

Czechoslovakia and West Germany. A convenient trade partnership? A Czechoslovak point of view

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This paper deals with the development of trade and economic cooperation between the Federal Republic of Germany and the Czechoslovak Socialist Republic from 1965 to 1985. It describes its basic tendencies and important events, which led to a quantitative and qualitative change in trade and cooperation between these two countries. The second part of the study consists of an analysis of mutual long-term trade development, considering turnover, balance and commodity structure on the basis of Czechoslovak data sources. Reciprocal trade intensity was higher in general at the end of the 1960s and it continued through the 1970s; it began to decrease at the beginning of the 1980s because of several unfavourable circumstances. In the commodity structure of Czechoslovak exports to West Germany, manufactured goods, raw materials, fuels, and chemicals prevailed. On the other hand, for Czechoslovakia, West Germany represented mostly a source of technologies, innovations, know-how, advanced machines and vehicles, chemicals and manufactured goods. West Germany was the most important partner among Western developed countries, and so the Czechoslovak trade balance with West Germany influenced significantly the trade balance with the European Economic Community, and the structure of Czechoslovak foreign trade with the European Economic Community was very similar to the structure of foreign trade with West Germany.

1. Introduction

Economic cooperation among East and West European countries (so-called *Ost-West Handel*) was complicated and difficult for many reasons, mainly political ones. The complexity of the interrelations between Eastern and Western European countries was mirrored inevitably in the economic interactions between two neighbours that had historically been very close trade partners – Czechoslovakia (the Czechoslovak

Socialist Republic - CSSR) and West Germany (the Federal Republic of Germany - FRG). However, business and politics can take different paths, and this was proved by the example of these states. Although there were no official diplomatic relations until 1974, West Germany was one of the most significant trading partners for Czechoslovakia among developed capitalist countries. Even though Czechoslovakia was not one of the most important markets for West German goods, West Germany was keen to maintain good economic relations with the CSSR.

The first part of the paper is focused on the development of trade cooperation and its significant political and diplomatic milestones – international treaties, agreements – and other factors, which were responsible for the volume and character of the trading and economic partnership between Czechoslovakia and West Germany. Section Two specifies the intensity of reciprocal trade (turnover, balance, exports and imports) developed between 1965 and 1985, and its structure, and provides an international comparison with countries of the European Economic Community (EEC) as a whole. The paper aims to test the validity of the statement that the CSSR (as well as other East European countries) delivered mostly raw materials and other basic resources for more advanced West German production and that the FRG (as well as other West European countries) represented for the CSSR mainly a source of know-how, innovation and invaluable technologies (and some consumer goods, of which there was a shortage). Lastly, potential advantages and drawbacks in the economic relations between Czechoslovakia and West Germany are listed.

2. General Development of EEC-COMECON Relations from the 1960s to the 1980s

The Council for Mutual Economic Assistance (COMECON) and the EEC were formed under totally different political and economic conditions, the former in a totalitarian regime and a planned economy, the latter in a democracy and a market economy. From the very start, both institutions monitored each other and assessments of the EEC view by COMECON members were distorted by political propaganda. Although the COMECON

countries were limited by the ideological attitude of Moscow and refused to acknowledge the existence of the EEC *de iure*,¹ they included mutual cooperation in their foreign-trade plans.

The main difference between the ideas and aims of the developed capitalist countries of the European Economic Community and the East European socialist area stemmed from the fact that Eastern countries strove for maximal autarky, and foreign trade was only a supplementary source for the centrally-planned economy.² The countries limited their

Many Western economists and historians accepted that the most important obstacle for the expansion of cooperation between the socialist and capitalist blocs was the USSR. Czechoslovakia and other Soviet satellites did not have any opportunity to maintain an independent policy and the COMECON was used as the Soviet instrument to secure economic and political control over countries in Middle and Eastern Europe. For more information about the factors of limited cooperation, see sources other than those cited in this chapter, for example L. Jung, *Die Annäherung zwischen dem Rat für gegenseitige Wirtschaftshilfe (RGW) und der Europäischen Gemeinschaft (EG) seit 1972. Die Europapolitik der Sowjetunion und die Interessen der kleinen RGW-Länder am Beispiel Ungarns*, (Hamburg 1987), F. Franzmeyer, "Zum Stand der wirtschaftlichen Beziehungen zwischen RGW und EG", *Europa-Archiv* 1.32. (1977), pp. 9-17, R. Zemanová, *Analýza hospodářských vztahů RVHP a EHS a jejich perspektiva*, (Praha 1987), I. Bailey-Wiebecke, *Die Europäische Gemeinschaft und der Rat für Gegenseitige Wirtschaftshilfe. Multilaterale Diplomatie oder Blockpolitik?* (Bern, Frankfurt a. M., New York, Paris 1989), D. Marek, "Československo, RVHP a Evropské společenství v období 1957-1980", *Acta Universitatis Palackianae Olomucensis Politologica* 4 (2005), pp. 135-149.

² For example, in Czechoslovakia, external economic relations were controlled by the state (more precisely the Ministry of Foreign Trade, the State Planning Commission, the Czechoslovakia's central bank, and other state departments), which delegated authority to do business with bodies abroad to so-called foreign trade organizations. Since 1953 some 27 of these organizations were established (17 for the exportation and importation of goods and 10 for the provision of services). It was believed that state monopoly ensured protection from foreign and domestic competition or from the negative impacts of world trade and prices. Furthermore, it supported politically-desirable cooperation with other COMECON countries. The volume and structure of foreign trade was determined by the needs of the national economy envisaged in a national-economic plan. Exports in the socialist economy were considered only as a source of foreign currency and as a means to pay for necessary imports. Imports were vital since they included essential raw materials, technically more-advanced machinery, new technologies and consumer goods that were lacking. The main plan was the foreign-trade plan, which included among other things both tangible proportions of exports and imports (referred to as "the tangible plan") and their foreign-currency coverage ("foreign currency plan") as well as a transportation plan. Particular trade-policy instruments included tariffs, quotas, administrative barriers to trade, and bilateral agreements. Concrete instruments differed for each country, and depended on whether the country was part of the COMECON or not.

imports merely to the raw materials, goods and technologies required for industrialization, which were in short supply or of insufficient quality. Exporting to the West, they tried to gain foreign-currency stocks. The COMECON members' interests in developing economic relations with western countries were mainly pragmatic.³

In the mid-1970s, the Soviet bloc's attempts to normalize trade relations with Western Europe intensified. However, Western Europe adopted a political attitude to the question of official *rapprochement*, and broader economic cooperation was not considered. The development of trade continued purely under the authority of bilateral contracts, which did not lead to closer economic links as, for example, affiliation to the EEC did, forming a free-trade zone. Politics prevailed over economics, regardless of the fact that, even after more than twenty years, there was neither a considerable change in the social and economic differences among the COMECON member states, nor an efficient coordination of their national economies. Autarky, a non-conforming system of price regulation, the inconvertibility of currencies and unrealistic exchange rates escalated disparity among member states even more. All this, together with an inconvenient geographical situation off the main international routes, rather poor stocks of fuels and raw materials for the great industrialization plans and technological underdevelopment of the COMECON states substantially determined trade with the EEC.

Trade agreements within the COMECON differed fundamentally from the agreements concluded with some non-socialist countries. The difference laid, not only in the base plan and the unification of a five-year period but in a greater certainty of deliveries and purchases, which were firmly agreed upon among socialist producers.⁴ Financial and credit connections were of prime importance in economic dealings between the East and the West, and they influenced the volume and

³ M. Schmitt, "Tendenzen der Ost-West-Integration", *Außenpolitik* 1 (1968), pp. 263-264, or H. D. Jacobsen, H. Machowski, K. Schröder, "Politische und ökonomische Rahmenbedingungen der Ost-West-Wirtschaftsbeziehungen", *Außenpolitik* 39 (1988), pp. 138-149, p. 139.

⁴ J. Nykryn, *Zabraníční obchod ČSSR*, (Prague 1988), p. 122.

the structure of trade. The most common financing methods included traditional contracts of purchase, non-traditional direct cooperation in research, the exchange of licences, common design activities, industrial and compensating cooperation and the most important, so-called countertrade, which occurred either as an independent compensating trade operation or as a pay-off for western credit provided to socialist economic subjects. Other forms were joint ventures, mixed partnerships and other rather specific instruments, such as leasing and factoring.⁵

COMECON countries chose a strategy of infrastructure modernization in the 1970s and, for this purpose, imported advanced machines and materials from the West. In the course of the 1970s, trade turnover quadrupled, collaboration in science and technology intensified, the licence trade grew, and there was direct cooperation in research, production-sharing and a number of joint ventures.⁶ Besides expansion in volume, there was a qualitative change. During the period of détente, there were coordinated long-term projects and facilitated conditions of trade financing.⁷ Socialist economies obtained enough capital for new investments and imports from the West; at the same time, favourable outcomes of modernization were to constitute trouble-free paying-off borrowings and debts. Accordingly, imports from capitalist states increased by 15% and the trade deficit increased to USD 3.75 billion between 1971 and 1973.⁸ In 1975 it was more than USD 11 billion.⁹ The GDR, Poland, and Romania were among the biggest beneficiaries. These countries wanted to eliminate an imminent economic recession and, in the short term, to gain foreign exchange to improve the supply of

⁵ J. Nykryn, *Hospodářské styky mezi socialistickými a kapitalistickými zeměmi Evropy*, (Prague 1981), pp. 144-148.

