

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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RESTRICTED

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## WORKING PARTY ON STRUCTURAL ADJUSTMENT AND TRADE POLICY

### Exchange of Information on the Experience of all Contracting Parties with Regard to Structural Adjustment

#### Addendum

1. At the meeting of the Working Party on Structural Adjustment and Trade Policy on 2 July 1981, it was agreed that the secretariat should invite all contracting parties to provide by the end of 1981 the information required in Paragraph II(b) of the Annex to L/5120, taking into account the objectives outlined in Paragraph I of the Annex and the work already done (L/5177, paragraph 10). Paragraph II(b) of the Annex to L/5120 states that one of the tasks to be undertaken is "consistent with the GATT and the results of the MTN, an exchange of information and discussion on the experience of all contracting parties with regard to structural adjustment, along with an overall analysis of the experience".
2. Contracting parties were invited in GATT/AIR/1742 of 13 July 1981 to provide the requested information. The submission of Czechoslovakia is reproduced in the Annex to this document.
3. Delegations which have not yet submitted information are requested to do so as soon as possible.

CZECHOSLOVAKIAOutline of information on the structural policy of the CSSR for the purposes  
of GATT1. Basic structural features of the national economy

The basic macrostructure of the national economy of the CSSR and its development are characterized by the following data:

Structure according to branches in per cent

	a/ shares in total GNP			b/ shares in total number of employees in material production		
	1960	1970	1980	1960	1970	1980
Agriculture	14,6	9,6	7,2	29,1	23,6	18,7
Forestry	1,2	1,3	0,9	44,8	48,5	49,5
Manufacturing	62,3	61,2	59,2			
Construction	10,6	10,9	11,5	9,9	10,2	11,4
Transport of goods	3,2	3,2	4,1	5,8	4,0	4,0
Communications	0,5	0,4	0,5	1,4	0,9	0,9
Trade and services	6,0	9,7	14,6	8,2	9,2	11,4
Material technical supply	0,3	1,6	1,4	-	0,9	0,8
Purchase	0,6	0,5	0,1	-	0,7	0,7
Others	0,7	1,2	0,5	-	2,0	2,6

a/ based on data in constant prices

b/ based on numbers of persons

2. Structural features of the external economic relations

Czechoslovakia belongs to those countries whose economy is to a significant degree dependent on external economic relations. These relations are concentrated in the export and import flows of goods. Invisible trade and services and some further inter-state economic flows represent - in comparison with some other national economies - a relatively smaller share in the external economic relations of the CSSR. The growing role of export and import of goods in the Czechoslovak national economy can be illustrated by the export and import shares of the net material product

of the CSSR /on the basis of comparable prices/.

	1960	1965	1970	in per cent 1975	1980
The share of exports in the net material product	16,0	21,9	23,3	27,1	27,7
The share of imports in the national income	15,4	22,2	21,9	26,9	31,0

The growth of the external economic relations of the Czechoslovak national economy had its dimensional and structural aspects. In the decade of the fifties or the sixties and at the beginning of the seventies they were focused on the solution of the insufficient endowment of the CSSR in energy and raw materials. Later, due to concentration, specialization and scientific and technical requirements of the production sphere, further important tasks have arisen: to provide impetus to the technological innovation and development of microstructural pattern of our industry through trade with capital goods, machines and components.

The task of securing the resources of energy and raw materials has not, however, become less important - on the contrary, in connection with the growing exhaustion of our national resources it has gained in importance. The share of net imports of energy and raw materials in our net material product has more than doubled, in the last decade.

The macrostructure of the CSSR net material product is reflected in the basic export and import commodity structure, above all in a substantial and growing share of manufactures, especially machines, in Czechoslovak exports and in a significant share of raw materials and energy in imports.

The commodity structure of the Czechoslovak foreign trade /SITC, shares in per cent/:

	E x p o r t s			I m p o r t s		
	1965	1970	1980	1965	1970	1980
0 Food and live animals	4,3	4,4	3,7	14,3	12,9	8,8
1 Beverages and tobacco	0,3	0,4	0,6	2,0	1,1	1,1
2 Crude materials inedible except fuels	6,4	5,6	5,3	18,3	14,3	10,9
3 Mineral fuels, lubricant and related materials	4,1	3,7	6,0	8,6	9,3	18,8
4 Animal and vegetable oils and fats	0,1	--	--	0,6	0,6	0,3
5 Chemicals	4,2	4,7	6,3	5,9	8,2	8,3
6 Manufactured goods classified mainly by material	19,8	20,5	17,1	15,7	13,4	10,8
7 Machinery and transport equipment	47,3	49,3	49,9	29,4	31,8	35,9
8 Miscellaneous manufactu- red articles	10,9	11,5	11,0	4,0	6,4	4,4
9 Commodities and trans- actions not classified according to kind	0,1	1,0	0,1	--	1,1	0,7

