year after excessive rain resulted in a very high moisture content in the grain.

41. The use of fertilizers is increasing steadily and in 1968-69, 173 kg of net plant nutrients were applied per hectare. This compared with 30 kg per hectare in the USSR or 224 in the United Kingdom.

Table 4: 1970 Planned Fertilizer Application

	<u>Nitrogen</u>	<u>Phosphates</u>	<u>Potash</u>
thousand tons	463	358	507
pure nutrient per hectare (1965 figure in brackets)	66.5 (31.7)	48.5 (35.2)	71.6 (47.1)

By 1975, fertilizer production is planned to rise by 50%. Since 1966, there has been increased attention paid to the "registration and classification of permanent grassland" and to practical plans for their utilization. The campaign should be completed by 1972, 476,000 hectares having been dealt with by the end of 1969, leaving about 358,000 hectares outstanding. The chief aim is to release arable land from the cultivation of fodder which could result in a 50% increase in grain production. In addition, it is planned to drain about 660,000 hectares of land by 1980, thereby doubling the present rate of land amelioration.

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Production

42. Estimates of Czechoslovak net agricultural production (excluding feed, seed, and waste) in 1969 show a slight decline below the 1968 level. Output of all major crops except grain declined, while the latter (about 7.4 million tons) increased only through expansion of areas seeded in high-yield wheat and barley varieties.

43. The principal crops of Czechoslovakia are wheat, rye, barley, oats, potatoes, sugar beet, fodder crops, flax, maize, and hay. The average yields of the three main grains - wheat, rye and barley have been rising steadily.

Table 5: 1969 Yields per Hectare in Quintals

	<u>Wheat</u>	<u>Rye</u>	<u>Barley</u>
Czech lands	30.7	25.4	33.9
Slovakia	32.0	29.9	27.28

44. Agricultural output grew only 1.3% last year. The 1970 harvest has been badly affected by poor weather throughout the year, and particularly by bad summer storms. More than 26,000 hectares of grain were damaged by the storms and severe waterlogging made it impossible to use combine harvesters in some areas. The situation was bad enough to warrant the drafting of men from industry to help with the harvest, and the Soviet Union provided troops and harvesters to ease the load. In spite of gloomy predictions, the State plan for grain procurement was fulfilled in September by 100.9% (100.04% in the Czech lands and 103.3% in Slovakia). However, because of the bad weather the Ministry of Agriculture permitted a higher moisture content in the grain and quality in general is low. The problem is complicated by the lack of suitable storage facilities and by the shortage of coke to use in drying equipment. Many enterprises have been requested to help by providing suitable storage areas.

45. The area devoted to potatoes, green fodder, vegetables and sugar-beet increased in 1970, thus somewhat reversing the unfavourable trend of the past few years. The situation as regards potatoes and sugar-beet had been particularly critical - the acreage of the former having fallen 14% in 1969 and that of the latter by 7.7%. The potato harvest in the Czech lands fell by 25% in 1969, partly also owing to the shortage of labour and machinery.

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46. The livestock situation improved slightly in 1970. The number of pigs increased by 400,000 in the first-half of the year, partly as a result of importing piglets and partly as a result of improved breeding within the country. This meant that the half-yearly plan was exceeded by 197,000 head. The number of beef cattle increased by 131,000 but dairy cattle decreased by 14,000, although milk production had increased by about three million gallons by August 1970.

47. As Czechoslovakia is a land-locked country fishing is not of primary importance. However, there are about 8,500 ponds stocked with 10,000,000 young carp and several millions of other fish yielding an annual catch of more than 11,000 tons.

48. There is an active programme of reafforestation in Czechoslovakia, resources having been seriously depleted since 1945. In the first half of 1970, 41,000 hectares were planted with trees and 7.3 cubic metres of wood were worked (an increase of 2.8% over the same period of 1969). By 1980, yearly production is planned at 10,000,000 cubic metres, but to achieve this labour problems will have to be tackled - 1,900 workers left the industry in the first-half of 1970 (a drop of 1.9%) and the manpower situation is now considered to be serious. Forestry accounts for just over 1% of national income.

Industry

49. Industry accounts for some 60% of national income and employs about 40% of the total population of working age. After the implementation of the reform programme in the mid-1960s emphasis temporarily shifted away from the heavy engineering and associated industrial branches imposed on the economy by the post-war Communist régime to a greater emphasis on consumer goods production. In 1968 for the first time consumer goods production grew faster than industrial production as a whole, but it fell back sharply in 1969 (with a growth rate of 3.6% as against 5.2% for the whole of industry). The Husak régime has turned away from the reformers' emphasis on light industry and their hope for large-scale Western help. Instead, it is relying on traditional heavy-industry growth sectors, especially increased machinery trade with the USSR and Eastern European countries for investment goods and consumer durables. The 1970 plan again puts considerable emphasis on consumer goods and also on building - a sector of the economy which accounts for some 11% of national income and is in critical need of improvement. Engineering and chemicals are traditional industrial sectors which continue to record high growth rates (6.9% and 9.4% respectively at the end of 1969). Industrial labour productivity has been growing steadily over the past few years and in 1970 achieved the record growth-rate of 7.9% over the

corresponding period of 1969. The industrial growth-rate in January-June 1970 was 8.3% (7.8% in the Czech lands and 10.3% in Slovakia) - the entire increase therefore being covered by increased labour productivity. Industrial production in Slovakia has been registering some very high growth-rates, for example 23% for engineering and 14.6% for textiles at the end of 1969.

50. It has become increasingly apparent that in order to compete effectively on world markets and to satisfy the growing domestic demand, Czechoslovakian industry must improve in quality as well as in quantity. Two basic problems predominate: the obsolete equipment which is still in widespread use; and the patchy small-scale nature of much of the production. Of the latter problem it has been said that Czechoslovakia produces about 80% of the world's range of goods which means that the vast majority are in small series and economically inefficient. Some traditional fields such as glass and ceramics, some sectors of engineering, and to a certain extent shoes and textiles still enjoy a favourable position in world markets, but even these suffer from having to rely on obsolete machinery. The solution to the problem lies basically in the import of technically-advanced equipment (particularly in the fields of automation and data-processing), as the design to production period in Czechoslovakia takes so long that by world standards machines are virtually obsolete as soon as they come on to the market. For 1970 as a whole, the rate of growth of industrial production accelerated to 7.7%.

Output

51. The production of energy and fuel in Czechoslovakia is far from adequate; a fact which was brought home rather forcefully over the 1969-70 winter. The only fuel that is indigenous in any quantity is coal, mainly of poor quality. This is mined in several areas: anthracite in small quantities in Ostrava and North Moravia; lignite in North Bohemia; and other low-quality, high-cost deposits in South Bohemia, Moravia and Slovakia. During the late-1960s some pits were closed down in an effort to eliminate ineffective units, and coal production dropped sharply with subsequent adverse effects on gas and electricity production. By mid-1969 it was decided that the annual plan had been set too low and many mines agreed to exceed the plan by working additional hours, etc. The original plan called for 101,900,000 tons of coal to be mined, plus an additional 1,600,000 tons to "improve the situation", resulting in an overall shortage of 6,000,000 tons. In the first six months of 1970, production of anthracite increased by 5.1% and that of lignite by 3.4%.

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52. Electricity production increased by 4.7% in the first-half of 1970 but there were widespread shortages (as predicted after the major cuts of two successive winters) and consumption both by industry and domestic users had to be regulated. Production should have risen from 34,000 million Kwh in 1965 to 49,000 million in 1970, but 1969 production was only 42,000 million which leaves a current deficit of about 6,000 million Kwh. There is a shortage of new electricity-generating capacity and of coal gas capacity, although improvements in the latter were noted in the first-half of 1970. Increases were also noted in the processing of crude oil, although earlier in the year it was stressed that supplies of coal should not be decreased prematurely pending a switch to liquid fuel energy utilization. The bad winter of 1969-70 made it all too obvious that production of energy should be rapidly increased not only to provide for immediate requirements but also to make up for some of the serious depletion of reserves. Conventional sources of power will continue to be built until 1985 (it is estimated that the construction of one power station takes at least three years and probably nearer six), but after that date only nuclear stations may be built. After numerous delays industrial utilization of nuclear energy should start contributing to the energy balance with Soviet assistance in the near future. This should help to ease the power situation but will depend very much on the speed and success of the plants as well as on supplies of Soviet fuels.

