The Changing Patterns of Czech Foreign Trade*

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Abstract

This paper deals with macroeconomic indicators and trends in the Czech foreign trade in the transformation period and focuses on impediments to exports on both the demand and the supply side. On the basis of empirical research, it generalises typical enterprise efforts to tackle impediments to exports. Attention is paid also to governmental policies in the field of export promotion.

Abstrakt

Příspěvek pojednává o makroekonomických ukazatelích a trendech v českém zahraničním obchodě v průběhu transformačního procesu a zaměřuje se především na překážky vývozu, a to jak na straně poptávky, tak na straně nabídky. Na základě empirického výzkumu zobecňuje typické snahy podniků vypořádat se s překážkami vývozu. Pozornost je věnována též vládní politice v oblasti podpory exportu.

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1. Macroeconomic Indicators and Trends in Czech Foreign Trade

1.1. Trade Pattern in the Pre-Reform Period

In the pre-reform period, Czechoslovakia's foreign trade was dominated by its relations with the Council for Mutual Economic Assistance (CMEA). This relationship had two impacts of importance for the economy. One was that many of the decisions made regarding the volume and pattern of trade were based on political rather than economic factors. The other was that intra-CMEA trade was planned, and thus few of the competitive pressures commonly associated with foreign trade were present in Czechoslovakia's trade with the CMEA.

Price distortions of certain goods in CMEA trade (underpricing of Soviet oil, overpricing of Czechoslovak machinery) skewed the picture of trade patterns presented by official statistics. The qualitative and quantitative difference between planned or administered trade and market-driven trade resulted in the fact that trade was a minor source of competition to domestic producers and stimulus to domestic exporters to improve their products to meet emerging trends on world markets.

According to export-sales ratios and degrees of import penetration, four types of industry can be distinguished:

- Domestic industries that were relatively closed to imports and exported only a small fraction of their production: food industries, wood and paper, metal products, industrial chemicals, rubber and leather. In the market economies, some of these industries also serve primarily domestic consumption, for example food, but the low exposure to international trade was very specific to Czechoslovakia in such branches as chemicals, electrical engineering, etc., and reflected the deficiencies of the international division of labour in the CMEA area;

- Export-oriented industries: clothing, footwear, furniture, transport equipment, glass and ceramics;

- Industries with a high level of exports and a high degree of import penetration: equipment for various industries (textiles, printing and food industries mainly), mechanical engineering and speciality chemicals. In these sectors, degrees of internationalisation were similar to those in western Europe, but they reflected the special interdependence between member countries of the CMEA that was based on specialisation and trade in finished products, not on intra-industry trade. Moreover, imports from the West were often used to provide technology or components required to sustain exports to the CMEA;

• Petroleum products whose position reflected Czechoslovakia's advantage in re-exporting the oil imported from the USSR in the form of processed products.

In trade with the then-CMEA countries, Czechoslovakia displayed a trade pattern similar to that of developed countries, exporting primarily machinery and transport equipment and other manufactured goods and importing fuels and raw materials. In trade (exports as well as imports) with market economies, the share of machinery and transport equipment was much lower. On the other hand, food, raw materials, semi-manufactured goods and chemicals had much higher shares in Czech (Czechoslovak) exports. Thus, vis-à-vis the West, Czechoslovakia's trade pattern appeared considerably more diversified across commodities, and the dominance of Standard International Trade Classification (SITC) category 7 on the export side so evident in CMEA trade was absent in trade with the West.

1.2. Trade Reorientation in 1989–94

In the course of the past five years, the foreign trade of the Czech Republic has undergone fundamental changes in its geographical as well as commodity structure. As compared with 1989, when 50% of trade turnover was represented by trade with the countries of the then-CMEA and 37% by trade with developing countries, the share of trade turnover with developed market economies amounted to 62% in 1994, and with European countries with transitional economies, including the Slovakia and countries of the former USSR, to 30.2%. For details, see the Appendix.

In the last two years, Czech foreign trade has displayed paradoxical development: while in 1993, under the conditions of the last traces of recession and related falls in exports and trade deficits registered in a number of developed countries, the Czech Republic experienced a marked growth of exports (but a dramatic decline of exports to Slovakia), and achieved a surplus in its trade balance, in 1994, under the conditions of the beginning boom and recovery of world trade, the growth rates of Czech exports declined, its geographical structure became imbalanced and the trade balance closed with a deficit.

Based on the preliminary data of the Czech Statistical Office, an overall growth of foreign trade of 9.9% brought the trade turnover in 1994 to CZK 835.4 billion;

imports increased by 13.1% to CZK 423.9 billion and exports by 6.9% to CZK 411.5 billion. Thus, the balance of trade closed with a deficit of CZK 12.5 billion (as compared with a surplus of CZK 10.1 billion in 1993).

The lower dynamics of exports in 1994 were due to several factors. Besides the exchange rate effects related with the phasing-out of the devaluation effect and with the ongoing real valuation of the currency, a major factor was the continued deterioration of trade relations with Slovakia—exports to Slovakia dropped by nearly 19%, in the decline of exports to China by two-thirds (following their high increase in 1993) and in a decline in exports to the developing countries by 6.2%.

The development of mutual trade between the Czech Republic and Slovakia in 1993 (the balance of trade closed with a surplus of CZK 17.1 billion in favour of the Czech Republic) and in the first months of 1994 resulted in the course of 1994 in the adoption of a number of one-sided protectionist measures by Slovakia—a 5% devaluation of the Slovak crown against the clearing ECU, a 10% import surcharge, mandatory import certificates, etc. All these measures represented serious barriers for Czech exports to Slovakia.

Exports to Slovakia dropped in 1994 by CZK 15.6 billion to CZK 67 billion (representing 81.1% of the value of exports in 1993), while imports from Slovakia declined only by CZK 5.4 billion to CZK 60.2 billion (i.e. 91.8% of the value of imports in 1993). It is estimated that, in the time span of two years, mutual trade declined by approximately 25%, i.e. by CZK 43 billion. In 1994, declining exports were registered in all major commodity groups (foodstuffs, mineral fuels, semi-finished products, manufactured products and machinery). In the structure of imports, the share of foodstuffs, raw materials, chemicals and consumer goods increased, while mainly that of machinery decreased. In spite of the above problems, Slovakia continued to be, after Germany, the second-biggest trading partner of the Czech Republic.

Between 1991 and 1994, trade with other countries continued to grow. Trade relations with developed market economies intensified. Despite a certain improvement in the preceding year, trade relations with the countries of Central and Eastern Europe cannot be considered satisfactory. In the long term, these countries should become an important segment of foreign trade of the Czech Republic.

The share of trade with developed market economy countries in total foreign trade turnover increased again in 1994, by 4.6 percent to 62.3% (their share in exports increased by 5.3 percent to 60%, and that in imports by 3.9 percent to 64.5%). The deficit of CZK 26.6 billion increased by CZK 8.1 billion. European Union member countries accounted for 45% of in total trade turnover an increase of 2.8 percent. However, as compared with 1993, when the balance of trade with these countries registered a surplus of CZK 2.8 billion, in 1994 the balance shifted into a deficit of CZK 2.0 billion. The balance of trade with the European Free Trade Association (EFTA) countries and other developed countries closed with a deficit, too.