⁶ *Ibid.*, p. 26.

⁷ West European banks provided convenient loans and supplied credit. For instance, a group of West German banks, headed by Dresdner Bank, granted long-term credit to the amount of 650 million marks to Poland in 1976; French banks also extended 450 million francs credit. J. Nykryn, *Hospodářské styky*, pp.148-149.

⁸ F. Levčík, *Ostverschuldung und Ost-West-Wirtschaftsbeziehungen*, (Wien 1977), p. 1.

⁹ Total indebtedness in the Soviet bloc varied from USD 30 to 35 billion in the mid-1970s and it continued to grow. F. Levčík, *op. cit.*, p. 1.

consumer goods. Unfortunately, modernization did not bring the intended results and most of the COMECON countries found themselves critically indebted at the beginning of the 1980s. The debts of the Soviet-bloc countries, together with limited opportunities for exportation, created a significant obstacle in their further economic development.¹⁰

Although numerous socialist countries battled with perpetual indebtedness and hence were forced to export more intensively to capitalist states, they were able to sell raw materials. External debt decreased in the short term; nonetheless, only strong restrictive measures in imports and energy and material savings led to a definitive decline in foreign debt in some countries. Economic isolation and technological backwardness made several socialist states seek closer economic collaboration with western democracies, mostly through membership in the International Monetary Fund and the World Bank.¹¹ Special diplomatic meetings and conferences in the course of the Cold War did not solve anything. According to Western economic experts, the COMECON needed mainly to liberalize the price system, rehabilitate the functions of goods and money in domestic markets and reorganize foreign trade. Simultaneously, Western experts considered it vital to open COMECON markets to Western investments and technologies in order to achieve economic recovery.¹²

3. Economic Relations Without Official Political Contacts

Economic relations between Czechoslovakia and West Germany were not trouble-free immediately after the Second World War. The

¹⁰ The analysis of trade between the East and West was provided by Askanas. He assumed a zero trade balance between the EEC and the COMECON in 1990 if there were a high average economic growth in Western Europe (6%) and low average growth in imports to COMECON countries (3.2%). B. Askanas, "Die Wirtschaft der RGW-Länder an der Schwelle der achtziger Jahre", *Monatsberichte des Österreichischen Institutes für Wirtschaftsforschung* 4 (1981), pp. 234-236.

¹¹ Hungary and Poland were accepted into the International Monetary Fund as developing countries. A. Zwass, *Der Rat für gegenseitige Wirtschaftshilfe 1949 bis 1987*, (Vienna, New York 1988), pp. 16-17.

¹² R. Dietz, "Wer gewinnt im COMECON-Handel?", *Osteuropa-Info* 60 (1985), pp. 10-11.

two countries belonged to different economic and political blocs, almost to different worlds. Reciprocal trade was complicated by the US embargo in 1949. Czechoslovakia faced, for example, a general embargo on exports of strategic goods to socialist countries. From the political point of view, it must be stated that there were no official diplomatic relations between Czechoslovakia and the Federal Republic of Germany until the 1960s. According to West German Hallstein Doctrine, states that acknowledged the German Democratic Republic were considered hostile and were supposed to be without any diplomatic relations with West Germany. In spite of this, business and trade relations were maintained and developed independently of the political environment. Trade was the only connecting link between Czechoslovakia and the Federal Republic of Germany at that time, and both countries had many reasons for maintaining reciprocal trade. For example, there was a tradition of cooperation. The two economies were linked from the previous period, and had many business contacts and a similar industrial structure. Czechoslovakia needed to obtain technical equipment, in order to achieve autarky in the spirit of socialist ideology. West Germany, on the other hand, was dependent on imports of raw materials and foodstuffs from the East, and above all, high-quality West German goods were more competitive in eastern markets.

Interest in maintaining reciprocal trade between these countries was proved by establishing the Czechoslovak unofficial commercial agency in Frankfurt-am-Main and the West German *Ost-Ausschuss der Deutschen Wirtschaft* in 1952.¹³ This body's aim was to encourage trade links with the Soviet bloc, especially the USSR, and prepare materials for negotiations with the COMECON countries. West Germany endeavoured to found a trade agency in Czechoslovakia in the mid-1950s; however, Czechoslovakia utterly refused it for political reasons. In the 1950s, the CSSR represented, for West Germany, a supplier of end products from

¹³ I. Jakubec. "Československo-západoněmecké obchodně-politické a dopravněpolitické vztahy v období 1949-1967", *Acta Oeconomica Pragensia* 3.13. (2005), pp. 190-209, 191.

iron (railroad cars), food (sugar, malt), raw materials (brown coal, china clay) and fuels. In return, the CSSR demanded machines and spare parts, and chemical products. No agreement on mutual trade and cooperation was signed at the intergovernmental or ministerial level in the 1950s and 1960s, since it would have meant *rapprochement*, establishing official diplomatic relations, *de facto* acknowledgement of the FRG on the part of Czechoslovakia and the violation of the Hallstein Doctrine on the part of the FRG.¹⁴ That is why an annual so-called “protocol on the exchange of goods and payments”, which determined the volumes of imports and exports of both countries, was agreed upon by representatives from relevant foreign-trade organizations from the CSSR and enterprises from the FRG.¹⁵ Nonetheless, both governments were aware of the development and results of these trade negotiations.

At the beginning of the 1960s the FRG wanted to place its products in Eastern Europe. The Czechoslovak economy went through a period of liberalization. However, trade between Czechoslovakia and West Germany was underway without any wider legal framework: there was no agreement or treaty, and trade was carried out merely on the basis of the protocols. At this time, contradictory tendencies in German trade policy appeared. On the one hand, quotas (contingents) on certain

¹⁴ Developed countries, interested in economic relations with the CSSR, undertook them on the basis of bilateral agreements rather than under the auspices of GATT. The CSSR was a member of GATT (General Agreement on Tariffs and Trade) since 1945; nonetheless, this did not affect its trade with western countries. Membership did not allow the CSSR to take advantage of all the benefits as other states did: most Western European countries did not provide such convenient conditions for imports from Czechoslovakia as they did for other GATT countries. GATT suspended the CSSR's most-favoured nation clause in 1951, and tariffs on Czechoslovak goods according to GATT were much higher than tariffs based on bilateral agreements. As well as tariffs, there were also quotas, mostly on metallurgical, chemical and consumer goods. In trade between the EEC and Czechoslovakia, autonomous non-tariff instruments of trade policy played a significant role – short-term protocols on the exchange of goods and payment, and long-term so-called agreements on cooperation, which represented a wider frame of the trade policy. L. Fojtíková, *Zahraničně obchodní politika ČR: Historie a současnost (1945-2008)*, (Praha 2009), pp. 84-86.

¹⁵ M. Purger, “Contractual Regulation of Economic Relations between Czechoslovakia and Federal Republic of Germany”, *Czechoslovak Foreign Trade* 7.15. (1975), pp. 13-15.

“trade and politically-sensitive items” were enhanced. On the other hand, liberalization in common trade was established. Czechoslovak exporters benefited from this, since the liberalization included one third of Czechoslovak export items.¹⁶

In August 1967 the first comprehensive intergovernmental agreement was signed – the Agreement on the Exchange of Goods and Payments, as well as the Agreement on the Establishment of Commercial Representations.¹⁷ Both of them were in force from February 1968. These agreements represented the first stipulation of reciprocal trade relations between the Czechoslovak and the West German governments. However, the establishment of diplomatic relations was still far off. The commercial representation of German industry was operating in Prague, as was the Czechoslovak commercial representation in Frankfurt-upon-Main. In the following years it was clear that this was a great step forward in foreign trade for both countries.

4. Strengthening Mutual Cooperation in the 1970s

In 1970 the new Long-term Agreement on the Exchange of Goods and Cooperation in the Field of Economy, Science and Engineering was agreed upon, and it was valid for the duration of the whole Czechoslovak five-year plan (until the end of 1974). In general, it was about further liberalization of imports to Germany and setting up terms of reciprocal trade, which were specified in annual goods protocols.

In the period of Erhard’s government it was obvious that Germany would like to improve relations with COMECON countries. This goal was achieved, however, after Willy Brandt became Chancellor at the end of the 1960s, when reciprocal diplomatic and trade relations were

¹⁶ *Ibid.*, p. 13.