53. Average production in the engineering industry grew by 10.8% in the first-half of 1970 and this well-established industry seems to be maintaining a fairly steady rate of expansion. However, there are shortcomings in the supply of materials and semi-finished goods to the industry, for example certain types of rolled material. Steel production in 1970 should be about 10,800,000 tons (which is roughly one fifteenth of total CMEA production) and about 2,500,000 tons of this will be exported. About 750 kilograms per head are produced, claimed to be 170 kilograms per head more than the West European average. There has been a recent appeal for the collection and utilization of scrap materials to help save on imports of raw materials. The production of passenger cars is also being emphasized and is to increase by 5.5% to a total of 145,000 in 1970, but there is still a long waiting-list and constant trouble with the supply of spare parts.

54. The electronics industry is well-developed and a fairly comprehensive range of equipment is produced. The industry has expanded fairly rapidly in recent years although the shortage of high-quality components has tended to retard the development of more sophisticated items such as advanced electronic computers. However if production of data-processing equipment and computers is to be modernized, considerable reliance will continue to be placed on the acquisition of Western know-how and equipment.

55. The other main growth industry - chemicals - registered a 12.6% increase in the first-half of 1970. However it suffers from much the same problems as the engineering industry - faulty production equipment (and poor repair facilities) together with a lack of raw materials and manpower. The production of textiles and furniture are both receiving close attention this year - the former being in urgent need of revitalization. Chemical industry expansion is mostly due to the import in recent years from the West of a large number of plants, including those for synthetic fibres, petrochemicals and plastics, areas in which Czech technology has been weak. Closer collaboration with other Eastern European countries, especially the GDR, is being proposed for 1971-75. The food industry, which in 1968 accounted for some 16.2% of total industrial production was largely considered above under the section on agriculture. It increased by 3.8% in the first-half of 1970, mostly due to the increased purchase and imports of animals for slaughter; this was a higher growth-rate than planned.

56. The building industry accounts for 11.3% of national income and at the end of 1969 had registered a 3.2% increase which was not nearly sufficient to meet demand. There is an acute housing shortage throughout Czechoslovakia with no immediate signs that the situation will improve. One of the main problems is the shortage of building materials. In 1969 cement production grew by only 3.7% while the output of bricks actually declined, and at the beginning of 1970 it was said that adequate supplies of bricks cannot be expected before 1974 in spite of new bricks works. It is planned to build more dwellings from prefabricated components; four panel-making plants from the USSR are to be imported (and completed in 1973-74) which are designed to produce 20,000 housing units.

57. Between 1966 and 1970 about 435,000 flats are expected to have been built, about 94.6% of the revised Five-Year Plan. In the 1971-75 Plan, 370,000 flats are planned in the Czech lands and 198,000 in Slovakia but even this will not really solve the problem, especially considering that it is necessary to build about 120,000 flats a year to keep housing accommodation at the existing inadequate level. At present there are 4,350,000 dwellings which accommodate 4,770,000 households.

Services

58. Transport facilities account for about 4% of National Income and their inadequacy was revealed in the bad winter of 1969-70. Over 50% of freight is transported by rail; in the first-half of 1970 this totalled 114.5 million tons, an increase of 3.3% over the 1969 period. However, over the past four years, total freight has dropped by nearly three million

tons, in spite of increases in rolling stock and manpower. The main problems are shortages of stock and inadequate transloading facilities. The latter problem will be partly alleviated by the proposed alteration of some of the Slovakian lines which lead to the Soviet border to the Soviet broad gauge, experience having shown that the transloading station at Cierna is being inadequately used (its capacity is 30,000 tons a day). Future rail developments will concentrate on electrification and on replacements of rail and stock. In the first-half of 1970, 106.6 million tons which is rather less than 50% of total freight was carried by road (by the Czechoslovak Automobile Transport Enterprise) and a further 1.7 million tons was carried by river. This was roughly the same as last year but considerably less than called for by the plan.

59. The standard of roads in Czechoslovakia is not high - a long time is taken in building and they are often of poor quality and durability. Over the 1969-70 Winter, almost ten million square kilometers of roads were damaged in Slovakia alone. Priority is to be given to the creation of a good road network including motorways; in 1970 there will be only 23 kilometers of motorway and only about 2.5 kilometers are being added per year.

Domestic Trade

60. In the first-half of 1970, retail trade turnover reached about Kcs. 75,000 million, an increase of 3%, while in public catering the increase was even greater. The trade network lacks adequate equipment and storage space, and in the Czech lands retail turnover is said to have grown at four times the rate of floor space in the past few years. To help facilitate trade, opening hours are to be lengthened and adjusted to the working times in factories and offices. A more detailed discussion of domestic trade will be found under the section on standards of living.

III. BUDGET AND FINANCES

Receipts and Expenditure

61. The introduction in 1969 of separate budgets for the Czech lands and Slovakia in addition to the Federal Budget has tended to complicate any examination of trends in budgetary receipts and expenditure, but the rôle of the Federal Budget in this new situation has been fairly fully described. Its main functions are stated to be as follows: (1) to finance the operations of federal agencies, to pay for defence, security, foreign trade, political operations, and federal administration, and to establish federal reserves. (2) To equalize any economic and social differences between the two regions. (3) To regulate and integrate the economy while financing selected operations, and (4) to maintain financial balance throughout the economy. Revenues are obtained from wage, turnover, and enterprise property taxes as opposed to contributions in absolute sums from the national republics.

62. The 1969 budget as a whole (Federal, Czech and Slovak) achieved a surplus of Kcs. 3,445 million, of which Kcs. 2,885 million were attributable to the Federal Budget. The federal surplus was the result of receipts from the wage tax exceeding the plan by 6% - a reflection on the rapid growth of wages. Receipts from the turnover tax were also higher than expected but taxes from enterprises were quite considerably lower. The surplus was to be used to repay instalments on loans from past State budgets, to repay investment credit, and to advance credit for investments in rail transport. Eleven per cent was saved on administrative costs as planned. Both the Czech and Slovak budgets which were announced in the middle of the year and which tended to affect the structure of the overall budget, also showed surpluses.

63. 1970 budget receipts are planned at Kcs. 185,956 million and expenditure at Kcs. 182,893 million - the surplus of Kcs. 3,063 million coming from the Federal Budget. The budgets of the Czech lands and Slovakia are balanced at Kcs. 94,543 million and Kcs. 45,776 million respectively. Federal receipts will consist of a 50% share of the wage tax, a 10% share of the profits tax, a 33.1% share of the turnover tax, and receipts from federal bodies. Expenditure includes grants to the Czech lands of Kcs. 1,173 million and grants and subsidies (mostly for equalization purposes) to Slovakia of Kcs. 15,380 million. Expenditures of the two national budgets include grants and subsidies to national committees (local authorities) which amount to Kcs. 27,268 million in the case of the Czech lands and Kcs. 10,462 million in that of Slovakia.

Military Expenditure

64. The defence vote for 1970 was Kcs. 14,800 million, a 6% increase over that of 1969. This was rather less than the 1969 increase of 8% and represents a lower proportion of the total budget (about 8% as opposed to over 9%). This reflects the prevailing trend in all the Warsaw Pact countries where political tension in 1969 kept the defence votes fairly high. The resumption of a more normal situation has led to lower increases easily explainable in terms of increased - and possibly more realistic - costs and the continued acquisition of more advanced equipment.

Table 6: Defence Expenditure 1966-1970

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
Growth (1965 = 100)	105	120	126	136	144
% of total budget	7.06	8.68	8.9	9.7	8.8

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65. However, it cannot be assumed that all defence spending is accounted for in the open defence budget. A certain amount is almost certainly included under funds allocated to research and development (for which no figures are available) and it also seems likely that revenue obtained from the forestry and agricultural estates (forming 11 nationalized enterprises) owned by the Ministry of National Defence is added to the defence budget. The bulk of defence spending, however, is almost certainly included in the open vote.