Trade with European countries with transitional economies registered an increase of trade turnover by almost 31% (especially in trade with Poland), of which exports increased by 38.5%[1] and imports by 19.4%, with a resulting surplus in the trade balance of CZK 16.3 billion. There were two distinct trends in trade between the Czech Republic and the Central European Free Trade Association (CEFTA) countries—a decline in trade with Slovakia and an increase in trade with the other member countries, Poland and Hungary. The share of this trade represented, in 1994, 20.4% of total trade turnover (as compared with 23.9% in 1993)—22.7% of total Czech exports and 18.2% of total Czech imports. This trade segment was characterised by a considerable surplus of the trade balance in favour of the Czech Republic (CZK 20.1 billion in 1993 and CZK 16.3 billion in 1994), in spite of the decline of the trade surplus with Slovakia of CZK 10 billion.

On the other hand, the resulting trade deficit with the countries of the former USSR, amounting to CZK 17 billion, was by a mere CZK 0.5 billion below that in 1993; exports slightly increased and imports stagnated. Practically the entire deficit of the balance of payments with the countries of the former USSR originated in trade with Russia, due to the difference between huge imports of energy raw materials, mainly crude oil, and low exports, which registered another decline in 1994 (by approximately 7%). In the case of certain countries of the former USSR, e.g. Belarus, Kazakhstan and Lithuania, trade relations are being gradually restored, despite the lack of transparency in their markets, payment problems, etc.

As compared with 1993, total trade between the Czech Republic and developing countries increased by 4.5%; the share of exports to these countries dropped by 1.2 percent (to 7.4%), while the share of imports slightly increased (by 0.5 percent). The resulting trade balance remained favourable at CZK 7.7 billion, a decrease by almost one-half as compared with 1993. The trends registered in trade with developing countries are not satisfactory and point to a need for intensified commercial activity in these markets.

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[1] After a decline in the preceding years, the volume of exports thus reached the level of 1991.

Trade with countries having a state trading system, which registered a marked growth in 1993 thanks to an extraordinary increase in trade with China, declined again in 1994 to 57%. Exports declined even more—to 36.4% of the volume achieved in 1993. With an increase of imports of more than one-half, the previous surplus of almost CZK 6 billion was nearly eliminated.

As compared with 1991 and 1992, the commodity structure of Czech foreign trade experienced considerable changes due to the newly incorporated trade with Slovakia. These changes affected all SITC commodity groups, although on a different scale. In 1991 machinery and transport equipment were dominant in exports; the subsequent year saw the dominance of manufactured goods classified chiefly by materials. An increasing trend was also shown by industrial products and raw materials; on the other hand, the share of food products tended to decline.

Dominant in the commodity structure of imports throughout the entire period under review were imports of engineering products with a share exceeding one-third; in 1994, their share slightly decreased. The shares of manufactured products classified by materials and miscellaneous production increased; the share of chemicals tended to grow as well. On the other hand, imports of raw materials and fuel registered a declining trend.

Exports of machinery and transport equipment increased in 1994 by a mere 1%, amounted to CZK 107 billion; their share in total exports fell by 1.5 percent (to 26.1%). A dominant share was recorded by exports of transport equipment, which amounted to CZK 42.8 billion (passenger cars CZK 17.3 billion, trucks and specialised vehicles CZK 7.2 billion, railway carriages CZK 3.9 billion, airplanes and related equipment CZK 4.4 billion). Exports of power-generating machines and equipment, construction machines, agricultural machines, metalworking machinery and machines for specific industrial sectors (textile, food processing, printing machines, etc.) amounted to CZK 31.0 billion. One-half of engineering exports, amounting to CZK 54.5 billion, were oriented to countries with developed market economies (of which nearly CZK 45 billion went to the EU and CZK 5.5 billion to the EFTA countries), exports amounting to CZK 14 billion were oriented to the developing countries, somewhat less than CZK 10 billion to countries of the former USSR, and CZK 8.4 billion to European countries with transitional economies.

Imports of engineering products increased by 9% (and amounted to CZK 147.8 billion). While their share in total imports declined by 1.7 percent to 34.9%, they continued to represent the biggest import commodity group. As compared with 1993, the partial deficit in this group increased by some CZK 11 billion to CZK

40.6 billion. More than 40% of imports in this commodity group were represented by production machinery and equipment, and nearly one fourth by office and automatic data-processing machines, telecommunications equipment and audio equipment. Imports of passenger cars amounted to CZK 11.7 billion. More than 80% of engineering products were imported from countries with developed market economies. Of great importance for the future of the Czech economy are imports of modern machinery and technological equipment, especially for industry, whose export performance will be of crucial significance.

In the category of food products, the previous surplus shifted to a deficit of CZK 8.3 billion (a decrease of CZK 9.8 billion). The shift was caused by a decline in exports of more than 15% (i.e. by CZK 3.8 billion, of which exports to Slovakia by CZK 2.2 billion), with the simultaneous increase of imports by nearly 26% (i.e by CZK 6 billion). Imports of live animals, meat and meat products doubled, imports of fish, fruit and vegetables increased by one third, imports of coffee by more than two thirds (in the latter case, reflected in the growth is price increase of 40%). The category of chemicals and related products registered a deficit of CZK 15.1 billion (by two thirds more than in 1993); the growth rate of imports (by 23%) was twice as much as that of exports (11%). The category of manufactured goods classified chiefly by materials increased its share in exports (to 30.5%) as well as imports (to 16.4%) and, despite the fact that the growth rate of imports exceeded that of exports, registered a surplus of CZK 55.9 billion.

The lead of the growth rate of exports over that of imports of industrial products resulted in an increase of the share of this commodity group in both total exports and imports. As compared with 1993, the partial surplus increased by CZK 2.7 billion to some CZK 8 billion. Similar trends, i.e. higher growth rates of exports, were registered in raw materials, with the resultant increase of the partial surplus of this group of CZK 3.5 billion to CZK 8 billion. Exports of mineral fuels declined, and with the slight increase of imports, the resulting deficit increased by CZK 2 billion (to CZK 19.6 billion). In 1994, 6.5 million tons of crude oil (the same quantity as in 1991, but 0.9 billion tons more than in 1993) and 7.4 billion m^3 of natural gas (0.6 billion m^3 more than in 1991 and 0.4 billion m^3 more than in 1993) were imported.

In the type of use[2] breakdown of the commodity structure of foreign trade, the share of imports for private consumption increased by 2.3 percent to 26%, at the

[2] Instead of the highest level of SITC classification of imported goods, a more detailed classification was used which enables us to achieve more accurate results.

expense of the share of investment goods (which declined by 0.6 percent to 31%) and that of products for manufacturing (a decline of 1.7 percent to 43%). The same classification of exports pointed to only minor structural changes: the share of products for private consumption increased by 0.3 percent to 26.3%, investment goods declined by 0.3 percent to 23.5% and products for manufacturing stagnated at 50.2%.