¹⁷ A summary of trade (and trade-related, political) agreements between Czechoslovakia and the FRG after the Second World War is located in I. Jakubec, *Československé dopravněpolitické vztahy v období studené války se zvláštním zřetelem na železnici a latskou plavbu (1945/1949-1989)*, (Prague 2006), pp. 166-168.

normalized and stipulated under the Ostpolitik concept. Ostpolitik was massively supported by West German businessmen, mainly in the field of industry, who regarded it as an instrument for further expansion on Eastern European markets. It was to lead to an increase in their exports and access to economic and scientific-technical cooperation in particular industrial sectors.¹⁸ In the terms of Ostpolitik, separate treaties on reciprocal relations were made with individual COMECON countries. The Czechoslovak agreement was signed in December 1973 after long negotiations.¹⁹ Although the invalidity of the Munich Treaty was the bone of contention between Prague and Bonn from the outset of negotiations, West Germany acknowledged the invalidity of the Munich Treaty from its inception. In this rather political agreement, it was stated that foreign trade links would be consolidated and strengthened.²⁰ "The Czechoslovak Socialist Republic and the Federal Republic of Germany will undertake further steps to broaden the development of their reciprocal relations. This coincides with their neighbourhood cooperation enhancement in the fields of the economy, science, scientific-technical contacts, culture, environmental protection, sport, transportation and other contacts concerning both parties."²¹ The Treaty was validated in July 1974 and, along with warmer relations between the USA and the USSR, set up a favourable climate for an increase in trade between socialist and capitalist states.

¹⁸ L. Rouček, *Die Tschechoslowakei und die Bundesrepublik Deutschland 1949-1989: Bestimmungsfaktoren, Probleme und ihrer Beziehungen*, (Munich 1990), p. 125.

¹⁹ The development of negotiations, an analysis of the treaty content and implications for further advancement in international relations are set out in J. Plšková, *Východní politika Brandtovy vlády v letech 1969-1974*, (Prague 1999), pp. 125-135.

Similar treaties were concluded with the USSR in August 1970, with Poland in December 1970, with the German Democratic Republic in December 1971, and with Hungary and Bulgaria in December 1973. I. Jakubec, *Československé dopravně politické vztahy*, pp. 41-47.

²⁰ The contents of the treaty, as well as the political aspects from the German point of view, are comprehensively described in Akademie für Staats- und Rechtswissenschaften der DDR, *Die Beziehungen der BRD zu den sozialistischen Staaten Europas in den 70er Jahren*, (Potsdam-Babelsberg 1979), pp. 66-68.

²¹ R. Brach, *Smlouva o vzájemných vztazích mezi ČSSR a SRN z roku 1973*, (Prague 1994), p. 74.

Moreover, other institutions, created to enhance common foreign trade and economic relations and to search for their new forms, were developed in the first half of the 1970s. In West Germany it was *Tschechoslowakische Kreis* (The Czechoslovak Circle) at *Ost-Ausschuss der Deutschen Wirtschaft* (The Eastern Committee of the German Economy) in 1973 and *Sekce SRN* (The FRG Section) at the Czechoslovak Chamber for Commerce and Industry one year later. Members of *Kreis* were representatives of large-scale German concerns, banks, and wholesalers. The FRG Section members were representatives of foreign-trade organizations, other large enterprises and banks. They were to support interrelations and seek new channels and forms of economic association in production, industry and in scientific and technical fields. After establishing the Mixed Commission, both bodies aimed to exchange information about common economic interests, holding various exhibitions and lectures. At the end of the 1970s, "discussion days" were arranged, where representatives of organizations and companies from both countries met in order to establish relationships.

Since 1974 the West German bargaining position with Eastern European countries was limited; a section of authority in the realm of foreign trade was ceded to the EEC institutions.²² However, this did not refer to agreements on economic, industrial and technical cooperation; henceforth, trade was neither regulated by an agreement nor complicated by this fact. As the expiry-date of the Long-term Agreement was approaching, new negotiations concerning a brand-new agreement between West German and Czechoslovak teams began; discussions ended in January 1975. The outcome was another Long-term Agreement between the government of the Czechoslovak Socialist Republic and the government of the Federal Republic of Germany on Further Promotion of Economic, Industrial and Technical Cooperation. Both countries emphasized their utmost concern over the growth of

²² Economic cooperation between the EEC countries and Czechoslovakia is analyzed in detail, for example, in V. Macků, R. Zemanová, *K problematice hospodářských styků mezi ČSSR a EHS*, (Prague 1986), or L. Fojtíková, *op. cit.*, pp. 85-90.

mutual cooperation in agriculture and selected industrial sectors, e.g. engineering, construction, transportation and communications.²³

The agreement included not only general aims but also tangible steps. At the same time the agreement provided more space for the buying and selling of licences, know-how, and the intensification of new technological processes. It should have supported joint production and distribution, the modernization of industrial plants in order to better use the industrial capacities of the time and set up new industrial plants. However, it was not a complex trade contract or treaty. Hence, exports and imports took place on the basis of so-called autonomous trade-policy instruments – contingents and tariffs. With this agreement, the Mixed Commission was established from representatives of both countries. It was supposed to organize and supervise reciprocal trade in general and take part in trade negotiations.²⁴ The Commission met more than once a year, worked on particular cooperative projects, and was used for sharing information between the two states. The Commission had several working groups; for example, engineering and metallurgy, energy and chemistry, electrical engineering and electronics. In 1979 a working group for fuel-saving and energy-saving was established. In 1983 new working groups of the Mixed Commission were set up for the food industry and groceries, as was another group for banking two years later. One of the outcomes of the Mixed Commission was the holding of various conferences and discussion days, where representatives of Czechoslovak organizations and German companies met to further trade contacts.

In the mid-1970s the international Conference on Security and Cooperation took place in Helsinki. From an economic point of view, the so-called “second basket” was very interesting; it referred to

²³ Minister of Foreign Affairs of the FRG, Hans-Dietrich Genscher, expressed the significance of mutual cooperation: “Czechoslovakia is a very interesting partner for the West German economy, in particular because of its geographic location and developed techno-industrial industries.” Akademie für Staats- und Rechtswissenschaften der DDR, *op. cit.*, p. 69.

²⁴ *Ibid.*, p. 70.

cooperation in economics, science and technology and the environment. It was agreed to support the reciprocal exchange of goods and services, and to create favourable conditions for future development, to eliminate obstacles in the development of trade, to support new contacts among representatives of states and companies and particular international institutions and banks and to provide them with all the necessary economic information. It was determined that industrial cooperation was a very important area: joint production, distribution and specialization, the creation and modernization of joint industrial companies, the exchange of know-how, patents, licences and joint industrial research were all mentioned explicitly. As for infrastructure, the agreement included the development of the transport network and the saving of electricity. In science and technology, the dissemination and exchange of technical and scientific information, specialists and scientists was to be undertaken, together with increased contact among scientific organizations and institutions, especially in the areas of agriculture, transport, the environment, medicine and meteorology. The conference set up a new framework for the development and intensification of economic cooperation between the East and the West. The arrangement that resulted from the conference was far beyond the pre-existent bilateral agreements on economic relations between Czechoslovakia and West Germany.

There was much evidence of relatively close economic relations between the CSSR and West Germany. For instance, in May and June of 1975 there was *Průmyslový týden* (the Industrial Week) of the CSSR held in Düsseldorf where Czechoslovak foreign-trade organizations presented their products. A reciprocal FRG *Technische Woche* was held in Prague in December of the same year.²⁵ Such events offered opportunities for trade contracts. Of the many business and trade meetings between West German and Czechoslovak delegations that were held, we shall mention one: in December 1978 Gustáv Husák, the Czechoslovak president, visited Berlin in order to negotiate *inter alia* economic and trade cooperation. Representatives of both countries agreed on a positive appraisal of the hitherto development of reciprocal relations, and declared their resolution

²⁵ *Ibid.*, p. 71.

to continue to cultivate them, mainly through intercompany cooperation in engineering, metallurgy, chemicals, the electronics industry and on the third markets.

In the second half of the 1970s the political and economic situation between the two states was trouble-free and better than ever before. At that time Mixed Commissions became more significant; they were given greater powers, and the connection between the Czechoslovak Chamber of Trade and Industry and *Ost-Ausschuss* was further strengthened by an agreement. Although support for new forms of cooperation between Czechoslovak organizations and German companies, such as establishing new joint companies, was declared, the first joint ventures were carried out in the second half of the 1980s (see next section). In the 1970s Czechoslovak cooperation in production with West German enterprises accounted for 60% of all cooperation in production, but for only 2% of trade value with the FRG.²⁶ At the end of the 1970s almost twenty cooperation contracts were set up, mostly in the engineering sector – for instance, ZTS Martin-Dubnica/Gebrüder Bauer (hydrostatic gears), Agrostroj Jičín/Guthbrod (agricultural machines) or Dukla/Gebrüder Otto Kreuztal (pressure vessels). Trade with licences was more intensive in the 1970s compared to the 1960s.