Social Security

66. The sum spent on social security is constantly rising and in the first-half of 1970 amounted to Kcs. 12,400 million, an increase of 7.7% over the same period in 1969. Expenditure in 1969 had risen by 25% - mostly due to the readjustment in pensions early in the year. Sickness benefits continue to rise rather fast - an increase of 18.8% being recorded in the first-half of 1970. Maternity allowances continue to rise steadily but family allowances are tending to decline.

IV. MONEY AND CREDIT

67. Early in 1970 a draft law on financial administration was considered by the National Council Committee. It was proposed to separate the State Financial Departments from the national committees and to establish financial administration independently under direct authority of the Ministry of Finance. This follows the reorganization of the banking system which became effective at the beginning of the year. The position of the State Bank was strengthened by giving it some measure of independence in the fields of domestic currency and credit policy and also some powers in relation to foreign exchange (previously the prerogative of the Federal Ministry of Foreign Trade). At the same time it lost its commercial functions which were taken over by the two national commercial banks. The State Bank was given the authority to regulate the reserves of these banks and to decide on their interest rates. There has in fact been a considerable move towards centralization in banking as in other aspects of the economy, mainly to ensure that the Government's measures for stabilization are followed. This is being done by restricting the flow of credits, tightening up on foreign exchange regulations, and controlling stock-taking in enterprises making excessive demands for credit.

68. At the end of August 1970 there were Kcs. 18,716 million in circulation - an increase of Kcs. 1,405 million from the beginning of the year. This increase was Kcs. 795 million less than the average over the past five years and is some evidence that the stabilization measures are beginning to take effect. Further evidence can be seen in the increase of bank savings - from the beginning of 1970 to the end of July they had increased by Kcs. 2,300 million over the corresponding period in 1969, 13% more than the average of the past five years.

69. In 1968, 53% of total investments were financed from bank credits. This was a substantial rise over the 36% of 1967 and preliminary figures for 1969 suggest that this high percentage was maintained. However, the Government is still determined to exercise strong control over credit granted to enterprises.

70. New laws came into effect this year which divide credit into four basic categories: (1) long-term operational loans; (2) short-term loans; (3) consolidation loans; (4) investment credit. Long-term loans will be granted to enterprises putting a new plant into operation, starting a new project, increasing their production by more than 15% per year, or forming new market reserves, but such loans will be difficult to obtain and must be paid off quickly from the enterprise's own profits. The interest payable will vary between 8% and 10%, depending on the length of the paying-off period (from three to over five years). Short-term loans exist essentially to cover the gap between the invoicing of the enterprise's customer and the collection of the claim. They carry an interest rate of 7.5% and should be paid off within three months. Consolidation loans were introduced in 1970 to ensure that enterprises with long-term loans should not rely on budget subsidies but should discuss repayment methods, etc. with the Ministry of Finance. Investment credit will be granted to promote export prospects to a maximum of 50% of budget costs on new construction. It will only be granted to enterprises with a good financial position and will have interest rates of between 8% and 10%.

V. FOREIGN TRADE

Current Situation

71. Among East European countries, Czechoslovakia lies second after the GDR in total trade turnover. In 1969 this reached a total of \$6,613 million. The value of foreign trade per head is the highest in Eastern Europe (\$425 in 1968). Over the first four years of the current five-year plan (1966-69) total foreign trade grew by 24% or an annual average of 5.5%. This is in keeping with the requirements of the plan for an increase of 31% 1966-70, despite below average increases in the first two years. This is the lowest projected growth-rate among East European countries, although Czechoslovakia has a relatively more developed trade turnover, (and East Germany has so far achieved only an annual average increase of 5.2% despite a planned increase of 43%). Throughout the period, imports and exports have risen at a similar rate. Total Czechoslovak foreign commerce for 1966-70 was greater than expected as a result of a surprising 14% expansion last year.

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72. The greatest increase in trade since 1966 has been with non-Communist countries, and their consequent share in overall trade has risen from 27% to almost 30%. Trade with Communist countries has risen by 19%, and whereas with Communist countries imports have risen faster than exports, with non-Communist countries exports have shown the greatest rate of increase. These developments have not been continuous, and export gains contrary to all expectations were achieved largely in 1968 and 1969. Similarly imports from the bloc have risen sharply in these two years, and one is tempted to identify a definite change in the pattern of trade since 1968.

73. Except for a small deficit in 1968, Czechoslovakia has had a favourable overall balance of trade since 1960, mainly as a result of a large surplus in trade with the bloc as a whole. In the last two years however, deficits have been recorded with the USSR in 1968 and the bloc as a whole in 1968 and 1969; the deficit was reportedly eliminated and short-term indebtedness to Socialist countries reduced in 1970. The surplus in trade with non-Socialist countries since 1960 arose mainly through a favourable balance of trade with developing countries, and apart from small surpluses in 1967 and 1969, trade with the developed West has been in deficit.

Trade with Socialist Countries

74. Socialist countries in 1969 accounted for 70.6% of Czechoslovak trade. After the USSR, the largest partner was East Germany, followed by Poland. Trade with this area has increased at a slower rate than trade as a whole, although the decrease in overall trade in 1966 with this area was largely the effect of new prices introduced into intra-bloc trade which caused an overall reduction in trade in value terms. Since 1966 imports have risen faster than exports, largely as a result of increases in 1968 and 1969. After a surplus in trade with Socialist countries since 1960, Czechoslovakia recorded a deficit in these latter two years of \$168.5 million. This deficit arose through increased imports partly as a deliberate attempt to reduce previously accumulated surpluses, but also as a response to the internal problem of inflation which prompted increased imports of consumer goods. The deficit also reflected a policy of maximizing hard currency earnings and improving domestic supplies of consumer goods. Husak expanded exports to West but increased imports from the East, and many items were diverted from normal Eastern delivery to the home market, thus under-fulfilling export quotas. Also increased imports represented repayment in goods of earlier credits extended by Czechoslovakia to the bloc in the period 1961-65. The problem in the past has been to find suitable goods to import to enable Czechoslovakia to keep bilateral accounts in equilibrium. Thus the recent imports which have caused a run down in current balances represent an economic advantage to Czechoslovakia since a surplus on bilateral account which cannot be transferred represents an interest free loan to the debtor partner. In 1970, exports to Socialist countries reportedly rose 17% while imports increased 9%.

Trade with the Soviet Union

75. The Soviet Union is Czechoslovakia's main trading partner, accounting for 33.7% of total turnover in 1969. Since 1966 trade has increased by 12.7% which is less than either trade with the bloc or overall trade. As a result of large surpluses in trade with the USSR from 1960-67, Czechoslovakia accumulated a large unconvertible balance which was deliberately drawn down in 1968 through increased imports. However despite reports of Czechoslovak under-fulfilment of export orders totalling 100 million roubles a surplus was recorded in 1969 thus re-establishing the previous pattern. According to the 1970 trade protocol, exchanges are to amount to 2.2 milliard roubles (\$2.44 milliard) an increase of 6 per cent over the previous year.

Trade with non-Communist Countries

76. Trade with non-Communist countries since 1969 has been characterized by fluctuations especially in the rate of increase in imports. In 1967 there was a slight fall in imports, and after a large increase in 1968 of 14.3%, the rate slackened to 7.3% in 1969. Exports, which fell slightly in 1967, showed a moderate increase in 1968 followed by a large increase in 1969 of 17.4%. The percentage of trade with this area has risen from 26.8% in 1965 to 29.4% in 1969. In 1970, Czechoslovak exports rose 10% while imports from capitalist countries increased about 25%.

With the developed West, imports rose sharply in 1968 (by 20%) in connection with the modernization of industry but fell in 1969 when an overall surplus of \$20 million was recorded. Exports have recorded steady progress throughout. The most important partners in this area in terms of total turnover are West Germany (3.6%) and the United Kingdom (2.5%) followed by Switzerland, Austria, Italy and the Netherlands. Imports of machinery and equipment account for about a third of total imports from this area. With developing countries, turnover fell in 1967 but more recently increases, especially in exports have been recorded. Czechoslovakia's main trading partner in the developing world is the UAR which accounts for 50% of Czech trade with the whole of Africa. India holds second place with Iran a little way behind. However, the three countries together represent only about 2% of total Czech trade turnover. Plans have been announced to increase trade with India and Iran and special emphasis has been laid on increasing imports of manufactures particularly from Czech assisted projects such as the Ranchi engineering works in India.