Germany continued to be the most important trading partner. Thanks to the higher growth of exports (by as much as one fifth), its share in total Czech exports rose from 26% to 29.3%, while its share in total imports (25.4%) remained unchanged. The surplus of the trade balance increased to CZK 13.1 billion (from CZK 4.8 billion in 1993). The commodity structure of Czech exports to Germany was characterised in 1994 by an increase in the share of manufactured goods and by a decline in the share of exports of raw materials and foodstuffs.

The group of manufactured goods classified by materials represented the dominant commodity group, the exports of which registered an increase of one third and had a 37% share in total exports, of which one fourth was represented by exports of iron and steel products at varying degrees of processing and another one-fourth by glass products, cement and building materials. The share of machinery and transport equipment in total exports increased by 1.7 percent to 22.5%; exports in this group include machinery and equipment worth CZK 11.8 billion, passenger cars worth CZK 2.7 billion, and electrical equipment, apparatus and appliances worth CZK 5.1 billion.

Dominant in imports was the group of machinery and transport equipment, the share of which dropped by 2.9 percent to 47%. Within this group, imports of machinery stagnated, imports of electrical apparati and appliances increased by 10%, passenger cars by 43% (amounting to CZK 5.5 billion; imports of passenger cars from Germany had a 5% share in total imports from this country and 10% in imports of machinery and equipment). Increased shares were registered mainly in imports of manufactured products classified by materials (by 1.2 percent to 15.4%) and imports of chemicals (by 1.2 percent to 14.1%).

Austria was the third-biggest trading partner, whose share in total exports was 7.2% and in total imports 8.1%. The growth rate of exports (by 28.8%) exceeded that of imports (17.5%). Thus, the deficit registered in 1993 (CZK 6 billion) decreased to CZK 4.5 billion. In terms of the share of products characterised by higher value added, the structure of Czech exports to Austria is not favourable, and the performance of 1994 pointed to additional deterioration in this area. The highest growth in exports (118%) was registered by raw materials, whose share exceeded one third (mainly coniferous wood, iron and steel scrap and waste). Imports of oil more than doubled, imports of foodstuffs (mainly fruit and vegetables) increased by one half. The dominant commodity group in imports from Austria, however, was machinery and transport equipment, with a share of 40% (import growth was registered mainly by machinery, telecommunications technology and electrical appliances).

2. Impediments to Exports—Demand Side

2.1. Orientation to Low Demand and Commodity Groups

At a sufficiently low exchange rate, most industries, or at least many firms in many industries, find that it is profitable to export. Thus, in the Czech Republic, many sectors that previously could not break into world markets and that were expected to be the first victims of the "opening to the West" have become important exporters to the world market. The reason for their export success is not necessarily that they have a long-term comparative advantage vis-à-vis firms in other sectors in the Czech Republic.

Penetration into foreign markets by means of lower prices is most easily achieved for goods that are standardised and homogeneous and whose quality is easy to judge. For such goods, buyers are willing to switch from one seller to another and long-term buyer-seller commitments are rare. Thus, it is not surprising that the Czech Republic has seen a large increase in its exports of raw materials, semi-manufactured goods and other "standard" industrial products. More sophisticated consumer goods, machinery and equipment and complex parts and components enter international trade by different means. In some cases, form-specific advantages in technology, business skills, finance, or brand name and reputation are the key elements in penetrating foreign markets. In other cases, close firm-to-firm or intrasectoral contacts in different countries create supplier-buyer relations that rest on mutual trust and specialised sub-contracting between firms. Contacts between buyer and seller are long-lasting, involve considerable specialised investment, are based on quality, reliability and other similar characteristic and tend to be relatively unresponsive to price.

Such advantages were irrelevant to Czech firms in the past. Therefore, developing export potential in these sectors will take more time and the infusion of the expertise of foreign firms.

The aforementioned facts are reflected in foreign trade relations of the Czech

Republic and the EU which exhibit a certain asymmetry in favour of the EU in manufactured items (final industrial products). This situation is shown in detail in the Appendix.

2.2. Foreign Protection

Trade-political barriers to imports certainly belong to the most important impediments to the increase in the Czech exports, mainly to Western Europe. Expectations that these impediments will dissolve with the implementation of individual clauses of the Europe (Association) Agreement and Interim Agreement on Trade and Related Matters concerning the dismantling of import restriction of partner countries seem to be hardly justified. There is a lot of evidence in the international trade that such dismantlings of traditional trade barriers have been promptly substituted by the introduction of nontraditional ones (which are not in contradiction with GATT rules nor with regulations of the EU). Instead of efforts to reduce the incidence of the implementation of such trade restrictions, on the contrary the incorporation of new ones into WTO regulations, i.e. the acceptance of so-called “social dumping” and so-called “environmental dumping” as prosecutable offenses, tends rather to increase impediments to growth of exports of transition economies to the West.

EU countries

According to the Europe Agreement, tariff barriers for the Czech exports of industrial products were reduced substantially from January 1, 1995. The tariffs are imposed only on:

- metallurgical products (tariff to end January 1, 1996)
- textile products (tariff to end January 1, 1997).

As far as the very complicated area of the agricultural trade is concerned, concessions made on both the Czech and EU sides were utilised more effectively by the West European countries.

Quantitative restrictions imposed by EU member countries on imports from the Czech Republic **differ in their impact on trade,** e.g. in textile products:

category	description (product)	quota utilisation	
		1993	1–11/1994
2A	cotton fabrics processed	97%	91%
2	cotton fabrics raw	63%	92%
3	synthetic fabrics	62%	61%
5	sweaters, pullovers, vests	51%	43%
8	men's and boys' shirts	35%	32%
16	men's and boys' suits	11%	8%
26	ladies' and girls' dresses	9%	20%
110	woven air mattresses	6%	5%

The quota utilisation is higher in raw fabrics and other semi-finished products. In final manufactured items it is very low, due to both EU domestic and Far East competition. In the category of garments (ready-made suits and dresses) the method of outward processing traffic (OPT) is often replacing direct imports to the EU.

Quantitative restrictions on Czech exports of textile products are not the main cause of limited exports. It is more or less the market acceptance (absorption capacity). From twenty-four limited categories of products only three were utilised to 90–100 percent. For the rest, the utilisation of the quotas was only around 50 percent.

As for the steel industry products (five items), the quotas set for 1993 were distinctly restrictive, as the export possibilities for Czech steel products are greater than the quotas allowed. According to the Ministry of Foreign Affairs of the Czech Republic, quotas were utilised as follows:

item	Utilisation of quota in %	
	1993	1–10/1994
sheets (cold rolling)	83	61
steel wire	77	82
coils (hot rolling)	110	100**
seamless tubes	31*	85
welded tubes	79	80

*low utilisation influenced by “anti-dumping procedures” revoked as late as October 1993
**The quota of 4,400 tonnes was utilised up to 14,250 tonnes due to zero-duty exchange of coils with the territory of the former GDR (Neue Bundesländer).