5. Stagnation of Trade in the 1980s

In the early 1980s economic relations between the West and the East worsened. This was due not only to the trade embargo the USA imposed on COMECON countries and western technology exports but also to the second oil crisis and EEC protectionism, which seriously affected the economies and trade of industrially-advanced countries.²⁷

²⁶ M. Purger, "The Federal Republic of Germany - Czechoslovakia's Largest Western Partner", *Czechoslovak Foreign Trade* 11 (1981), pp. 11-14, p. 12.

²⁷ With fixed prices and quantities in oil contracts, the first oil crisis hit COMECON countries with a lag. In trade with western countries, of course, the price movements were reflected immediately. Therefore, for example, East Germany benefited from a temporary difference in the price of oil, and exported oil originally from the USSR to western capitalist countries. Czechoslovakia did not have this option, since the price

Economic stagnation, greater competition and a lower demand on West German markets heavily influenced the volume of Czechoslovak exports to the FRG. In addition, because of slower economic growth, low labour productivity, an increase in the prices of imported raw materials and a shortage of foreign currency, the CSSR decided to limit and cut down on imports from capitalist states, which noticeably affected trade with West Germany. At the beginning of the 1980s the CSSR attempted to strengthen mainly alternative economic links with capitalist states, hence the passing of the new law on external economic relations. The law brought opportunities for wider economic cooperation. Consequently, before the end of 1985, 59 other cooperation contracts were drawn up with the FRG (153 with the EEC in total). The most significant West German business partners were the engineering firm Siemens, and the chemical factories Hoechst, Bayer, BASF, Deutsche Babcock, Klöckner, Demag, and Mannesmann.²⁸

Joint ventures with West German and Czechoslovak capital interests were not founded in Czechoslovakia until 1985; the CSSR had property dealings abroad in Germany but there were no joint ventures in Czechoslovakia at all. In the FRG there was, for example, Semex with the participation of Czechoslovak Motokov in Frankfurt-upon-Main or

and quantity of oil were set differently in contracts with the USSR. In general, the oil crisis caused an increase in commodity prices and a decline in the prices of finished products, which affected Czechoslovak trade very negatively, due to its commodity structure. The deficit in Czechoslovak foreign trade was first reported with relation to western countries, and later with socialist countries. For example, the Czechoslovak trade balance with the USSR was mostly positive in the 1960s; however, the opposite occurred because of a dramatic change in terms of trade in the second half of the 1970s. The commodity structure of imports from the USSR was dominated by energy inputs and other raw materials. At the beginning of the 1980s, just before the second oil crisis, the trade balance with the USSR was again in surplus. The second oil crisis was reflected more quickly in trade between COMECON countries, because contract prices were set as a moving average of world prices. The first and second oil crises led to the need to save on Czechoslovak imports mainly from the West, to reassess priorities in imports, and to export more intensively in order to cover financially nominally more expensive imports.

²⁸ J. Pinkava, "Prospects and Problems of Trade between Czechoslovakia and the Federal Republic of Germany - Economic Cooperation is Necessary", *Czechoslovak Foreign Trade* 6 (1984), pp. 11-14.

Intersug with the participation of Koospol, Jablonex and Metalimex in Hamburg.²⁹ The reason for there not being any linked companies in Czechoslovakia was that the CSSR did not want them for political reasons. On the part of Germany, there was a reluctance to establish joint ventures because of the absence of Czechoslovak legal regulations on the issue. All this changed in 1985, when the principles for establishing joint ventures and for joint-venture activities with non-socialist states were legally established. In the next period, many joint ventures were started, for example, between the Czechoslovak electronics manufacturer Tesla Brno and Senetek PLC from West Germany and between Škoda Plzeň and Deutsche Babcock. Compared with Poland or Romania, Czechoslovakia lagged very much behind in this field. Non-traditional economic relations with western countries (and especially with West Germany) were seriously underdeveloped.

In contrast, during the 1970s and 1980s cooperation on the third markets – in Africa, Asia, or Latin America – was relatively highly developed. Joint exports consisted of investment ventures, and even whole companies, which were produced in cooperation with West German enterprises. The initiative came mostly from those Czechoslovak organizations which were not able to ensure complete delivery on their own. Examples of successful cooperation included the contract between Pragoinvest and Siemens for the delivery of a cement factory to Brazil and Afghanistan, or the contract between Škodacexport, Deutsche Babcock and BBC Mannheim for the delivery of thermal power plants to the United Arab Emirates, Brazil, and the Philippines. In the 1980s thermal power plants were delivered to Turkey and Brazil, and sugar factories and equipment for ammonia production to Indonesia and other countries with the participation of the Czechoslovak companies Technoexport and Škodaexport, and the German companies Ina, Klöckner Duisburg, BBC Mannheim, and Deutsche Babcock.³⁰

²⁹ J. Nykryn, *Zahraniční obchod ČSSR*, p. 140.

³⁰ L. Rouček, *op. cit.*, pp. 136-137.

6. Analysis of Reciprocal Trade from the Czechoslovak Point of View³¹

6.1 Foreign Trade Turnover. Although Germany and Czechoslovakia were historically very good trade partners (Germany's share of Czechoslovak turnover was one third in 1930), political and economic changes after the Second World War led to a decline in their trade and cooperation. The division of Germany resulted in Czechoslovakia's trading more with East Germany, although this was not always advantageous. East Germany was Czechoslovakia's second-largest trading partner overall after the USSR, and West Germany was the most important trade partner among all the capitalist countries³² in the long term, and fourth overall after the USSR, East Germany and Poland. Almost one half of Czechoslovak trade with EEC countries was carried out with West Germany (50% of exports and 45% of imports in 1985). Its share in exports to industrially developed countries³³ increased from 21% in 1965 to 30% in 1985, while its share of imports rose from 17% to 24%.

Table 1 illustrates the development of the relationship between Czechoslovakia and Germany as a whole and West Germany separately.

³¹ In this section, official Czechoslovak data resources, mainly from the Historical Statistical Yearbook of the CSSR, are used. Data may be slightly different from those in West German sources. Czechoslovak data from the relevant period (1965-1985) have not been questioned so far and have been used by Czech (Czechoslovak) and foreign authors as reliable and accurate. Authors from developed countries estimated macroeconomic aggregates mostly from national accounts, which were not provided by a socialist statistical system of national economy data. Readers should be aware of a minor difficulty with nominal values of indicators, since a price effect may be significant in some years, such as during the oil crises.

A description of the development of Czechoslovak economic trade relations with other European capitalist states such as Austria, Great Britain, Italy and the Netherlands can be found in J. Nykryn, *Zabraněný obchod ČSSR*, pp. 187-200.

³² F.-A. Altmann, *op. cit.*, p. 729, or J. Pinkava, *op. cit.*, p. 15.

³³ The Czechoslovak Federal Statistical Office included, among developed capitalist countries, EEC member states – Belgium, Denmark, France, Italy, Ireland, Luxembourg, the Federal Republic of Germany, the Netherlands, Great Britain, and other developed non-socialist countries – Australia, Austria, Finland, Iceland, Japan, Canada, Lichtenstein, Malta, Norway, New Zealand, Portugal, Spain, Sweden, Switzerland, USA, West Berlin. Federální statistický úřad, *Historická statistická ročenka ČSSR*, (Prague 1985).

Data, especially shares of trade, show the growing importance of Germany as a whole for Czechoslovak importers and exporters, drawn mostly by East Germany. This trend changed in 1990, when the western part of reunited Germany increased its share of exports and imports dramatically, while the former East Germany was collapsing. Over thirty years (comparing the years 1950 and 1980, and not 1990 because of the aforementioned extremes) West Germany doubled its share of trade turnover with Czechoslovakia from 2.9% to 5.9%. Even though its position was stronger in exports than in imports, its share of imports grew faster.

At its best, Czechoslovakia was West Germany's third most important trading partner from all Soviet bloc countries – after the USSR and East Germany. In the 1980s it was surpassed by Poland and Hungary. *Table 2* shows the gradually diminishing significance of Czechoslovakia for West Germany. In trade turnover, Czechoslovakia's share diminished from nearly 1% to 0.5% over forty years. This trend corresponded to the development in exports and imports.³⁴ It is interesting that increased imports and exports from/to West Germany in 1990 (see *Table 1*) were not reflected in West German trade statistics in the same year. One possible explanation is that the amount was not high enough to influence Germany's data, since Czechoslovakia comprised such a small share.