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Commodity Composition

Imports

77. Fuels and raw materials in 1969 made up 45% of Czechoslovak imports. According to SITC classification, in 1969 Socialist countries accounted for 58% of all imports (although only 43% of all chemicals). The major source of supply is the Soviet Union, which covers almost all Czechoslovak requirements for crude oil and iron ore. In 1970 Czechoslovakia plans to import from the USSR 10.7 million tons of iron ore, 9.5 million tons of oil, 2.7 million tons of coal, and 1.5 million cu.m of natural gas. Other important imports are wheat (1.3 million tons) fertilizers and cotton. Under an agreement of September 1966, whereby Czechoslovakia is to deliver on credit pipes and machinery for the expansion of Soviet crude oil production, Soviet oil deliveries are planned to reach 14.5 million tons per annum by 1975. Marginal additional imports of oil are likely to come from the Middle East after completion of a pipeline under an agreement of March 1969 with Iran and with Iraq in December 1969. Imports of phosphates for fertilizers are to be delivered in increasing quantities as repayment for Czech investment in the USSR Kingisepp mine. The Czechs have extended considerable credits to other Communist countries for the exploitation of their raw materials (such as the Polish copper industry), and these credits are being and will be paid for with the products of the installations. (See below.)

78. Machinery and equipment formed 32% of Czechoslovak imports in 1969 most of it from other Communist countries (81% in 1967 falling to 77% in 1968). Deliveries from the USSR include machine tools, transport equipment, aircraft and agricultural machinery; these form only a small percentage of total Soviet deliveries, and the USSR is likely to press the Czechs to accept more Soviet machinery. Czechoslovakia imports industrial equipment for the metallurgical, chemical and textile industries from other East European countries, especially East Germany. Imports of machinery from the West, though relatively small, are of great significance for the future development of the Czech economy. Although such imports were cut back in 1967, in 1968 these imports increased by 45.4%.

Czechoslovak imports of food stuffs form 15% of total imports, and 2/3 of all grain imports are from the USSR. In 1970 these are to total 1.3 million tons. Czechoslovakia also imports small amounts of grain from France, West Germany and Canada.

Exports

79. Machinery and equipment formed more than half of Czech exports in 1969, the major market being the Socialist countries (82% in 1968). Czechoslovakia supplies the USSR with metallurgical equipment for the Soviet light, food and chemical industries. Czech deliveries of large diameter steel pipes will be increased in 1970. Czechoslovakia also exports machine tools and other industrial equipment to Eastern Europe, some of which are governed by co-operation agreements. Exports of machinery to the non-Communist countries are small and the Czechs certainly hope to expand sales, especially to hard currency areas. However their history of specialization in the production of heavy machinery makes it difficult for them to restructure and revive production towards the light industry whose products could be more competitive on world markets. Machinery exports however did increase by 15% in 1968.

For a country of limited natural resources Czechoslovak exports include a high proportion of fuels and raw materials, which formed 29% of total exports in 1969. Rolled metal coal and coke, timber, glass and papers are among exports to Communist countries. Uranium ore is exported exclusively to the USSR.

Trade and Co-operation with the Industrial West

80. From the Industrial West, Czechoslovakia draws roughly one fifth of her total imports. However in the important category of machinery and equipment, about one quarter of this category are products of the Industrial West, and these showed a 45% increase in 1968 (after a fall of 17% in 1967). Largest increases were recorded with the Netherlands, Belgium, West Germany, the United Kingdom and Austria. 1969 figures, taken from Western sources, show that imports from France rose sharply (after declining in 1968) as well as from Switzerland and Italy, while from Japan they soared to five times the previous year's level. However West Germany completely dominates the field with deliveries of machinery valued at over \$80 million which is equivalent to the totals of Italy, France, the United Kingdom and Switzerland added together. From West Germany alone Czechoslovakia obtained chemical plant installations in 1969 valued at \$6 million. It is also interesting to note that from France, West Germany, Italy and the United Kingdom she purchased passenger cars valued at \$12.5 million (\$9.0 million in 1969). These together with other consumer goods, including meat from West Germany, fruit and vegetables from Italy, and clothing from both of these countries, were presumably paid for by the Soviet loan of \$20 million granted for this purpose in Autumn 1969. (See paragraph 94.)

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Another sphere where the Czechs have bought widely in the West is computers. It is estimated that they have imported about 125 computers from the West during the 1960s, chiefly from the United Kingdom, the United States, West Germany and France. Exports of machinery, which are an important measure of economic progress, fell by 8.9% in 1967 but rose by 14.7% in 1968. Largest increases were recorded with West Germany, France and the Netherlands. According to Western statistics, in 1969 Czech exports of machinery rose by over 60% to both West Germany and Italy and by nearly 50% to Belgium and Japan. However here again West Germany is by far the largest recipient of such exports, taking as much as France, Italy and the United Kingdom put together. Since 1969, imports of Western automobiles have been sharply curtailed, falling from 19,000 that year to 10,000 last year, and 4,500 planned for 1971. This reflects production and distribution agreements with other Eastern European countries and commitments to import 200,000 Soviet automobiles during 1971-75.

Co-operation Agreements

81. As early as 1965, Czechoslovakia signed scientific and technical co-operation agreements at Government level with Italy, Belgium and France. A technological agreement was concluded with the United Kingdom in 1968, and one with Japan was considered. Early in 1970 an agreement was signed with France on economic co-operation, and fifteen industries were listed as the most likely in which such co-operation could be developed. More recently in June 1970 a long-term agreement on the exchange of goods together with one on economic, scientific and technological co-operation was initialled with West Germany. Denmark also has signed a similar agreement.

82. Czechoslovak industry is especially advanced in several sectors of the engineering and electrical industry, with special emphasis on such items as machine tools, textile machinery and electric power and metallurgical engineering. In recent years there has been a notable expansion of chemical engineering for USSR requirements and of anti-friction bearings to meet production required under CMEA planning. Czech research and development in many sectors has also been on advanced lines. From this position of considerable technological strength, the Czechs have shown an interest in buying Western technology outright in a few selected fields such as electronics, road vehicle and locomotive engineering.

83. Czechoslovakia has been actively pursuing licence deals since 1965 with purchases averaging 60-70 annually and sales in 1969 at about 40. Purchases have principally concerned metallurgy, chemistry, mining, mechanical engineering, industrial consumer goods and electronics fields; sales have been mainly in textile machinery. Czechoslovakia has purchased some licences to use special manufacturing processes which are likely to

influence production methods in their respective industries and in 1968 alone 66 licences were acquired. Some of the most significant ones are referred to briefly below. From the United Kingdom firm of Pilkington Brothers they bought the right to use their float glass process (the first East European country to obtain this right). Early in 1968 they purchased a manufacturing licence and a contract for technical assistance from the Bull-General Electric company of France. This provides for the production in Czechoslovakia, initially from French components of the GAMMA 140/145 computer system (to be called the TESLA-200), including the peripheral equipment. Another agreement is with the French Société des Etudes de Machines Thermiques which provides for the joint research and development of large scale diesel engines. With West Germany, a licence deal was made with Siemens covering the assembly and production of teleprinters. The traffic is not entirely one-way as the Czechs have had a big success with their invention of a spindleless spinning machine and have sold the process first to the Italian Necchi company and later to Japan. They have also sold licences for other industrial processes to France, West Germany, Italy, Japan, the United States and the United Kingdom. In mid-1969 a technical and commercial agreement was signed with Necchi which provided for the exchange of technical information but also made provision for possible co-operation in third countries. With the West German subsidiary of Babcock and Wilcox late in 1969 Slovak boiler makers entered into a seven year agreement to co-operate in the production and marketing of large boiler installations. As long ago as 1965 the Czech organization Chepos made a ten-year agreement on technical co-operation covering certain types of petro-chemical equipment with the Swiss firm of Gattys Technique which is valid throughout the world. Working arrangements exist between Skoda and the Swedish electrical concern of ASEA as well as between Tesla and Ericsson and between The Tos Kurim machine tool works and Saab. Late in 1968 the Czechs are reported to have approached Mitsui on the possibility of technical co-operation in electronics, atomic energy, plastics, synthetic fibres, computers, construction engineering and isotopes.