Anti-dumping procedures are easy to start—unlike approving dumping, which is time consuming—and represents a significant impediment to Czech exports. Very often, there are unjustified complaints which result in temporary drops in exports (even for several months).[3]

EFTA and CEFTA

The EFTA-Czech agreement is more liberal than the Europe Agreement. The main difference lies in the scope and application of exemptions for "sensitive sectors," which in the case of EFTA are very few and apply only to specific EFTA countries. Furthermore, commitments to abolish these exemptions tend to be more specific than equivalent provisions in the Europe Agreement.

In regard to CEFTA, persistent tariffs and their slow removal (there are even efforts to slow down the already–agreed on procedures), together with technical barriers in the form of various certification procedures, represent other impediments.

2.3. Payment Arrangements

While the institutional and legislative background for Czech exporters on international markets is suitable (more or less), economic conditions for Czech exporters are much less favourable when compared with their competitors. The main differences can be found in crediting and insuring exports. We must admit that there have been efforts to assist exporters by creating the Export Guarantee and Insurance Corporation (EGAP) and the Czech Export Bank (CEB), but in light of their very limited sources and the scope of activities, these initiatives are insufficient. Moreover, EGAP seems to favour large exporters, and the situation in the sector of small and medium-sized enterprises is very difficult. There are problems caused by high interest rates, but also by high collateral which complicates access to credits.

As an example of available services which have been offered to exporters only recently, we can characterise services offered to exporters by the Československá obchodní banka (CSOB), a bank which used to provide governmental credits under the previous system. Export financing for Czech and Slovak exporters still forms a decisive part—about 40%—of its entire loan portfolio.

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[3] Since January 1995, the Czech government is at least informed in advance if an anti-dumping procedure starts.

Among traditional means of individual financing of export operations, purchases of letter of credit claims and discounting of export bills of exchange are in the top position both in number and volume of transactions at present. Export guarantees being issued represent other traditional banking tools.

In response to the changing situation and new market needs, CSOB has supplemented its existing services with new products. In creating these new products, the bank drew not only upon experience gained in the past in arranging loans for export support for then-socialist Czechoslovakia's goods, but particularly upon experience as the recipient of commercial buyer's credit from foreign banks for financing imports, usually with insurance from Western export insurers. CSOB's clients find a complete package of services, starting with pre-contract consultation including consultation of payment and loan conditions, the selection of an appropriate form of financing, recommendation of payment and other instruments, and ending with, for example, structured financing or linkage of various loan products, possibly the participation of other domestic or foreign partner banks in joint financing or the creation of a syndicate.

Among the new forms of CSOB's export financing—covering the full range from short-term financing (up to one year) to mid-term and long-term financing (over four or five years)—and utilising state export support to various degrees, the following products can be mentioned:

• Export pre-financing on the basis of assets. This refers to the bank's purchase of the exporter's future claims, where these are claims backed by a letter of credit issued by a foreign bank to the CSOB client. The exporter thus receives payment of 100% of the shipment prior to the transaction's occurrence and prior to the submission of documents required by the letter of credit. The purchase is done with regress, which means with the right to cancel payment in case of the breach of letter of credit conditions by the exporter or breach by the foreign bank. This pre-financing is generally meant for a select group of solvent clients and is done in foreign currency. At present, the rates are more favourable than for regular crown loans. This service can be used even for smaller contracts.

• Short-term loans against EGAP insurance (see Section 6). These are one-year loans from CSOB to the exporter for export deliveries, guaranteed with EGAP insurance against commercial (and political, if necessary) risk. Financing of 80–90% of the shipment value, as defined by the amount of EGAP insurance, is done in crowns, but with a more favourable rate than for regular loans. This financing enables clients to allow their purchasers to delay payment and thus to be more competitive in the market in question. It is a tool that is appropriate for producers who regularly sell part of their production in high-risk markets.

• Short-term export buyer's loans. In this case the exporter is fully, promptly and without regress paid from the loan, which CSOB provides to the importer's bank on the basis of an inter-bank agreement in order to finance the foreign purchaser for a maximum of one year. Interest costs are borne by the buyer, who receives a bank loan without regard to prompt payment conditions in the contract. For import to solvent countries, EGAP insurance is not required. This service is recommended for larger contracts.

• Forfaiting. This is the purchase of export claims without regress and payable according to the market or territory conditions within five years or, in special cases, a longer period. It is backed by a letter of credit with delayed payment or a bill of exchange with a bank guarantee, or as appropriate with a bank guarantee or EGAP insurance. CSOB usually buys 80–85%, or in exceptional cases even 100% of the claims—this is understood to be for a solvent bank—in countries with acceptable risk factors. Forfaiting is appropriate particularly for large exporters exporting comprehensive investments on credit; they thus avoid loan burdens on investment projects.

• The mid-term export buyer's credit with EGAP insurance. This is a mid-term hard currency loan issued by CSOB to the foreign buyer's bank and in exceptional cases to the buyer. It is used to finance the export of investment projects. Again, the exporter gets paid the loan portion of the contract, usually 85% of the contract's value, in full upon submission of documents stipulated in the contract. He or she thus avoids most of the risk of providing loans to the buyer, except for half of the uninsured portion of the loan which is the exporter's participation. It is important to note that the exporter is fully able to accept further loans from his bank.

At present, CSOB is in various stages of negotiation with a number of selected foreign banks for the purposes of entering into a framework agreement regarding basic conditions for financing Czech exports to most target countries, with the use of EGAP insurance. These agreements generally presuppose a choice of either a fixed rate (CIRR) or variable (usually six-month) LIBOR plus the appropriate margin. The agreements further stipulate the appropriate sum and length of the loan, the minimum sum for individual contracts that can be financed under this agreement, administrative fees, commission and other conditions. CSOB has already signed an agreement of this nature with a Ljubljana bank for financing of Czech exports to Slovenia.

According to CSOB, preparation of individual export financing instruments, and in particular their application, does involve certain problems. Among the most frequent problems are:

• Exporters' requests for financing exports to countries that are not sufficiently solvent from the point of view of territorial risk (political instability, legal uncertainty, economic risks and so on). This is a problem that often is not resolved by EGAP insurance, which is not always complete.

• Exporters' requests for excessively long-term export financing, particularly for large investment projects. This is a problem because these requests are beyond the scope of the usual refinancing possibilities of commercial banks (these days a maximum of seven, maybe eight years). This problem should be solved through refinancing from the CEB, which as a sovereign institution should have greater access to long-term sources.

• The cost of refinancing sources for domestic banks in comparison with banks in other countries. This problem should be solved by interest rate subsidies, as mentioned above, and thus limited exclusively to CEB.

• Another problem that CSOB has met with is low capital availability or other unacceptable features of banks in some target countries. This is a problem that often can be resolved only by requesting government guarantees for the foreign importer; the issuance of this sort of guarantee is limited in most countries.

• Finally, the often insufficient credit rating of Czech exporters, needed for arranging accompanying commitments from contracts that have had loans issued for them, should be stressed. For example, the issuance of advance payment guarantees, performance guarantees (this is understood to mean guarantees of the exporter to the buyer's benefit), etc.