It is obvious from *Figure 1*, depicting foreign trade turnover, that reciprocal trade was increasing during the entire period, except for the years 1967, 1972 and 1981, when turnover decreased absolutely. A high growth rate in turnover was achieved in the 1970s, thanks to Czechoslovakia's higher economic performance, and its higher demand and the general rise in prices in foreign markets.³⁵ The situation was rather different looking at changes in turnover year over year. Total

³⁴ In terms of importance to West Germany in trade, Czechoslovakia was 30, with a 0.5% share in FRG imports in 1986 and at the same time was 31 as far as exports were concerned (0.4%), and it was well behind other socialist countries. F.-A. Altmann, *op. cit.*, p. 728, or F. Stránský, I. Kunteová, *Hlavní tendence ve vývoji vnějších ekonomických vztahů evropských členských států RVHP se Spolkovou republikou Německo*, (Prague 1990), p. 12.

³⁵ J. Nykryn, *Hospodářské styky*, p. 131.

foreign trade turnover developed best in the 1970s when the average growth rate was more than 10%. The first part of this period was especially impressive, with a growth rate of almost 20%. This was mainly due to the establishing of commercial representation and a long-term trade agreement that set up a basis for reciprocal trade, and to warmer relations between the East and the West. However, it would appear that the Prague Treaty on Mutual Relations did not aid trade and the economy significantly. The second half of the 1970s was not an above-average period; nonetheless, good political relations influenced a 10% growth in turnover. At that time the liberalization of West German foreign trade was at a level of 93%, which meant that 7% of items were under quotas, but for Czechoslovakia these 7% represented more than 20% of its total exports to the FRG. It concerned textiles, leather and other consumer goods, chemicals and metallurgical products, the goods that contributed more and more significantly to increasing Czechoslovak exports.³⁶ During the 1970s Czechoslovak exports to West Germany doubled and imports from West Germany tripled.

On the other hand, the period from 1980 to 1983 was deplorable, in that reciprocal trade increased on average by only 2%. As has been stated previously, the second oil crisis affected both economies heavily. The other factors were the US embargo on trade with eastern countries, Czechoslovak products' increasing technical backwardness and a Czechoslovak attempt to reduce imports from Western Europe in order to reach a positive balance of trade.³⁷ The second half of the 1980s can be described as a period of détente that influenced common trade positively. Developed capitalist states, and especially West Germany, began to expand in the territorial distribution of Czechoslovak foreign trade at the expense of the COMECON countries. The growth rates of imports and exports were higher on average. Nonetheless, a trade deficit occurred again.

³⁶ *Ibid.*, p. 135.

³⁷ M. Hrnčíř, J. Staněk, "Československá zahraniční politika na cestě k vztahům dobrého sousedství s NSR a Rakouskem", *Mezinárodní vztahy, Československá revue pro zahraniční politiku*, XIII.4 (1978), pp. 9-19.

6.2 Balance of Trade. According to *Figure 2* illustrating Czechoslovakia's foreign trade balance, it seems obvious that there were two different phases with regard to the EEC and West Germany. In the second half of the 1960s, the balance of trade was, from the Czechoslovak point of view, in surplus. The excess of exports over imports was greatest in 1969 when it amounted to almost CSK 250 million. In the following decade, however, Czechoslovakia was not able to achieve a positive balance of trade and it saw higher import prices due to a rise in prices of raw materials, fuels and others. In general, terms of trade were inconvenient for Czechoslovak exporters *de facto* in this period, meaning that export prices were lower or their increase was lower than that of import prices.³⁸

The balance of trade deficit with West Germany worsened gradually for all but a few years in the 1970s. The deepest deficit was seen in 1979 when it amounted to CSK 750 million. The trade deficit with the COMECON states, and with capitalist states as well, contributed to a negative overall balance of trade. Passive balances with capitalist states added pressure to the need for convertible currencies – foreign currencies for covering imports. The trade deficit grew gradually through the 1970s as requirements for the quality of Czechoslovak goods rose and the Czechoslovak economy's demand for imports grew. The first and the second oil crises influenced the balance of trade as well as some trade-restrictive measures in EEC countries.

As a consequence of this unsatisfactory development, it was decided finally that the Czechoslovak export structure had to be improved, and

³⁸ Although prices in the socialist economy were subject to small or no changes in general, prices in foreign trade were more volatile. Export and import prices were set in individual contracts and derived entirely (with capitalist countries) or partially (with socialist countries) from the development of global prices. A change in global prices sooner or later affected the contract prices and the terms of trade. Since there were no international prices in COMECON trade, the prices of goods were created with a complex system of surcharges and deductions with respect to global prices (respectively their moving average). In the second half of the 1970s and 1980s, the influence of changes in global prices was more considerable than before. Prices in contracts among COMECON trade partners were set for as long as five years because of five-year central plans, and thus were more stable than in trade with western countries.

that exported products had to be of higher quality. Owing to the Czechoslovak government's austerity measures and administrative limits on trade with socialist states from the EEC at the beginning of the 1980s, it succeeded in rendering the balance of trade with West Germany positive again and with the EEC positive one year later. Nonetheless, while the balance of trade with the EEC was improving, the positive balance with Germany diminished.

The loosening of comparative advantages during trade integration into COMECON markets led to a loss of Czechoslovak goods' competitiveness on western markets. Although Czechoslovakia was a leading producer of selected products such as footwear, hops, and steel, it gradually lost competitiveness in the most technically-advanced products, mainly in the chemical and electrical industries. Its product quality and innovation capability were reduced. For a very basic overview of the development of Czechoslovak competitiveness, a simple indicator - balance of trade divided by trade turnover of selected territories - was examined (see *Figure 3*). A rising indicator indicates improving competitiveness; its positive value reflects a competitive position of goods in the international market.

From a global point of view, Czechoslovak foreign-trade organizations operated in markets abroad with various degrees of success until 1973 (overall exports were higher than imports). In the second half of the 1970s the indicator dropped, due to a repetitive negative balance of trade. In the early 1980s the position of Czechoslovak products slightly improved again, but this was possibly influenced by stricter administrative import restrictions and a massive export boost, not by improvement in the quality of goods and services. Considering only the developed capitalist countries, the indicator was very low and, with the exception of 1967, was never positive. The West German market occupied a special position: foreign trade organizations managed to sell products more intensively there. The indicator increased and was positive in the second half of the 1960s and also in the first half of the 1980s. The 1970s were characterized by the gradually deteriorating competitiveness of Czechoslovak goods on the West German market (imports exceeded exports).

6.3 Exports. Czechoslovak foreign trade organizations were the most successful in placing their products on foreign (western) markets in the 1970s when political relations and the economic situation were mostly favourable. Overall exports rose by 5% on average in the second half of the 1960s, but in the 1970s they rose by over 10%. This high growth rate was maintained even in the early 1980s. The capital states, the EEC and West Germany, had a rather different story. The most favourable period was the first half of the 1970s when exports to the EEC markets increased by 20%. The next five-year period was characterized by a loss in export dynamics, when growth slowed to a 5% annual average. In 1980 an exception occurred, which contributed to this 5% value significantly. The development of exports to West Germany was similar. This is not surprising since half the exports to the EEC were exports to the FRG.

Czechoslovak exports to the Federal Republic of Germany were highest in the second half of the 1960s. This was due to a more liberal economic policy in Czechoslovakia and strong economic performance in Germany. Another factor that may have been important was the founding of commercial representations in Prague and Frankfurt-upon-Main. The average annual growth rate of exports was about 18%. The huge increase in exports to Germany in 1969 was supported by a unilateral German liberalization of trade; about 90% of Czechoslovak export items were thus influenced positively, for example, textile products, leather-manufacturing and the chemical industry.³⁹ In the 1970s exports continued to rise at a high rate – more than 10% f.a. The 1980s were characterized by an average 6% annual change in exports: this rate was heavily affected by the total for 1980. In 1981 and 1982 we can see an absolute decrease in the value of exports and imports to the EEC and to West Germany. The reasons were various – a dismal economic situation in both countries and administrative limits from the EEC states; moreover, the problem of the low technical and technological quality became more and more

³⁹ M. Purger, *op. cit.*, p. 15

pressing.⁴⁰ The administrative limits imposed by the EEC hit Czechoslovak export industries heavily, since the export structure to the EEC countries was dominated by manufactured goods – steel, textiles, chemicals and food (see next section).⁴¹

6.4 Imports. Growth rates of Czechoslovak imports developed almost identically with the growth rate of overall exports (see *Figure 5*). In the second half of the 1960s they were at their lowest: in general only 6% annually. But then they recovered and amounted to 13% on average. In the second half of the 1970s the annual growth rate was a slightly lower 12%, and in the first half of the 1980s it decreased again to 8%. If we narrow import partners to only the EEC states, development was rather similar. Czechoslovakia's highest rate of imports was seen in the first half of the 1970s, with annual increases of almost 25%, and in the following five years the increase was only 7%. Owing to restrictions and unfavourable trade conditions, imports to the EEC decreased: the negative rate of change was -1%.