84. In the field of industrial co-operation agreements with individual Western companies, Czechoslovakia has been cautious, considering her well-developed engineering industries. Only one or two agreements have so far been made which provide for imports of Western technology and know-how to be partly paid for by the products manufactured under licence. This is in contrast to the many agreements made by Hungary and to a lesser extent by Rumania. A variant of this type was the purchase of a licence, as well as machinery and equipment for the production of Renault/Saviem light lorries in the Avia plant near Prague, under a ten-year agreement. This deal was to be wholly or partially paid for by the supply to Renault of machine tools, car accessories and spare parts from the Czech engineering industry.

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85. Other types of economic co-operation with Western firms involve the setting up of joint companies in the Western country with the specific purpose of applying Western marketing techniques to enable Czech commodities to compete more readily in export markets. In November 1968 Strojimport, which deals with the export and import of machine tools, welding machinery, measuring instruments and glassmaking equipment, was given authority to make investments in mixed foreign trade corporations. The share capital is usually fairly evenly divided between the participants, but in one of these companies, Stim-France, set up in 1967, the Czech share of the capital amounted to only 30%. Its principal objective was to market hydraulic pumps in France and by 1969 an offshoot, Stima SA, was set up in Brussels. Similar companies selling machine tools were set up in the Netherlands and the United States; ownership of the latter concern, established in 1968, is 50% United States and 50% Czechoslovak. Another joint company with headquarters in Stockholm specializes in the sale of Czech machine tools and in promoting the export of Swedish industrial products, and a Milan-based joint company will buy mainly Czech electric motors and organize their sale in Italy. On the other hand some Western firms such as Volvo, Fiat and Toyota have also decided to set up spare parts and repair centres for their cars within Czechoslovakia.

Western Credits

86. On the basis of returns made by NATO countries the level of outstanding credit to Czechoslovakia at the end of 1969 was \$261.3 million, putting her fourth among the countries of Eastern Europe, just below Bulgaria but well ahead of East Germany and Hungary. About 80% of the value of credits extended to Czechoslovakia has actually been drawn. Czechoslovakia's relative position is the same when outstanding credits of more than five years, amounting to \$121.3 million, are considered. At the end of 1964 outstanding credit to Czechoslovakia was put at some \$110 million, thus showing that the volume of credit had more than doubled by the end of 1969. Over the same period of time, however, Roumania increased her volume of outstanding credit by more than seven times and Bulgaria by three times. This underlines Czechoslovakia's cautious approach to taking on large-scale foreign credits. It is difficult to see any correlation between the upsurge in her imports from the industrial West in 1968 and the taking on of new credits from her NATO suppliers. The big rise in outstanding credit of over \$130 million was recorded in 1969.

87. From the early months of 1968 there was much discussion, led by Sik, on the desirability of obtaining a gold or hard currency loan amounting to some \$500 million from either the East or the West. Statements were made that if it was not forthcoming from the USSR (and there were several reports that Czech

delegations had included requests for such a loan during negotiations with the Soviet Union) the Czechs would reluctantly turn to the West for such a sum. Stories relating to the loan were featured in the Western Press right up to the Soviet invasion.

The question arises as to why and for what purpose the loan was required. In spite of persistent reports of short-term balance of payments difficulties the loan in question was not relevant to these. There appears to have been some divergence of opinion among the Czech leadership however as to whether to use a loan for the immediate purchases of consumer goods as an incentive to increased labour productivity which could improve or restore the growth rate of Czech industry or to use it for the long-term restructuring of Czech industry. It is clear that the necessity for putting the Czech economy on a scunder footing was one of the main preoccupations of the leaders. Economic planners thought that a loan of some \$500 million would be the sum needed over the space of several years, to enable them restructure Czech industry. This would involve shifting the emphasis from heavy industry geared to its CMEA partners' requirement (above all the Soviet Union) more towards Czech traditional light engineering and consumer goods industries. The quality of these goods is such that they would be likely to find a fairly ready sale in Western markets and thus enable an expansion of trade with the West. Nothing had finally been decided, nor as far as we can ascertain had there been any firm request for a hard currency loan made to any financial institutions in the West prior to the invasion.

Czechoslovakia: Trade Co-operation with Bloc Countries

88. Transactions with bloc countries are conducted bilaterally through clearing accounts expressed in terms of transferable roubles, which are units of account only, and not convertible into other currencies. As outlined above, Czechoslovakia has had a large surplus with all Communist countries over recent years. Part of this was probably offset by freight charges such as port dues and shipping payments to e.g. Poland, which outweigh earnings from rail transit through Czechoslovakia. However the surplus is probably increased by net earnings on tourist account with other countries. A further part of the trade surplus with Communist countries in recent years probably represented credits extended by Czechoslovakia, and the more recent reverse trend may represent repayment of these credits in goods. A noticeable feature of Czechoslovak credit operations since 1960 has been the delivery of Czech machinery for the development of raw materials in other countries by which Czechoslovakia has secured long-term supplies of these materials in repayment.

89. Raw Material Supplies

- (a) USSR. Czechoslovakia extended two large credits to the USSR in 1963 for development of a phosphate mine in Kingisepp as part of a joint investment with Bulgaria, GDR, Poland and Hungary. Repayments are to be in deliveries of phosphate flour. Previously Czech equipment had been supplied for the delivery of equipment to iron mines in the USSR, repayable in deliveries of iron ore concentrate and other metals. Much of this is transported by a specially built railway to Kosice. In the field of fuel and power supplies an agreement was signed in September 1966 on the supply of Czech large diameter pipes and equipment such as turbo compressors for the USSR oil industry, repayable with increased deliveries of oil. In June 1968 a similar agreement was signed with the USSR for the delivery of pipes repayable with deliveries of natural gas which are planned to rise from 1,300 million cu.m in 1970 to 3,000 million cu.m in 1975.
- (b) Eastern Europe. With Eastern Europe also, a large number of schemes provide for the delivery of Czech machinery for the guaranteed supply of raw materials. In 1960 an agreement with the GDR provided for the supply of Czech machinery to improve East German potash mining and processing facilities in return for expanded exports of potash. A Czech-Bulgarian agreement of 1959 with the Medet Combine included delivery of equipment on credit for an open cast copper mine and the expansion of a copper foundry repayable in supplies of electrolytic copper. An agreement of 1961 with Poland on joint development of copper resources was renewed in 1967 and extended in 1970. Czechoslovakia granted credits for development of the Lubin copper deposits with repayments in copper deliveries from 1969, to continue after the credit is repaid. Similar agreements have been made for the development of the Tarnobrzeg sulphur deposits, to be repaid by 100,000 tons of sulphur per annum, and to the Staszic coal mine, repayable in coal deliveries. In Rumania, Czechoslovakia participated in a joint investment project together with Poland and East Germany for equipment for a cellulose plant at Braila, repayable in cellulose produced by the plant. Czechoslovakia has also delivered power plants to Rumania, Bulgaria and Yugoslavia in return for supplies of electricity.

90. Co-operation in Machinery and Equipment Production

Co-operation between Czechoslovakia and Eastern Europe covers a wide variety of agreements on joint production, investment, marketing and research. Although production specialization on a CMEA-wide basis still seems an unrealisable goal, bilateral specialization in limited fields has been more successful. With the GDR such agreements cover almost one quarter of total trade turnover, although implementation is not known. Co-operation in electrical, technological and automation equipment is developing between Tesla of Czechoslovakia and East German Institutes, and co-ordination of steel pipe and ball bearing production has existed since the early 1960s. Within the chemical industry there is division of production of insecticides and pharmaceuticals, and under a 1966 transport agreement the CKD Trakce and Tatra works in Prague is to specialize in tram production, and VVB Schienenfahrzeuge (GDR) is to manufacture refrigerated railway wagons. An agreement of 1967 divided production of certain types of machine tool between the two countries.