Trade among CEFTA countries has been impeded by the absence of efficient payment systems, but progress is now being made in this area. In July 1994 a regional clearing system became fully operational. The system handles transfers in 18 currencies with settlement in ECU and makes it possible to complete payments within two to four days. Seven banks from five countries (Bulgaria, the Czech Republic, Hungary, Slovakia and Russia) are participating, together with three West European clearing banks. Banks from other countries participate as observers, and as the system extends more widely it will greatly facilitate transactions within the region.

2.4. Entry Barriers

Trade-political restrictions and insufficient export financing are by far not the only impediments to the growth of exports. Entry barriers work in the same direction. It is evident that it is not only the cost of entering the market (advertising,[4] creating representations), but also achieving access to marketing networks established in the West. For most Czech owned companies, this is nearly impossible. As our case studies reveal, mainly ŠKODA Automobilová a.s., Pražské pivovary (brewery) or TEMAC (sealing and gasket technology), this access can be achieved through establishing joint-ventures with foreign firms who have such distribution networks at their disposal. These arrangements result usually in increased volume of exports, but less often also in increased prices.

3. Impediments to Exports—Supply Side

3.1. Cost, Exchange Rate

The present comparative advantage appears to be the cost advantage in industries producing homogenous goods. This cost advantage is a result of several factors such as the initially deeply undervalued exchange rate, the low and regulated labour cost and probably also an imperfect internalisation of natural resource depletion and ecological costs (these problems may be observed, for example, in glass and china production where obsolete thermal equipment is still used). As inflation in the CR continues to erode the pro-export effects of the initially undervalued currency and the labour and natural resource cost rise, the CR will have to rely more and more on its potential comparative advantage of an abundance of skilled labour, especially in selected technology intensive industries. These industries enjoyed steady protected exports to the former USSR and other CMEA countries and their comparative advantage mostly existed only relative to their former CMEA partners. The disappearance of the CMEA integration means, among other things, that they now have difficulties replacing their lost exports in the CMEA by new exports to market economies. In order to effectively develop their potential comparative advantage, industrial enterprises in the given industries have to restructure and seek closer cooperation with technological leaders through joint ventures and foreign direct investment.

[4] Usually, less than one percent of sales is spent on advertising and promotion. This sum is spent on trade fairs and exhibits, advertisement in trade journals, external advertising, demonstrations and press materials.

3.2. Lack of Information, Marketing

The situation in the field of information is not yet satisfactory, although it has already improved a lot. The main progress has been reached by creating the Info Centrum (co-financed by the Ministry of Industry and Trade), as well as Czech Centres operating abroad (under the Ministry of Foreign Affairs). Criticism of companies focus mainly on information on networks, and publicising requirements on international standards for health, safety and packaging requirements on products.

Some companies complain that important information comes late (mainly tenders abroad). Besides, there are difficulties caused by the lack of information on information services themselves. In some cases, agencies providing information services (benefitting from the state budget or other tax money) offer "unsellable products," i.e. services not meeting companies' requirements. Lack of marketing skills represents another weakness. There are difficulties in recruiting experienced or skilled managers for the newly formed trade and marketing divisions.

3.3. Quality, Reliability

Some products can compete in terms of quality with western products, whereas others are lower quality and compete on price terms only. Some of the firms interviewed reported that product quality has improved already in 1991, but mostly in 1993 and 1994. According to some companies' estimates, full transformation to international quality standards requires a period of 3–5 years. In some areas, such as for example glass, china, beer, chocolate and confectionery, steel, and cars (Pražské pivovary, Čokoládovny a.s., Poldi, ŠKODA Automobilová a.s.), quality is high and comparable to the level of the major foreign competitors. There is a long tradition and experience of production and trade-marks still have a high reputation. In some of these areas, there is considerable scope for expansion. In other product areas quality and reliability are lower, but prices are also 20–30% below those of the main foreign competitors, so firms can compete, at least in the short run.

In many cases the bad image of Czech industrial companies still persists, in spite of the fact that their products are already reaching the most demanding western ISO norms. This can be regarded as the crucial impediment to the increase in export efficiency. It stands to reason that the low profit level in turn reduces the volume of potential investments urgently needed to modernise and further improve the competitiveness. Thus, many Czech industrial firms move in a vicious circle, which makes them choose survival scenarios rather than true development scenarios that would lead to an improved position on western markets. How to improve this image is an open question, as long as the profit margins are as low as they are at present—preventing Czech firms from dedicating an adequate sum to advertising and promotion campaigns (of the CZK 8.8 bil. expenditures on promotion in the CR in 1994, 90% was advertisement of goods of foreign provenance[5]).

3.4. Under-developed Infrastructure

Obsolete infrastructure is viewed as an impeding factor not only to exports, but also to direct foreign investment. Some access routes are not appropriate for the latest transport technology, the lifting of borders is insufficient and border crossings (especially with Germany) are terribly overcrowded, railways are not suitable, telephone lines are unreliable, etc. Improvements are needed, in particular in telecommunications, which should also ease access to necessary financial and market information.

3.5. Low Competitiveness of Companies

The level of competitiveness varies across firms and products. Despite the potential to make a number of improvements (in quality, product characteristics, etc.[6]) on their own, many firms see foreign capital and foreign partnership as an important part of their strategy. This is partly due to the shortage of capital but also to weaknesses in some specific areas where western know-how could contribute rapidly to improved quality and variety. The crucial point is that foreign partners also provide entry into western markets.

The low competitiveness of many Czech producers from the point of view of the technical level and quality, together with diminishing macroeconomic comparative advantages stemming from the undervalued currency and relatively low production costs,[7] caused also a decrease in domestic sales in 1994 (despite the production growth). This situation is reflected also in inventories, supplementing

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[5] Mainly multinationals, such as Philip Morris, Néstlé, etc.

[6] It is evident that the lower competitiveness of many enterprises is not only a question of quality. Many products have poor packaging, advertising and promotion.

[7] The higher inflation rate in the CR than in the EU results in increasing prices of domestic inputs. Obviously, this reduces the cost advantage of the Czech economy.

of which is another import accelerating factor.

In accordance with the liberal economic theory, each country can export only accordingly to its possibilities and capabilities. However, there is a chance by means of a wise economic policy to cultivate the structure towards more "intelligent" productions with higher value-added share. In this respect, such measures as supporting imported technology, modern equipment, etc., should be considered.

The point is not that exports of basic manufactures and material-intensive products are irrational. As is clear, they have been of benefit to the trade balance. Rather it is that the short-term success achieved by exports of these goods should not be interpreted as a competitive advantage of the Czech Republic on world markets in the long run. This advantage is likely to disappear along with the Czech exchange rate appreciation and labour costs adjustment.

4. Temporary Incentives for Exports

The substantial devaluation of currency has been the main temporary incentive for exports. At the early stage of economic reforms, some firms, mainly in the sector of glass and hand-made ceramics, had much stronger incentives to export than to meet domestic demand since their export prices were about twice as high as domestic prices (as a result of the devaluation). By the end of 1992, the CSFR had lost about half of the competitive edge it had gained through the 50% nominal devaluation which took place in l990, and the real appreciation of the Czech currency has continued. The Payments Agreement between the Czech and Slovak Republics can be viewed as a temporary incentive, but this arrangement has been step by step paralysed by various protection measures on the Slovak side.