As far as reciprocal trade relations with Germany were concerned, Czechoslovakia's highest rate of purchase of West German products was in the first half of the 1970s, when imports were 25% higher. The next period was markedly 50% weaker. The first five years of the 1980s brought a reduction of the growth rate in imports by -0.5% annually; the most significant years were thus 1980 and 1981. Imports from the capitalist states to Czechoslovakia stagnated in the 1980s, and decreased on average from 1980 to 1985. There were several factors responsible for this change – economic stagnation and limits on trade from both Germany and Czechoslovakia. Czechoslovakia was dependent on oil and raw material imports and in the early 1980s was forced to buy

⁴⁰ "We know that an increase in exports may be reached by means of the high quality and high technical standards of products, regular innovations, and the rapid implementation of new scientific and technical knowledge in production, the shortening of delivery dates, providing perfect services and, lastly, high-level promotion in trade." J. Pinkava, *op. cit.*, p. 12. The same opinion was shared by J. Nykryn, *Hospodářské vztahy*, p. 139.

⁴¹ D. Marek, *op. cit.*, p. 146.

expensive oil on international markets. This led to a chronic shortage of foreign currencies and to limits on imports of other items, mainly consumer goods. Its long-term goal was to cut down foreign indebtedness in foreign currencies. And so quotas on imports and supports on exports were introduced.

6.5 Commodity Structure of Foreign Trade⁴². Until the 1970s the structure of reciprocal trade corresponded to trade between two industrially-developed countries. But in the first half of the 1970s the share of machinery and vehicles in Czechoslovak exports decreased dramatically (by 50%). In the first half of the 1980s this group of goods' share of exports declined further (see *Figure 6*). On the other hand, the share of Czechoslovak imports comprising machinery and vehicles increased by 10% at the end of the 1970s and, despite a particular decrease at the beginning of the 1980s, it continued to rise (see *Figure 7*). These machines and vehicles were mostly used in Czechoslovak factories for further production, and in 1973 they accounted for more than 50% of imports from West Germany. The increase in machinery and vehicles in the structure of Czechoslovak imports was compensated by a reduction in foodstuffs, beverages, tobacco and manufactured goods – meaning consumer goods. Items such as machine tools, measuring and controlling devices, chemicals – dyestuffs, rubber, plastics, and industrial semi-finished (steel and iron) goods constituted the principal imports from Germany.⁴³ In general they were products with a higher added value. Germany had an active balance only in engineering and chemical industry products, but these groups were significant because they represented the largest share of Czechoslovak imports from West Germany. The structure of reciprocal trade was unbalanced from the Czechoslovak point of view.

⁴² The commodity structure of Czechoslovak trade was formed according to a special COMECON commodity structure classification (3rd edition), which was different from the classification used internationally and in western countries (Standard International Trade Classification – SITC, revision 1). An analysis of commodity structure in SITC can be found, for example, in F. Stránský, I. Kunteová, *Hlavní tendence ve vývoji*, pp. 15-16.

⁴³ I. Jakubec, *Československo-německé dopravněpolitické vztahy*, pp. 50-51.

There was no similar equivalent on the export side, and so the end of the 1970s saw an attempt to change the structure of foreign trade with West Germany, which resulted in an increased share of manufactured goods, fuels and lubricants, and chemicals in Czechoslovak exports. These items, and not machinery and vehicles, served as sources of foreign currency. Furthermore, miscellaneous finished goods comprised a relatively high share of Czechoslovak exports. On the contrary, the share of raw materials and metals declined, as well as foodstuffs, beverages and tobacco. Czechoslovak exports were mainly metallurgical products, mineral fuels, brown coal, passenger vehicles, machine tools, tractors, chemical products, textiles, ceramic and glass products.⁴⁴ This structure did not correspond to exports from an industrially developed country, nor did it constitute the basis for a further intensification of trade relations between countries with a similar industrial production structure. Industrial consumer goods gradually achieved a prominent position in the commodity structure of Czechoslovak trade with West Germany. They were still of a fairly high quality, and in the second half of the 1970s they were Czechoslovakia's principal source of foreign currency. Although engineering products had previously served this purpose, industrial consumer goods replaced them in this function. These goods included textiles, ceramics and glass products, footwear and furniture. On the other hand, this group was less significant in the volume of imports, even though the Czechoslovak demand for consumer goods was high and not satisfied by the local supply.⁴⁵

The same structural changes that may be seen in Czechoslovakia's exports and imports with West Germany are certainly visible in its commodity structure with the EEC. Since West Germany represented the most significant non-socialist trading partner, it is logical to expect that the structure of items exported to or imported from the EEC was rather similar. Czechoslovak imports from the EEC were concentrated on commodities, of which there was a shortage on the East European

⁴⁴ J. Nykryn, *Zahraniční obchod ČSSR*, p. 189.

⁴⁵ J. Nykryn, *Hospodářské styky*, p. 142.

markets, such as highly-developed machinery, vehicles, manufactured goods and chemicals and, at the beginning of the 1970s, foodstuffs (for example cocoa from the Netherlands and fruit from Greece).⁴⁶ Czechoslovakia exported mostly wood, paper and metallurgical products to western markets. At the beginning of the 1980s a significant drop was seen in the exports of food and agricultural products (hops, beer) because of more restrictive EEC agricultural policy measures.⁴⁷

7. Possible Advantages and Disadvantages of Trade for Both Countries

In general, there is no doubt that reciprocal trade was profitable for both countries. From the Czechoslovak point of view, there were many benefits from trade with West Germany. The FRG provided a source of modern (mainly industrial), technology and know-how, patents and licences, which the Czechoslovak economy was not able to generate. Between 1970 and 1978, for example, 58 licences were bought from West Germany.⁴⁸ Thanks to the technologies it obtained, Czechoslovakia was able to develop its own industrial production processes, as well as its infrastructure, and could partially strengthen the competitiveness of its goods in international markets. Consequently, it was possible to increase Czechoslovak exports because of the higher quality of products and services. Another advantage was cooperation in third markets: this was considered more significant in Czechoslovakia than in West Germany. Economic cooperation with West German enterprises allowed Czechoslovak foreign trade organizations to enter new markets in Africa or Asia and to take part in deliveries to these countries. In the case of a positive trade balance, reciprocal trade was a considerable source of foreign currency, useful for paying for additional imports from the West.

⁴⁶ V. Macků, R. Zemanová, *op. cit.*, p. 68, or R. Zemanová, "Československý zahraniční obchod se zeměmi EHS", *Revue obchodu, průmyslu, hospodářství* 6 (1982), pp. 62-63.

⁴⁷ R. Zemanová, *Československý zahraniční obchod se zeměmi EHS*, pp. 62-63, or V. Macků, R. Zemanová, *op. cit.*, pp. 68-78.

⁴⁸ L. Rouček, *op. cit.*, p. 133.

Last but not least, trade was encouraged by comparatively low transportation costs⁴⁹, a traditionally good trade connection and reciprocal knowledge of both markets.⁵⁰

The main advantages for West Germany consisted in the furtherance of its own industrial production, thanks to specialization. Czechoslovakia represented a solid, stable and trouble-free trading partner; the same may not be said about other Soviet-bloc countries. Czechoslovakia always performed in international trade with very low indebtedness. The FRG was its most significant creditor from capitalist countries (about 50% of foreign debt belonged to German banks). Although Czechoslovakia accepted several short-term credits from German banks, it was never heavily indebted.⁵¹ Czechoslovak industry provided West German companies with relatively cheap raw materials and a limited source of know-how (between 1970 and 1978 Germany bought 86 licences from Czechoslovakia)⁵². As well as Czechoslovakia, Germany also took advantage of joint cooperation on the third markets and reasonable transportation costs.

Considering the commodity structure of reciprocal trade, Czechoslovakia had a secondary role: it exported low-quality manufactured goods, fuels and lubricants, and chemicals, and imported finished products, both industrial and consumer products. Dependency on the import of modern technologies from the West and hence on German exports was very evident.⁵³ The commodity structure was

⁴⁹ The port of Hamburg and the Labe River represented an important route for Czechoslovak-West German trade. Czechoslovakia used Hamburg as a base for international trade with other countries (even overseas). I. Jakubec, *Československo-německé dopravněpolitické vztahy*, p. 148, or I. Jakubec, *Československo-západoněmecké obchodně-politické a dopravněpolitické vztahy*, pp. 196-197 and pp. 200-202.

⁵⁰ J. Kosta, "Československo-německé hospodářské vztahy (vývoj-problémy-perspektivy)", *Mezinárodní vztahy* 3 (1992), pp. 29-40.

⁵¹ In relation to capitalist countries, total debt amounted to between 3 and 4 billion USD. For more information about Czechoslovak foreign borrowings see L. Rouček, *op. cit.*, p. 249, or J. Nykryn, *Hospodářské styky*, pp. 153-155.