With Hungary specialization agreements cover production of medical equipment, paper and textile machinery and joint investments in building industry materials (cement and lime). An agreement between Technoimpex of Hungary and Invest of Czechoslovakia for the building of slashing machines for the modernization of the Czech textile industry, also includes the West German firm of Sucker, who supply blue prints and components for final assembly in Czechoslovakia.

91. A major agreement with Poland involves coproduction of buses and heavy lorries between Skoda and Jelcz, and tractor coproduction between the Zetor works of Brno and the Ursus works in Poland. Tractors are assembled in both countries after exchange of components such as motor transmission and brakes from Czechoslovakia and axles and steering units from Poland. An agreement with Bulgaria provides for one assembly of the Skoda MT4 lorry at the Madara plant in Shumen, which will initially involve the assembly in Bulgaria of components delivered from the Skoda Liberec plant, while Bulgaria will gradually assume production of components and redelivery of the 10 ton lorries. However many other projected plans for co-operation with Bulgaria have been scaled down.

92. Co-operation with Yugoslavia has been facilitated by the establishment in December 1968 of a banking consortium to initiate as well as finance joint ventures, and special co-operation accounts have been opened in free currency. Projects financed by the consortium include an agreement of November 1969 between Rade Koncar of Zagreb and CKD Czechs for the joint production of welding equipment, and an agreement on development and marketing of ball bearings. Other specialization

agreements cover joint production of cathode and electronic tubes (Nis and Tesla), automative components, machine tools and measuring instruments. Provision was made in the agreement on Yugoslav building services in Czechoslovakia for some payments in hard currency, and this principle may be extended.

93. As yet there has been little participation by the USSR in production specialization with any East European country. Much co-operation has taken the form of reciprocal supplies of plant and equipment such as Czech deliveries of rolling equipment for metallurgical works, and the agreements for the supply by the USSR of nuclear power stations. Joint research between institutes has produced some results such as the spindleless spinning machinery for the textile industry.

94. The series of agreements signed since late 1968 provide some indication of the likely future of Czech-Soviet economic relations. In December 1968 Baibakov signed an agreement in Prague for Soviet orders of engineering goods totalling 12,000 million kcs. for the period 1971-75. Orders were placed with Czech engineering firms Skoda, CKD for industrial equipment and transport goods. In return the USSR agreed on increased supplies of raw materials. In July 1969 agreement was reached on the reciprocal supply of machinery equipment amounting to 3,000 million roubles 1971-75 covering deliveries of machine tools, Czech import of cars and aircraft, direct contacts between research centres and the construction in the USSR of production facilities for chemical, oil, food and textile industries. In October 1969 and April 1970 further agreements were signed on the supply of atomic power plants, Soviet supply of equipment for prefabricated building factories, and aid in the construction of the Prague underground. In addition in October 1969 the USSR granted a loan to Czechoslovakia in hard currency of \$20 million for the purchase of consumer goods in the West. These agreements suggest that the Czech need for a restructuring of industry to produce more light industrial goods will not be immediately possible. The USSR demand for heavy machinery and equipment continues, and under the terms of the 1971-75 plan, trade in machinery and equipment is to grow at a faster rate than total trade. The USSR is also likely to emphasize that increased machinery import from Czechoslovakia must be balanced by increased exports of these goods to Czechoslovakia. Raw material exports from the USSR - especially oil and natural gas - will increase as recent agreements come into operation.

STATISTICAL TABLES

(Extracted from the 1969 Handbook)

TABLE I

Population on 31st December, 1967 by age and sex

<u>Age Group</u>	<u>CSSR</u>	<u>CSR</u>	<u>SSR</u>
0-14	3,456,127	2,173,155	1,282,972
Men 15-59	4,256,301	2,964,770	1,291,531
Women 15-54	3,857,186	2,673,178	1,184,008
Men of 60 and over	970,067	708,531	261,536
Women of 55 and over	<u>1,793,495</u>	<u>1,346,372</u>	<u>447,123</u>
Total	<u>14,333,176</u>	<u>9,866,006</u>	<u>4,467,170</u>

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TABLE II

Constituents of National Income (percentages)

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Industry	64.9	63.8	61.1	61.0
Building	9.3	9.6	11.5	11.3
Agriculture	11.9	12.7	11.8	10.5
Forestry	1.4	1.3	1.1	1.1
Transport	2.7	2.4	4.0	4.0
Telecommunications	0.5	0.5	0.4	0.4
Technical Material Supply	0.2	0.7	1.1	1.2
Commerce and Catering	7.5	7.3	7.6	8.9
Purchases	0.7	0.7	0.5	0.5
Others	0.9	1.0	0.9	1.1

TABLE III

Main Categories of Investment

(1965 and 1966 in 1964 prices; 1967 and 1968 in 1967 prices)

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Industry	18,461	20,395	27,999	27,527
Building	1,251	1,475	2,341	2,936
Agriculture and Fishing	2,960	3,133	3,845	5,568
Transport	4,801	4,918	10,263	12,352
Material Technical. Supply	375	309	580	560
Trade and Catering	695	873	1,375	2,161
Purchases	339	622	1,594	1,162
Other production	47	37	63	51
R&D	528	607	936	1,192
Services	755	1,002	1,615	2,034
Housing	2,237	1,928	3,052	3,391
Health	499	552	1,008	1,120
Schools, Culture, etc.	1,544	1,930	2,702	2,666
Administration	641	697	1,092	1,380

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TABLE IV

Agricultural Production (in thousands of crowns)

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Total	53,013,418	58,871,679	62,126,921	65,586,874
Arable:	23,318,764	28,297,784	29,785,998	31,682,367
Cereals	8,726,006	9,643,395	10,704,638	11,934,947
Industrial Crops	2,425,909	3,056,349	3,210,266	3,227,340
Fodder and Roots	5,570,253	6,114,836	5,808,447	6,053,068
Potatoes	2,390,739	3,800,126	3,924,281	4,242,209
Vegetables	1,523,310	1,782,334	1,820,579	1,856,530
Fruit and Vines	1,032,028	2,218,096	1,971,373	2,332,951
Hops	395,725	509,245	401,885	462,880
Animal:	29,694,654	30,573,895	32,340,923	33,904,507
Slaughter cattle	13,614,836	13,191,245	13,816,836	14,980,328
Horned cattle	4,835,789	5,092,036	5,509,280	6,027,896
Pigs	8,325,156	7,700,676	7,810,044	8,311,428
Milk	9,134,000	9,705,831	10,091,792	10,601,246
Eggs	3,163,311	3,245,491	3,395,274	3,463,331

Gross Agricultural Production per worker (in crowns)

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Total	42,007	46,835	50,633	54,165
Arable	18,477	22,512	24,275	26,165
Animal	23,530	24,323	26,358	28,000

Gross Agricultural Production per Hectare (in crowns)

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Total	7,452	8,297	8,771	9,275
Arable	3,278	3,938	4,205	4,430
Animal	4,174	4,309	4,566	4,795

TABLE V

Hectare Yield of Main Crops (Quintals)

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Wheat	24.2	25.3	27.1	31.6
Rye	19.8	20.0	21.6	22.8
Barley	21.4	23.4	27.3	29.8
Oats and Oats plus Barley	17.2	19.2	22.3	21.4
Maize for Grain	27.9	32.7	30.3	33.8
Pulses	13.4	11.0	14.5	8.8
Potatoes	84.6	134.0	148.3	175.6
Fodder on Arable Land	46.6	50.8	45.6	47.2
Root Crops for Fodder	282.2	417.6	449.1	513.8
Hay	32.4	31.4	32.0	30.8
Poppy-seed	4.4	5.0	5.7	5.8
Rapeseed/Turnip	14.6	16.3	17.3	14.1
Flax (dry weight)	31.4	31.0	33.8	31.5
Sugar-beet	261.0	341.0	376.1	417.9

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TABLE VI

Number of Agricultural Animals (thousands)

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Horses	188	177	166	156
Cattle	4,389	4,462	4,437	4,249
of which cows	1,948	1,952	1,929	1,903
Pigs	5,544	5,305	5,601	5,136
Sheep	614	670	770	906
Poultry	27,752	29,466	31,208	32,544
of which hens	21,465	21,307	21,411	20,757