5. Typical Enterprise Efforts to Tackle Impediments to Exports

Performance of companies under the central-planning system was influenced in particular by the following three characteristics:

• Autarchy of domestic market. The domestic market was largely supplied by domestic firms; imports—especially from western countries—were limited.

• Guaranteed exports to the CMEA markets which had relatively high demand but with a low emphasis on quality.

• Redistribution of resources among sectors, direct subsidies.

Since the start of the transition period and the launching of radical economic reforms in Czechoslovakia, the situation has changed completely. In particular, liberalisation of trade has resulted in a substantial increase in the volume of imports, especially from western economies; consequently, competition has increased. Exports to the former CMEA countries have shrunk due to a combination of increased competition and insolvency of former customers, in particular in the CIS. Finally, companies no longer benefit from transfers and subsidies.

Almost all enterprises interviewed have mentioned price liberalisation, export liberalisation, foreign capital together with privatisation as the key macro-economic issues. Price and export liberalisation have enabled improved performance and profitability, especially due to the effects of devaluation (despite the negative impact of rising energy and other input costs).

Implemented strategies at enterprise level can be summarised as follows:

- increase quality through product innovations and new process technologies;
- increase product differentiation;
- increase the share in production of high quality;
- increase sales and exports.

The realisation of these strategic aims requires a range of actions, in particular:

- an overall modernisation of technological equipment and technologies used, substantially reducing energy consumption and the negative environmental impact of production;
- testing and selection of suppliers in order to increase quality and reliability of inputs;
- establishment and improvement of trading and marketing activities in order to increase or maintain market shares;
- retraining and increasing skill levels of work forces where necessary as part of higher quality/lower cost strategy.

Only some of these strategies are relatively easy to implement but their full implementation is dependent on adequate financial resources whether domestic or foreign.

Enterprises recognise the need to maintain and expand both domestic sales and exports, if they are to survive. The main prerequisites are quality improvement and product differentiation since competition in the low-price, low-quality end of the market from countries such as China will increase. Although the technical level of equipment is below western levels, some firms are competitive due to the combination of low labour costs and the ability to produce good quality in some product areas despite the level of technological equipment.

The key and potentially fatal competitive pressures come from imports. Imports have increased substantially and this is likely to continue. Access to imports contributes to increasing the competitiveness of some firms who are already importing high quality components—especially electronic components—to achieve higher technical standards and to broaden their existing product range.

Exporting is carried out through three main channels: direct sales to foreign buyers, subcontracting with foreign firms and sales through intermediaries (in the past, state trading companies).

In many cases sales centres were created to define sales strategy and improve the companies' visibility on the market or sales departments were enlarged and fully equipped for direct work with clients.

Producers who are doing relatively well in marketing stress the importance of building the firm's own networks of trade representatives as a precondition for expanding trade activities. Three types of marketing approaches can be distinguished:

- using the firm's own representatives in important markets where the firm has already had sales or where prospects are particularly good;
- using trading companies on the basis of clearly-defined agreements and
- building a network of local representatives and stores.

Using trading companies is clearly the least desirable in terms of user-supplier links, but where markets are not well known, it may be the most cost-effective mode of market entry; in terms of cost, it is the cheapest method and, as such, some producers may have little choice.

The majority of interviewed firms have experienced major difficulties with their former markets in the CIS. However, while there are clearly major problems with delayed payment and non-payment, some firms see future prospects as potentially promising, especially in some of the local and regional markets. In particular, the main advantages firms may have in these markets are: good knowledge of local conditions, personal contacts and a wide range of references. Forward-looking enterprises are aiming to maintain their position there, while the overwhelming majority of Czech enterprises have left these markets. They use different methods of payments: cash, barter, compensation agreements. The main competitors in these markets are German firms. They are able, unlike the Czech exporters, to offer the necessary credits even for consumer goods. In this connection, firms' expectations of success in these markets depend strongly on the functioning of the CEB.

Firms successful in improving quality and broadening their product range are able to compete on world markets mostly in the middle-price range. Given the increases in quality and value-added that they achieved, accompanied often also by the name of foreign partner (ŠKODA and TEMAC are very clear examples), those firms were able to raise their prices and thus increase profit-margins despite the increase in costs. Many of the managers interviewed wanted to see improved measures of the government and financial institutions aimed at massive export promotion.

6. Government Policies

The export-promoting policy of the Czech government has been based on five pillars:

- exchange rate and monetary policy,
- liberalisation of trade,
- foreign policy and creating fa avourable environment for Czech exports,
- financial support and
- information services.

6.1. Exchange Rate and Monetary Policy

The undervalued currency has been one of the main support measures for the fast transition. Since full convertibility was introduced (October 1995), there have been very different expectations: some economists predict revaluation of the currency while some, on the contrary, predict devaluation. The fixed exchange rate is also being discussed: some economists favour the floating exchange rate. Of course, the impact of any changes on competitiveness is quite substantial.

On the basis of a new law related to currency, capital account restrictions will be retained in the short term. Outward foreign direct investment is permitted, but restrictions on outward portfolio investment remain in force.

6.2. Trade Liberalisation

Beginning in 1991, foreign trade relations were fundamentally reformed in order to open the economy to international competition. Quotas on imported goods were eliminated and export licensing requirements were removed for a large number of products. In order to bring the domestic price structure close to international prices, subsidies and levies that bridged differences between domestic and international prices were abolished on January 1, 1991.

In addition, the monopolistic status of the foreign trade organisations (FTOs) was abolished. Following the enactment of the Law on External Economic Relations in 1988, which permitted the establishment of new FTOs, the number of entities with foreign trading rights increased from 50 in 1988 to 3,500 by the end of 1990 and to some 26,000 estimated in May 1995. Since the beginning of 1991, all registered enterprises have been able to engage legally in foreign trade.

Due to the reliance on state trading, tariffs played virtually no role in foreign trade policy under the previous system. Present tariffs are generally low, averaging 5%. To facilitate the transitional phase, and pending a tariff restructuring designed to provide domestic industries and agriculture with appropriate protection, several temporary measures were taken. In early 1991, a surcharge of 20% was imposed on all imports of consumer goods. This surcharge was reduced to 18% in May 1991, to 15% in June 1991, to 10% as of January 1992, and abolished in January 1993 in connection with the introduction of the new tax system (value added based).

6.3. Foreign Policy

The liberal Czech government has implemented the policy of free trade. On the international scene, it has strongly supported all measures aiming at global liberalisation of trade and the removal of trade barriers. It has made efforts to create an institutional and legislative background for the Czech exporters on international markets. As a result of these activities, the Czech Republic has trade, investment protection and double taxation agreements with all European and most of its main trading partners.