⁵² L. Rouček, *op. cit.*, p. 133. For more detailed information about the purchase and sale of licences of Czechoslovak companies see, for example, F. Levčík, J. Skolka, *East-West Technology Transfer: Study of Czechoslovakia*, (Paris 1984).

⁵³ Czechoslovak economist Jiří Kosta came to the same conclusion. See J. Kosta, *op. cit.*, p. 32.

inconvenient and unbalanced for Czechoslovakia. Czechoslovakia depleted its own mineral resources. In addition, there was a need for extra foreign currency in order to pay for imports, not only those from West Germany. It is our opinion that there was only one possibly more significant disadvantage for West Germany – the purchase of low-quality goods without subsequent advanced services.⁵⁴

8. Conclusion

Despite various political and economic complications, trade relations between Czechoslovakia and West Germany were never disrupted. In comparison to the pre-war period, trade was rather marginal for both states in the 1970s and 1980s. Economic relations were almost always without any significant problems. For example, negotiations on trade and economic agreements or contracts in 1970 or 1975 confirmed that economic relations rose above political issues. The normalization of reciprocal political and diplomatic relations did not lead to a huge increase in the amount of foreign trade between Czechoslovakia and West Germany. It may be stated that economic relations represented a basis for proper political relations and consolidated them, and not vice versa. Advantages stemming from reciprocal trade outweighed disadvantages in both countries beyond any doubt, and were possibly slightly more significant for Czechoslovakia.

Traditional instruments and procedures were used in reciprocal trade, i.e. the exchange of goods and services, possibly joint production and placing products on third markets. New non-traditional forms of cooperation, for example joint ventures, were not effectively developed, mainly because of the conservatism of Czechoslovak politicians. Political fears regarding closer cooperation with the West was still present in the minds of Czechoslovak representatives. From the Czechoslovak point of view, the main problems consisted of an insufficient technical

⁵⁴ An analysis of other potential limits and drawbacks in mutual trade between the East and the West can be found in M. Lavigne, *The Economics of Transition: From Socialist Economy to Market Economy*, (London 1995), pp. 84-87.

level and the low quality of manufactured goods, hence low competitiveness in West German or EEC markets, and the rigidity of a centrally-planned economy, which was not able to react flexibly and quickly to changing conditions in international trade. Objective difficulties in reciprocal trade were two oil crises, German protectionism, and the EEC generally. Czechoslovakia tried to change the structure of foreign trade with Germany in the 1970s and 1980s, but was only partially successful. Exports of fuels and lubricants, chemicals, raw materials, and low-quality semi-finished goods predominated. From West Germany, Czechoslovakia gained new technologies and high value added goods. This situation was maintained until the fall of the communist regime in Czechoslovakia.

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Appendix

Czechoslovakia and West Germany.

A convenient trade partnership?

A Czechoslovak point of view

TABLE 1. Czechoslovak Trade Turnover, Trade Balance, Exports and Imports To/From Germany and (West Germany) (Current Prices)

	1930	1950	1960	1970	1980	1990
Exports to Germany (bln. CSK)	5.3	0.5 (0.2)	1.9 (0.5)	4.8 (1.5)	12.7 (5.2)	36.9 (27.7)
Share of Germany in exports (%)	28.3	9.0 (3.6)	13.7 (3.6)	17.6 (5.5)	15.9 (6.5)	17.1 (12.8)
Share of exports to Germany on Czechoslovak national income (%)	-	0.5 (0.2)	1.2 (0.3)	1.5 (0.5)	2.6 (1.1)	5.5 (4.1)
Imports from Germany (bln. CSK)	6.6	0.3 (0.1)	1.8 (0.4)	4.7 (1.5)	12.9 (4.4)	51.2 (23.1)
Share of Germany in imports (%)	37.3	6.5 (2.2)	13.8 (3.1)	17.6 (5.6)	15.8 (5.4)	21.5 (13.3)
Share of imports from Germany on Czechoslovak national income (%)	-	0.3 (0.1)	1.1 (0.2)	1.5 (0.5)	2.7 (0.9)	7.6 (3.4)
Trade turnover with Germany (bln. CSK)	11.9	0.8 (0.3)	3.7 (0.9)	9.5 (3.0)	25.6 (9.6)	88.1 (50.8)
Share of Germany in trade turnover	32.7	7.8 (2.9)	13.7 (3.3)	17.7 (5.6)	15.8 (5.9)	19.4 (13.1)
Trade balance with Germany (bln. CSK)	-1.3	0.2 (0.1)	0.1 (0.1)	0.1 (0.0)	-0.2 (0.8)	-14.3 (4.6)

Note: National income is a proxy for gross domestic product from socialist statistics, since GDP was not calculated. National income was an indicator very close to gross added value in the system of national accounts.

Source: F. Stránský, I. Kunteová, I., *Vývoj zahraničněobchodních vztahů*, pp. 3, 5; J. Kosta, op. cit. pp. 33, 34; Historická statistická ročenka ČSSR, pp. 88-89; authors' calculations.

TABLE 2. West German Trade Turnover, Trade Balance, Exports and Imports in Relation to Czechoslovakia (Current Prices)						
	1936	1950	1960	1970	1980	1990
Exports to CSSR (mil. DM)	139.0*	75.9	273.8	1,058.2	1,892.0	3,080.1
Share of CSSR in exports (%)	2.9	0.9	0.6	0.8	0.5	0.5
Share of exports to CSSR on German GDP (%)	-	0.2	0.1	0.2	0.1	0.1
Imports from CSSR (mil. DM)	111.9*	105.3	258.9	726.9	1,901.1	2,703.5
Share of CSSR in imports (%)	2.7	0.9	0.6	0.7	0.6	0.5
Share of imports from CSSR on German GDP (%)	-	0.2	0.1	0.1	0.1	0.1
Trade turnover with CSSR (mil. DM)	250.9*	181.2	532.7	1,785.1	3,793.1	5,783.6
Share of CSSR in trade turnover (%)	2.8	0.9	0.6	0.8	0.6	0.5
Share of trade turnover with CSSR on German GDP (%)	-	0.4	0.2	0.3	0.2	0.2
Trade balance with CSSR (mil. DM)	27.1*	-29.4	14.9	331.3	-9.1	376.6
<p><i>Note:</i> In 1936 in Reichsmarks (RM). <i>Source:</i> Statistisches Jahrbuch für die Bundesrepublik Deutschland (SJBD) 1952, pp. 235, 258, SJBD 1962, pp. 306 a 328, SJBD 1971, pp. 279, 299, SJBD 1981, pp. 244, 263, Statistisches Jahrbuch 1991 für das vereinte Deutschland, pp. 276, 298, authors' calculations using data from SJBD 1954, p. 520, Statistisches Jahrbuch 1991 für das vereinte Deutschland, p. 628.</p>						