TABLE VII

Consumption of Industrial Fertilizers

	<u>1964-65</u>	<u>1965-66</u>	<u>1966-67</u>	<u>1967-68</u>
<u>Tons Applied</u>				
Total	820,496	895,626	927,804	944,755
of which:				
Nitrogen	227,983	246,404	277,998	286,064
Phosphates	253,432	254,519	255,583	248,460
Potash	339,081	394,703	394,223	410,231
<u>In pure Nutrients</u> <u>per Hectare</u>				
Total	115.2	126.1	130.9	133.4
of which:				
Nitrogen	32.0	34.7	39.2	40.4
Phosphates	35.6	35.8	36.1	35.1
Potash	47.6	55.6	55.6	57.9

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TABLE VIII

Machines in Agriculture

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Wheeled Tractors	138,536	145,506	151,274	159,127
Track Tractors	40,950	40,411	43,916	45,608
Tractor Ploughs	55,896	50,127	53,843	56,634
Weeders	18,839	16,593	18,392	18,064
Grain Sowers	49,845	41,932	42,829	41,620
Cutters	34,911	31,943	32,720	33,177
Reapers	11,858	12,266	13,015	13,585
Combines	11,840	12,778	13,930	14,395
Flails	26,500	26,209	26,616	27,997
Flax Combines	185	155	288	487
Sugar Lifters	3,077	2,997	2,980	3,380
Thrashers	20,314	14,898	14,138	13,341
of which automatic	13,769	10,154	9,611	8,968

TABLE IX

Structure of Industry 1968 (in millions of crowns comparable prices)

	<u>CSSR</u>	<u>CSR</u>	<u>SSR</u>	<u>% CSSR</u>
Total industry	353,516	271,861	81,655	100
of which:				
A. Producer goods	221,349	171,744	49,605	62.6
B. Consumer goods	132,167	100,117	32,050	37.4
of which:				
fuel, coal, oil	28,836	24,550	4,286	8.2
electricity	9,386	6,883	2,503	2.7
ferrous metals	38,382	32,226	6,156	10.8
non-ferrous metals	9,352	5,677	3,675	2.7
chemicals, rubber	23,569	16,285	7,284	6.7
machine and metal-working	97,423	76,921	20,502	27.4
building materials	12,121	7,833	4,288	3.4
woodworking	11,497	7,888	3,609	3.3
paper	6,035	4,433	1,602	1.7
glass, ceramics	4,437	4,019	418	1.3
textiles	18,988	16,088	2,900	5.4
ready-made clothing	6,755	4,571	2,184	1.9
leather, furs	8,950	6,428	2,522	2.5
printing	2,226	1,799	427	0.6
food	61,201	45,755	15,446	17.3
others	14,358	10,505	3,853	4.1

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TABLE X

Building Production

(1965 and 66 in 1964 prices; 1967 and 68 in 1967 prices. In millions of crowns)

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
CSSR	34,070	37,011	54,245	59,066
CSR	22,867	24,810	36,586	40,034
SSR	11,203	12,201	17,659	19,032

TABLE XI

Number of Flats in 1968

Total built:	94,171	
of which:		
New buildings	86,571	
Reconstructed	4,893	
Others	2,707	
		Balance: 71,171
Total decrease:	23,000	
of which:		
Demolition	14,877	
Reconstructed	3,201	
Others	4,922	

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TABLE XII

Retail Trade Turnover in the Socialist Sector (percentage increases)

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
<u>CSSR</u>				
Total	5.5	5.2	5.2	13.0
of which:				
Foodstuffs	4.9	2.7	4.2	6.8
Industrial goods	6.3	8.5	6.4	20.4
<u>CSR</u>				
Total	5.1	4.6	4.5	12.4
of which:				
Foodstuffs	4.7	2.1	2.9	6.2
Industrial goods	5.7	7.9	6.6	20.4
<u>SSR</u>				
Total	6.8	6.9	7.1	14.7
of which:				
Foodstuffs	5.9	4.5	8.1	8.6
Industrial goods	7.7	9.7	5.9	21.4

TABLE XIII

Incomes and Expenses of the State Budget (in million crowns)

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
<u>Income</u>				
Income from national economy	101,765	135,080	124,135	127,473
Taxes	14,692	15,696	17,263	20,138
Others	<u>4,990</u>	<u>5,614</u>	<u>5,018</u>	<u>6,295</u>
	<u>121,447</u>	<u>156,390</u>	<u>146,416</u>	<u>153,906</u>
<u>Expenses</u>				
Economy	59,832	89,771	70,721	68,413
Cultural and Social Services	48,774	51,434	60,970	66,068
Defence and Security	10,125	10,841	12,385	13,189
Administration	<u>2,716</u>	<u>2,749</u>	<u>3,117</u>	<u>3,723</u>
	<u>121,447</u>	<u>154,795</u>	<u>147,193</u>	<u>151,393</u>

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TABLE XIV

Investments in National Economy (in millions of crowns)

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
CSSR	42,821	47,004	70,446	77,783
CSR	28,657	31,480	47,413	52,426
SSR	14,164	15,524	23,033	25,357

(1965 and 1966 in 1964 prices; 1967 and 1968 in 1967 prices)

Expenses from State Budget for Investment Construction
(in millions of crowns)

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
	29,972	27,910	26,404	27,250

Investment Credits and Loans granted by State Bank (in millions of crowns)

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Total	13,155	13,253	25,528	41,543
of which:				
State Organizations	807	847	13,413	29,299
Co-operatives	12,348	12,406	12,115	12,244

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TABLE XV

Savings Deposits (in millions of crowns)

	<u>CSSR</u>	<u>CSR</u>	<u>SSR</u>
<u>1966</u>	3,928	2,702	1,226
	+43%	+44%	+40%
<u>1967</u>	5,620	3,901	1,719
	-31%	-41%	-10%
<u>1968</u>	3,861	2,316	1,545

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TABLE XVI

CZECHOSLOVAKIA: FOREIGN TRADE

Source 1969 C3 F T Handbook

M\$

	1964	1965	1966	1967	1968	1969*
Total	5,004.5	5,360.7	5,480.9	5,544.1	6,082.2	6,613.5
Trade	2,428.9	2,672.5	2,735.9	2,680.0	3,077.0	3,294.1
Import	2,575.7	2,688.2	2,745.0	2,864.1	3,005.2	3,319.4
Export	+146.8	+15.7	+9.1	+124.1	-71.8	+25.3
Balance	3,664.4	3,926.5	3,851.3	3,980.2	4,349.8	4,666.5
Socialist Countries	1,762.9	1,961.1	1,923.1	1,929.1	2,219.0	2,373.4
Import	1,901.5	1,965.4	1,928.2	2,051.1	2,130.8	2,293.1
Export	+138.6	+4.5	+5.1	+122.0	-88.2	-80.3
Balance	1,824.5	1,977.5	1,835.0	1,942.4	2,044.0	2,229.5
of which USSR	912.8	954.7	914.6	965.3	1,036.1	1,105.1
Import	961.7	1,022.8	920.4	977.1	1,007.9	1,124.4
Export	+48.9	+68.1	+5.8	+11.8	-28.2	+19.3
Balance	1,341.0	1,434.2	1,629.6	1,563.9	1,732.4	1,946.0
Non-Socialist Countries	666.8	711.4	812.8	750.9	858.0	920.7
Import	674.2	722.8	816.8	813.0	874.4	1,026.3
Export	+7.4	+11.4	+4.0	+62.1	+16.4	+1,056
Balance	886.5	954.2	1,085.7	1,086.1	1,221.5	1,221.0
Trade	465.0	498.0	577.4	541.8	651.2	600.4
Import	421.5	456.2	508.3	544.3	570.3	620.6
Export	-43.5	-41.8	-69.1	+2.5	-80.9	+20.2
Balance	454.5	480.0	543.9	477.8	510.9	725.0
Developing Countries	201.8	213.4	235.4	209.1	206.8	320.3
Import	252.7	266.6	308.5	268.7	304.1	405.7
Export	+50.9	+53.2	+73.1	+59.6	+97.3	+85.4

* Preliminary figures source Statistické Prehledy 1969 No. 11/12 and 1970 No. 1, (only listing 15 developed West - 1969; 21 developed West - 64-8.