In order to create conditions for the expansion of its trade with the European Community, the Czechoslovak Government, in coordination with Hungary and

Poland, negotiated Association Agreements with the European Community in 1991. These agreements went into effect in March 1992 and called for the EC eliminate its tariffs within one year of that date. However, in some sectors such as steel, textiles and food products, liberalisation was much less complete. Czechoslovakia also negotiated a bilateral free trade agreement with EFTA. Thus, with the exception of some sensitive sectors, the access of Czechoslovak exports to western markets was significantly improved.

In order to increase the collapsed trade with the transitive economies in Central Europe, Czechoslovakia agreed in 1992 to participate in a free trade area that includes Poland, Hungary and the CSFR's two successor states. Tariffs on "non-controversial" goods are to be eliminated rapidly following the free trade area's launching in March 1993, and all tariffs and quotas on industrial goods are to be eliminated by 2001.

6.4. Financial Support

In view of the fact that much of Czechoslovakia's export potential lay in manufactured goods, whose export is often supported by means of export credits, the Government of the CSFR adopted in 1991 Resolution No. 721/1991 setting up EGAP. EGAP, a public joint-stock company, is more or less the equivalent of institutions such as HERMES in Germany, COFACE in France and GRE in Switzerland. The new institution began operations in the CSFR in June 1992, with offices in both the Czech and Slovak Republics. It has three objectives: to provide export credit insurance and insurance of banking and financial instruments covering commercial and political risks; to take advantage of the differences in domestic and foreign interest rates; and to offer export consultancy services.

According to the law, EGAP is intended to undertake activities of three types:

i. Covering commercial risks in short-term export contracts. Geographically, EGAP's scope extends to promising markets in the OECD and Central and Eastern European countries, where particularly careful investigation and adequate information about potential private-sector partners is needed.

ii. Covering high political risks involved in exporting to certain countries. Here, EGAP considers each case on its merits and provides cover for short-term contracts subject to insurance against commercial risks having been taken out (see i. above). Insuring short-term export contracts with public-sector customers is to be decided case-by-case.

iii. Covering both commercial and political risks on the medium and long-term horizon, required above all by exporters of machinery and capital goods. EGAP thus aided exporters in redeploying from Central and Eastern European markets to the OECD countries and assisted them when they competed for construction and machinery supply contracts abroad.

EGAP treats all exporting enterprises (i.e. locally owned, joint-ventures with foreign capital, etc.) alike.

The CEB was founded on May 12, 1994. In February it was officially issued a bank license which determines its activities. A further step was Parliament's passing of the law on insurance and export activities with state support. The law predicates a further lower-level regulation, which is a Ministry of Finance decree concerning both the EGAP insurance company and banks. This decree will elaborate a system of subsidies and their allocation from government funds. The CEB as founded will be a specialised bank focused on export support. As stipulated in the law, it will be owned by the state through its shareholders. The bank will ensure export financing and government support and will be the only bank able to obtain subsidies and thus provide relatively inexpensive means for financing export contracts.

For these loan activities the CEB will require a condition that is determined by the law as well as regulations: OECD consensus. OECD consensus is an agreement or tool used by all OECD member-countries that sets certain conditions in order to limit competition or undercutting in the area of state-supported loans and financing. One of these conditions is advances, i.e. a minimal advance payment of 15% and the requirement of exporter participation. EGAP stipulates participation at seller's credit of 10% and at buyer's credit of 5%. The law further limits CEB by requiring that everything it finances must be insured by EGAP. It requires that at least 60% of the value of exported and financed goods originate in the Czech Republic.

The CEB is a joint-stock company, with founding capital of CZK 1.5 billion. In addition to EGAP, which owns one third, its shareholder is the state via various ministries: the Ministry of Finance, the Ministry of Foreign Affairs and the Ministry of Agriculture. The CEB will function as a bank as defined by the law on banks and in accordance with the law on insurance and financing of export with state support. It is not, then, a state agency, as is the case in some neighbouring states. It is a full-fledged bank.

For purposes of assisting Czech exporters in obtaining export loans, the CEB, even before it commenced operations, was making (and continues to make) contact among exporters as well as with refinancing banks. It is already jointly preparing and developing loan agreements. At present some cases are entering the initial phase—evaluation, ascertaining of information and preparation for negotiations regarding financing.

6.5. Information Services

Creating the Info Centrum (co-financed by the Ministry of Industry and Trade), as well as Czech Centres operating abroad (under the Ministry of Foreign Affairs) are positive developments in this field. The Info Centrum—being a part of the state administration—guarantees all exporters equal access to information. Besides macroeconomic information, it offers territorial information and information on tenders and projects (sources are the World Bank and the European Bank for Reconstruction and Development). Czech Centres were created from previous cultural departments of some embassies. Their purpose is two-fold: to collect information for our exporters abroad and disseminate information on Czech products, and to promote and help improve image of Czech products overseas.

7. Conclusions

In only a few years the Czech Republic has succeeded in drastically reorienting its trade from the former socialist countries to market economies. Industries producing differentiated, R&D– and skill-intensive goods (machinery, transport equipment and—initially—garments and textiles), encountered more difficulties in replacing their vanishing CMEA markets by new exports to market economies than industries exporting standard natural resource–intensive intermediary goods. While the industry was loosing its traditional export markets in the former CMEA area, it was also loosing some of its domestic market. The loss of domestic sales was caused by a decline in real wages and an increasing import penetration, consequences of wage controls and of price and foreign-trade liberalisation. Another contributing factor was decreasing competitiveness of Czech goods on domestic markets. The joint effect of output and export changes is reflected in an impressive increase of the ratio of exports to sales. Manufacturing exports reached and exceeded, however, the pre-reform level only in the course of 1993.

The present comparative advantage appears to be the cost advantage in industries producing homogenous goods. This cost advantage is a result of several factors such as the initially deeply undervalued exchange rate, the low and regulated labour cost and, probably also an imperfect internalisation of natural resource depletion and ecological costs. As inflation in the CR continues to erode the pro-export effects of the initially undervalued currency and the labour and natural-resource cost rise, the CR will have to rely progressively more on its potential comparative advantage of an abundance of skilled labour, especially in selected technology-intensive industries. These industries enjoyed steady, protected exports to the former USSR and other CMEA countries and mostly their comparative advantage existed only relative to their former CMEA partners. The disappearance of the CMEA integration means, among other things, that they now have difficulties replacing their lost exports in the CMEA by new exports to market economies. In order to effectively develop their potential comparative advantage, industrial enterprises in the given industries have to restructure and seek closer cooperation with technological leaders through joint ventures and foreign direct investment. In order to create for them conditions comparable to those enjoyed by their competitors, appropriate micro-economic policies still have to be introduced.