The CSSR being a highly industrialized country has oriented its industry during the whole postwar period to further development of machinery. Consequently this orientation has been reflected in the commodity structure of Czechoslovak foreign trade. The machinery branches have gained a decisive role in the formation of national income and have taken over the key position in Czechoslovak exports.

### 3. The principles of structural policy

The attitudes of the CSSR to structural policy are based on some essential principles applied in the long-term strategy:

- to pay full regard to the correlation between the level and scale of the national economy and its endowment in natural, human and economic resources
- to create conditions for the participation in the international division of labour and to influence the efficiency of the national economy.

During the 60's and 70's the conceptions of development of manufacturing industries had been worked out and organizational and institutional forms aiming at their implementation had been formed /developing programmes, pilot programmes/. The development of manufacture of machine tools, textile machinery, leather processing machinery, vehicles etc. has been supported by the investment policy. One of the important targets of structural policy was in particular the development of chemical industries. All these programmes have been elaborated as programmes of specialization, aimed at the development of intra-branch specialization and foreign trade and not at reducing the involvement of Czechoslovak industries in the international markets.

#### 4. The development in the seventies and structural adjustment

The changes in the world economy which had been recorded in the seventies have not changed anything in the basic long-term principles of Czechoslovak economic policy as far as its attitude to the structural targets is concerned, but they have very strongly influenced the possibilities and specific steps towards their realization.

Czechoslovakia - as other industrial countries - was exposed to a pressure of changes in the price terms of energy and some further raw material inputs in manufactures. Czechoslovak terms of trade deteriorated in the period 1970-1980 by more than 20 per cent and together with the fact that the domestic natural resources had been relatively exhausted, these circumstances influenced our balance of trade. Thus the Czechoslovak balance of trade moved from surplus to deficit in the seventies.

As in other countries, an urgent requirement to adapt the production orientation preferably towards export performance has had to be faced by

Czechoslovak structural policy, accompanied by a requirement of a certain untying of economic growth from previous dependence on energy and raw material imported inputs. Some results have been achieved in both fields. They manifested themselves both in the growth of the export production share in the total output of most industrial branches and in the reduction of energy consumption per one per cent increase of national income from 0,8 per cent in the sixties to 0,6 per cent in the seventies.

The results mentioned cannot, however, be considered as fully satisfactory; - both challenges, i.e. the emphasis on the export performance and the pressure on cutting down energy and raw material requirements in the production sphere have still remained on the first place of structural policy. This represents new and very ambitious tasks as - in the framework of the general economic conditions at the end of the seventies and at the beginning of the eighties- the main field of the structural development of production has been generally shifted from the sphere of macro- to mezzo- and microstructure. It means that a better operation of many economic instruments has to be achieved in management, not only in the sphere of central resources allocation but also in the sphere of conditions influencing the medium and lower levels of production management as well.

The task of the structural policy which was understood earlier as ensuring basic macrostructural proportions of the economy through investment allocations has changed into a more complex set of tasks - to enforce a flexible and more rapid allocation of resources to sectors of their most efficient exploitation, not only to the sphere of investment. A selective sectoral policy is of course additionally complicated by the destabilization of world markets.

The goal to solve the problem of structural adaptation in the economic policy of the CSSR is now seen more comprehensively- as the introduction of such reorientation of the economic output which would correspond on one side to the changed conditions, above all to the needs of the foreign markets and on the other side to the resources of different volume, structure and costs.

One of the elements of this conception is also a rationalization of the price structures which should allow a more effective and flexible transmission of influence from the external economic environment on the microstructural field of production.

In countries with a relatively high share of foreign trade in the formation and utilization of national income there is a very close dependence between the formulation and enforcement of structural policy leading, to a balanced development of the national economy, and the conditions which are created in the external economic framework, i.e. on the international markets.

The stagnation in world trade in the past two years and the accompanying phenomena in trade policy have complicated the realization of desirable and necessary structural steps in the smaller industrial economies.