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TABLE XVII

PERCENTAGE DISTRIBUTION

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
Socialist countries	73.2	73.2	70.3	71.8	71.5	70.6
USSR	36.5	36.9	33.5	35.0	33.6	33.7
Non-Socialist countries	26.8	26.8	29.7	28.2	28.5	29.4
Developed West	17.7	17.8	19.8	19.6	20.1	18.4
Developing countries	9.1	9.0	9.9	8.6	8.4	11.0

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TABLE XVIII
COMMODITY COMPOSITION (SITC CLASSIFICATION)

	1966	Imports 1967	1968	1968 % from Socialist Countries	1966	Exports 1967	1968	1968 % to Socialist Countries
1. Food and live animals	15.1	15.3	14.0	(66)	3.5	3.9	4.0	(22)
2. Beverages and tobacco	1.7	2.0	2.7	(83)	0.5	0.5	0.5	(100)
3. Crude materials	18.4	18.0	16.5	(58)	6.7	6.0	5.8	(54)
4. Mineral fuels	7.6	8.9	9.0	(100)	4.2	4.0	4.0	(66)
5. Animal and vegetable oils	0.8	0.7	0.6	(100)	0.1	0.1	0.1	-
6. Chemicals	5.8	6.2	6.2	(43)	4.5	4.9	5.0	(64)
7. Manufactured goods	13.8	13.4	13.5	(73)	18.8	18.5	18.2	(56)
8. Machinery and transport equipment	32.2	30.6	31.6	(77)	49.5	48.3	49.0	(82)
9. Miscellaneous manufactures	4.6	4.4	5.4	(75)	12.1	13.3	12.9	(75)
10. Other	-	0.5	0.5	-	0.1	0.5	0.5	-

TABLE XIX

COMMODITY COMPOSITION: percentage share

	<u>1967</u>	<u>1968</u>	<u>1969</u>
<u>Imports</u>			
Machinery and equipment	30.6	31.3	31.9
Fuels and raw materials	47.5	45.9	44.6
Foodstuffs and materials for food industry	16.4	15.8	15.2
Industrial consumer goods	5.5	7.0	8.3
<u>Exports</u>			
Machinery and equipment	48.6	49.3	50.9
Fuels and raw materials	28.6	27.9	28.6
Foodstuffs	4.5	4.7	4.6
Industrial consumer goods	18.3	18.1	15.9

Source

Czech F Trade Handbook 1969
Czech F Trade June 1970

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TABLE XX

CZECHOSLOVAKIA TRADE WITH THE WEST
(million US dollars converted at 7.2 Kes. per US dollar)

	1965		1966		1967		1968		1969	
	Export	Import								
<u>NATO countries</u>										
Belgium	14.6	13.1	16.3	15.6	17.1	15.3	17.4	22.6	22.6	20.8
Denmark	12.4	10.1	14.4	11.0	15.0	9.0	15.2	10.7	16.7	13.3
France	26.5	22.1	28.6	35.7	32.2	46.8	37.2	44.0	41.9	48.5
West Germany	92.2	87.9	94.2	81.1	102.6	82.6	119.6	101.4	181.8	147.2
Greece	9.0	8.3	11.8	10.0	11.4	11.1	11.1	11.1	NA	NA
Iceland	2.2	2.5	1.9	1.5	1.5	1.1	1.4	0.7	NA	NA
Italy	33.5	40.4	41.9	58.1	55.6	47.9	60.8	50.7	65.7	61.5
Netherlands	31.1	25.0	35.1	34.2	29.3	30.7	32.2	70.3	36.7	52.2
Norway	11.0	10.6	10.1	8.3	11.0	8.2	9.2	7.8	11.4	8.2
Portugal	-	-	-	-	-	-	-	-	-	-
Turkey	8.8	11.5	11.9	9.9	13.1	10.8	10.1	13.1	11.3	13.8
United Kingdom	60.3	73.3	67.4	96.0	66.7	72.2	70.4	79.9	77.4	78.3
Canada	15.1	43.3	22.8	8.6	24.6	16.1	22.9	15.6	26.0	5.0
United States	20.4	19.3	28.1	42.6	27.2	18.5	22.6	16.4	17.9	18.5
Total	337.1	367.4	384.5	412.6	407.3	370.3	430.1	444.3	509.4	467.3
<u>Other countries</u>										
Austria	42.5	48.5	39.2	61.9	46.3	52.9	53.3	70.1	71.9	88.1
Finland	9.3	8.3	9.6	11.1	11.0	8.3	8.1	9.9	9.7	9.4
Sweden	18.1	18.8	18.2	23.2	19.0	22.6	19.3	20.7	24.4	20.4
Switzerland	38.6	33.3	46.9	41.9	49.2	58.3	44.6	89.9	NA	NA
Japan	4.7	7.9	6.4	7.5	8.2	10.7	7.4	4.6	8.7	12.6
Total Western countries	450.3	484.2	504.8	558.2	541.0	523.1	562.8	639.5	624.1	597.8

Source: Czech Foreign Trade.

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TABLE XXI

CZECHOSLOVAKIA: Trade with West in Machinery and Equipment
(SITC Code 7) M\$

	<u>1967</u>		<u>1968</u>		<u>1969</u>	
	<u>Export</u>	<u>Import</u>	<u>Export</u>	<u>Import</u>	<u>Export</u>	<u>Import</u>
<u>NATO countries</u>						
Belgium	3.1	3.8	3.1	7.7	4.9	7.5
Denmark	2.8	2.0	4.1	3.6	NA	NA
France	6.6	23.5	8.4	19.3	10.2	27.2
West Germany	8.3	31.7	12.4	48.0	22.2	61.6
Italy	5.4	17.3	5.0	19.5	7.0	24.2
Netherlands	4.0	4.2	6.4	43.7	5.8	17.6
Norway	2.7	-	1.8	-	NA	NA
United Kingdom	10.0	16.3	8.2	23.2	7.8	22.2
Canada	3.0	-	2.3	-	NA	NA
United States	9.2	3.3	4.6	5.1	3.7	4.0
<u>Non-NATO</u>						
Austria	4.5	18.8	3.6	26.0	5.3	39.3
Finland	2.0	-	1.2	2.0	NA	NA
Sweden	2.0	11.1	1.9	8.0	3.0	8.9
Switzerland	1.4	10.4	1.8	12.8	NA	NA
Japan	2.4	8.4	2.8	1.7	4.5	9.1
<u>Total</u>	<u>67.4</u>	<u>150.8</u>	<u>67.6</u>	<u>220.6</u>	<u>(74.4)</u>	<u>(221.6)</u>

Source: Czech Foreign Trade.

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TABLE XXII

SELECTED CZECHOSLOVAK ECONOMIC DATA, 1966-1971
(Percentage Growth-Rates)

	1966 Result	1967 Result	1968 Result	1969 Result	1970 Result	1971 Plan
Net Material Product	10.2%	5.2%	7.5%	6.5%	5%	5.2%
Investment	9.8%	2.7%	10.4%	10.3%	6.1%	-
Industrial Output	7.5%	7.1%	5.2%	5.2%	7.7%	5.9%
(Producer goods)	(8.3%)	(7.5%)	(5.4%)	(6.1%)	7.5%	-
(Consumer goods)	(5.9%)	(6.4%)	(5.7%)	(3.8%)	8%	-
Labour Productivity (Industry)	4.7%	5.9%	4.2%	4.6%	7.9%	5.7%
Agricultural Output	11.1%	5.5%	5.6%	0.9%	1.3%	3.0%
Real Wages	2.0%	3.9%	7.0%	3.6%	1%	-
Money Wages	2.5%	5.5%	8.2%	7.3%	4%	-
Cost of Living	0.5%	1.4%	1.2%	3.6%	0.4%	-
Retail Trade	5.2%	5.2%	13.0%	11.9%(1)	2.2%	-

(1) At current prices

Sources: Rude Pravo, 29th January, 1971, for 1970 data; otherwise Economic Survey of Europe in 1969, Part II, ECE.