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APPENDIX

Table A.1
CSFR Ownership Structure in 1994

	prod.	empl.	number of organisations
industry, total of which	100.0	100.0	100.0
state enterprises	46.1	48.8	28.6
private enterprises	21.7	27.6	50.0
enterprises with foreign capital participation*	10.0	5.7	6.4
other forms of ownership (cooperative, religious, etc.)	22.2	17.9	15.0

*includes foreign and international (foreign plus domestic)

Source: Czech Statistical Office

Table A.2: Selected Indicators of Performance 1994

Industry	export-sales ratio	export sales (bil. CZK)	goods produced (bil. CZK)	employment (thous.)
Industry total	31.00	277.962	896.416	1,340.6
Manufacturing	35.10	260.81	742.33	1156.90
Mining of energy raw material	29.10	13.809	47.458	89.5
Mining of non-energy raw material	24.80	1.282	5.172	9.6
Food industries	10.80	15.514	143.697	120.7
Textiles and wearing apparel	48.40	22.258	45.985	128.9
Leather and footwear	41.60	5.621	13.518	36.2
Wood products	47.30	7.129	15.073	29.1
Paper,printing and publishing	24.60	9.134	37.153	41.0
Petroleum,coal products	24.40	11.313	46.444	14.2
Chemicals, pharmaceuticals	45.50	22.427	49.283	42.5
Rubber and plastic products	36.90	7.722	20.937	32.2
Pottery, china, glass, non-metal products	43.60	17.645	40.484	73.5
Metallurgy and metal products	44.20	56.55	127.884	193.0
Machinery	45.50	30.466	66.934	185.2
Electrical machines	33.30	13.696	41.108	96.7
Transport equipment	42.60	28.906	67.894	99.9
Electricity, gas, water	2.00	2.057	101.457	84.6

Territorial Structure of Exports of the Czech Republic (in mil.USD)

	1986	1987	1988	1989	1990	1991	1992	1993	1994
EU	2256	2561	2776	2830	2842	3456	4668	5552	6320
Developed market economies	3128	3532	3791	3989	3950	4402	5970	7116	8286
Exports without the SR	9922	11071	11088	10770	9052	7985	8842	10265	11100
Total exports	9922	11071	11088	10770	9052	7985	8842	12961	13188

Source: Database of the Ministry of Foreign Affairs

Territorial Structure of Imports of the Czech Republic (in mil.USD)

	1986	1987	1988	1989	1990	1991	1992	1993	1994
EU	2414	2920	2920	2852	3131	2861	4905	5446	5500
Developed market economies	245	276	344	322	314	324	854	739	7868
Exports without the SR	10693	11844	11185	10776	9815	7145	10273	10529	10714
Total exports	10693	11844	11185	10776	9815	7145	10273	12690	12804

Source: Database of the Ministry of Foreign Affairs

Czech Republic Exports (in thous. USD)

commodities	SITC	1988	1989	1990	1991	1992	1993	1994*	index 94/89
food and live animals	0	369630	541831	508863	629988	714002	784462	546218	100.81
beverage and tobacco	1	46865	42496	42180	71837	63728	147342	103330	243.15
mineral raw materials, non edible, exc. fuels	2	265078	366635	298322	454248	571602	734249	860796	234.78
mineral fuels, lubricants and related mater	3	562739	687179	448425	435080	501354	755698	620214	90.26
animal and vegetable oils, fats and wax	4	13358	18322	40873	14766	10757	27747	30280	165.27
chemicals and related products, n.o.p	5	813028	713623	798934	797294	813008	1133301	1939488	145.66
market products-semimanufactured, sorted by mater.	6	2129846	2239132	1745792	2237065	2859048	3733253	3503208	156.45
machines and transport equipment	7	457660	4398527	3420884	2431208	2244406	3329155	3086698	70.18
different manufactured products	8	1736525	1490308	1175634	913077	1063578	1499239	1572918	105.54
commodities and goods, not classed in other SITC	9	573754	444255	236549	81	414	4609	3188	0.72
gold (for minting)		–	–	–	37	122	–	516	–
total		11087484	10942306	8716456	7984680	8841904	12149486	11366854	103.88
USD		11087483	10942308	8716456	7984681	8842029	9634510	9721222	88.84
ECU									

Note: *estimates (based on data for January–June 1994) *Source: Database of the Ministry of Foreign Affairs*

Czech Republic Imports (in thous. USD)

commodities	SITC	1988	1989	1990	1991	1992	1993	1994*	index 94/89
food and live animals	0	756377	738798	581749	474316	662699	797663	904370	122.41
beverage and tobacco	1	87252	72378	82846	107305	141371	132274	165338	228.44
min. raw mat., non-edible, exc. fuels	2	751385	754433	672627	521501	615950	664451	774898	102.71
mineral fuels, lubricants and related mater	3	2747702	2354566	1690087	1678680	1610673	1438382	1425786	60.55
animal and vege. oils, fats and wax	4	47302	45566	71648	32775	29252	45826	44832	98.39
chemicals and related products, n.o.p	5	857309	841931	882113	738930	1024708	1495631	1706580	202.70
market products-semimanufactured, sorted by mater.	6	10636668	1069500	1056709	683976	1067631	1953338	2057580	192.39
machines and transport equipment	7	3004636	2972660	2906434	2348816	4285664	4335229	4194756	141.11
different manufactured products	8	1384557	1319206	1134096	549983	961503	1406687	1468090	111.29
commodities and goods, not classed in other SITC	9	484535	551065	483711	7111	3410	11188	11678	2.12
gold (for minting)		–	–	–	1646	2	–	–	–
total		11184725	10720101	9562018	7145038	10402861	12317565	12756402	119.00
USD		11184723	10720103	9562020	7145039	10402863	10231700	10904274	101.72
ECU		9447355	9724331	8377449	5759806	8041171	8667994	9555932	98.27

Note: *estimates (based on data for January–June 1994)
Source: Database of the Ministry of Foreign Affairs

Czech Republic Balance (in thous. USD)

commodities	SITC	1988	1989	1990	1991	1992	1993	1994*
food and live animals	0	-386747	-196967	-72886	155672	51303	-13201	-358152
beverage and tobacco	1	-40387	-29882	-40666	-35468	-77643	15068	-62008
mineral raw materials, non edible, exc. fuels	2	-486307	-387798	-374305	-67253	-44348	69798	85898
mineral fuels, lubricants and related mater	3	-2184963	-1667387	-1241662	-1243600	-1109319	-682684	-805572
animal and vegetable oils, fats and wax	4	-33944	-27244	-30775	-18009	-18495	-18079	-14552
chemicals and related products, n.o.p	5	-44281	-128308	-83179	58364	-211700	-362330	-667092
market products semimanufactured, sorted by mater.	6	1066178	1169632	689083	1553089	1791417	1779915	1445628
machines and transport equipment	7	1572024	1425867	514450	82392	-2041258	-1006074	-1108058
different manufactured products	8	351968	171102	41538	363094	102075	92552	104828
commodities and goods, not classed in other SITC	9	89219	-106810	-247162	-7030	-2986	-6579	-8490
gold (for minting)		–	–	–	-1609	120	–	516
total		-97241	222205	-845562	839642	-1560957	-168079	-1389548
USD		-97240	222205	-845564	839642	-1560834	-597190	-1183052
ECU		-82135.3	201564.8	-740813	676857.7	-1206488	-505922	-1036765
rate of exchange USD/ECU		1.1839	1.1024	1.1414	1.2405	1.2937	1.1804	1.1411

Note: *estimates (based on data for January–June 1994)
Source: Database of the Ministry of Foreign Affairs