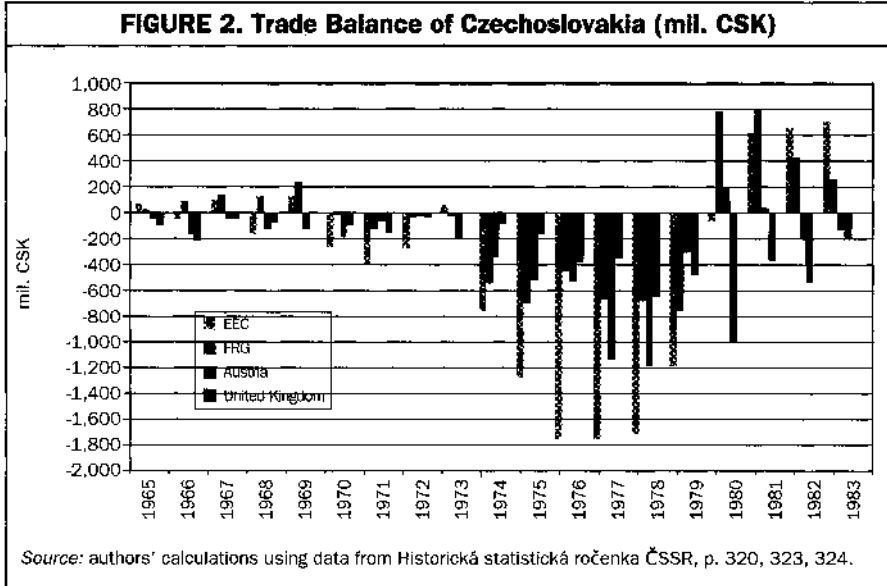
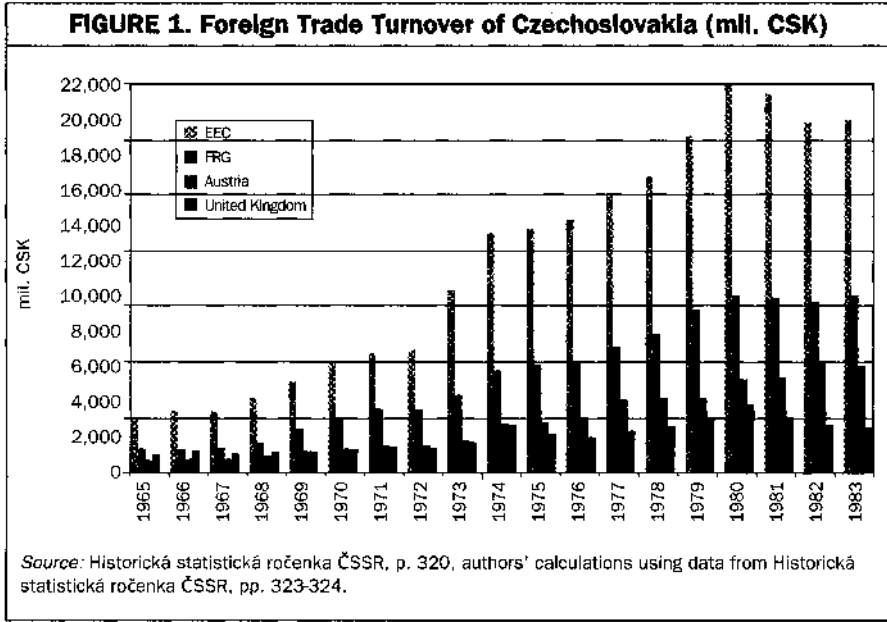
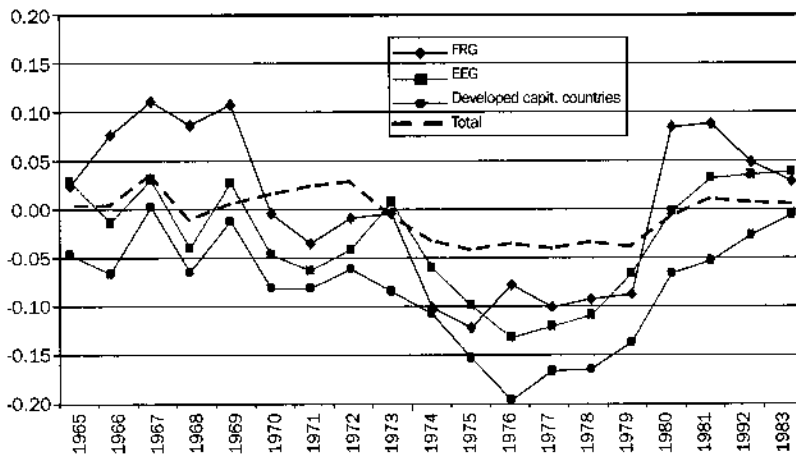
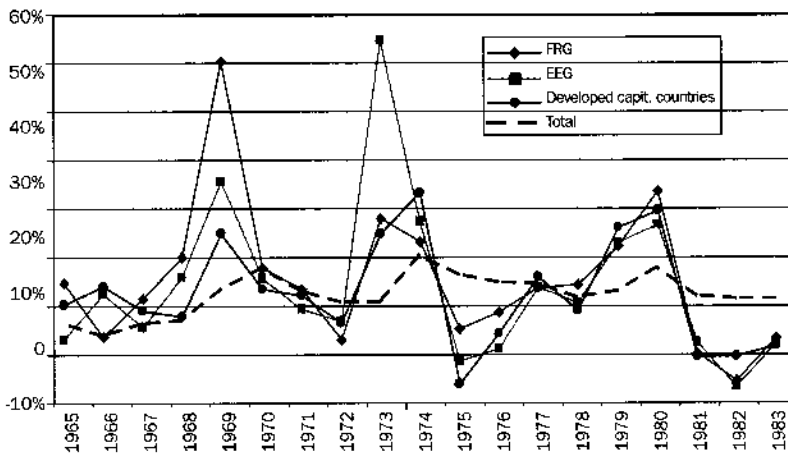


FIGURE 3. Czechoslovak Trade Balance Divided by Trade Turnover



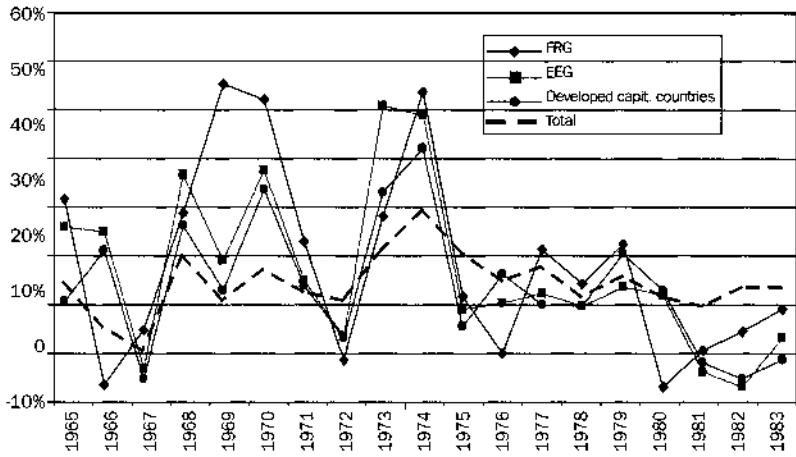
Source: authors' calculations using data from Historická statistická ročenka ČSSR, pp. 320, 321.

FIGURE 4. Exports from Czechoslovakia (Year on Year Change, %)



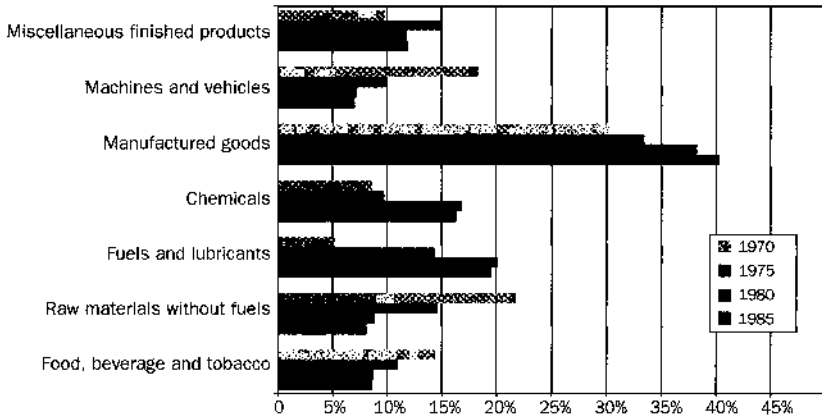
Source: authors' calculations using data from Historická statistická ročenka ČSSR, p. 320.

FIGURE 5. Imports to Czechoslovakia (Year on Year Change, %)



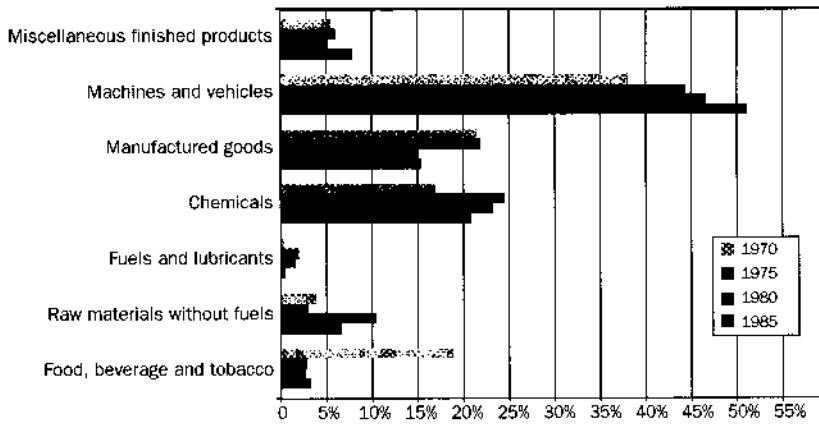
Source: authors' calculations using data from Historická statistická ročenka ČSSR, p. 320.

FIGURE 6. Commodity structure of Czechoslovak exports to West Germany (%)



Source: authors' calculations using data from Statistická ročenka ČSSR 1971, pp. 428-435, Statistická ročenka ČSSR 1976, pp. 431-438, Statistická ročenka ČSSR 1981, pp. 454-463, Statistická ročenka ČSSR 1986, pp. 446-455

FIGURE 7. Commodity structure of Czechoslovak imports from West Germany (%)



Source: authors' calculations using data from Statistická ročenka CSSR 1971, pp. 428-435, Statistická ročenka 1976, pp. 431-438, Statistická ročenka ČSSR 1981, pp. 454-463, Statistická ročenka ČSSR 1986, pp. 446-455.



notes

DONATELLA STRANGIO *Italian colonies and enterprises
in Eritrea (XIX-XX Centuries)*

