

Czechoslovakia International Organizations

Content

Two groupes of themes:

- **I. Czechoslovakia**
 - **The First Republic of Czechoslovakia**
 - **Protectorate of Bohemia and Moravia**
 - **Czechoslovakia after WWII**
 - **Czechoslovak Socialist Republic**
- **II. International organizations**
 - A. GATT, B. WTO, C. OECD
 - D. EFTA, E. ASEAN, F. APEC
 - G. CEFTA, H. NAFTA, I. MERCOSUR
 - J. Paris Club, K. London Club
 - L. G7, M. OSN, N. League of Nations
 - O. other organizations

The First Republic of Czechoslovakia

A. The First Republic of Czechoslovakia

Foundation:

- **28.10.1918**
- **from Austro-Hungarian empire:**
 - 21% of the territory
 - 25% of the population
 - 60% of the industry
 - 27% of the agriculture

Problems after WWI

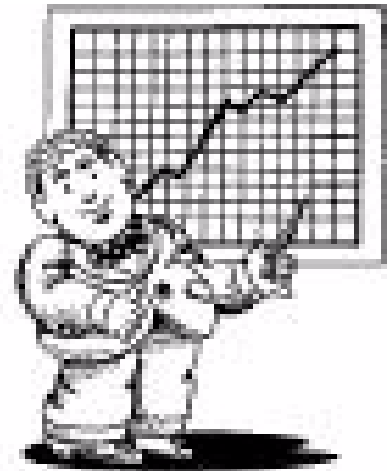
- **after-war problems** – war economy
 - need of **new infrastructure** – to replace Wien
 - need of an **unificated legal system**
 - ↓ **production** during the WWI
 - disruption of economic relations**
 - destruction of the previous tariff union
 - problems with IM** (natural resources) and **EX** (light industry)
 - to protect boundaries + to create single tariff union with own currency
 - X inflation**
 - differences among the 3 parts** – decreasing level of development from W to E
 - tense social atmosphere**

Economic policy

- **monetary reform** - A. Rašín
 - deflationary policy ⇒ stable (↑) currency
- 1919 - 1921 replacement of the war economy ⇒ **return to market economy**
- **nostrification (1919)**
 - obligation of enterprises operating in Czechoslovakia to move company headquarters to the country
- **social policy**
 - laws in favour of the labour force (to improve their situation)
 - unemployment benefits provided by the state
- **land reform**
- effort to ↓ **differences** among the parts
- **foreign trade policy**
 - strong protection after the constitution ⇒ later ↓ repeated ↑ tariffs ⇒ since 1924 ↓ protection

Economic development

- integration into WE ⇒ cycles BUT slight **delay**
 - ⇒ **1st crisis peaked in 1922**
 - role of the Rašín's deflationary policy
- since 1924 considerable **econ. growth** ⇒ Czechoslovakia as leading economy in the region
- 1929 **crown anchored to gold**
- **peak** in 1929



Economic development after 1929

- Great Depression **later** than elsewhere
 - **long-term impact** – up to 1936
 - + very **deep**
 - **dependency on EX**
 - long adherence to the **gold standard**
 - ⇒ Czechoslovakia one of the most affected economies
- government's reaction ↑ **state interventions:**
 - **support of EX**
 - **evaluation of the crown**
 - **protectionary measures** (mainly agriculture ⇒ tariff war with Hungary)
 - **forced cartelization** (in certain sectors)
 - ↑ **military expenditures**
- **short-term recovery** followed by an other crisis in 1937
- in 1937 economic **performance lower than before the crisis**
 - regarding both GDP and foreign trade

Evaluation

- **before the Great Depression** – improving position and econ. growth
- Great Depression – **serious problems**
- GDP p.c. - Czechoslovakia 14th in Europe
- developed **industry** (production of weapons)
- **dependency on EX**
- high quality of **education system**
- **political stability**
- considerable inflow of **foreign INV**

Protectorate of Bohemia nad
Moravia

B. Protectorate of Bohemia and Moravia

- 30.9. 1938 **Munich Dictate**
- 15.3. 1939 **Protectorate of Bohemia and Moravia**
- since spring 1939 shift to **war economy**
- inclusion into the **Large-area economy** (Grossraumwirtschaft)
- **after the assassination** of Heydrich (1942)
 - dissolution of the Czech government
 - tightening of the German control
 - ↑ military production

Economic policy

- **centrally planned economy**
- in most cases private firms BUT with limited ownership rights
- **since 1939**
 - fix prices + direct determination of wages
 - general obligation to work
 - rationing
 - ⇒ black market
 - during the war ↓ quality and quantity
- **direct control over agriculture and foreign trade**

Economic results

- **exploitation** of the czech economy
 - considerable capital transfers to Germany
 - aryanization of the Jewish property
 - confiscation of land
 - forced labour in Germany
- ↑**share** in the economy of the Third Reich
- ↑**prices**
- ↑**unemployment** BUT ↓ labour productivity
- ↓ **agricultural production**
- -> human and material **losses**

Czechoslovakia after WWII

C. Czechoslovakia after WWII - situation

- leftward shift in politics → **communists**
- Kosice government programme - April 1945
 - **elections in 1946** – victory of the Communist Party (in Czech lands)
- **expulsion** of the Germans
- under the control of the USSR (economically and politically)
- **Marshall Plan**

First EP measures

A. property confiscation of traitors

B. nationalization

- **key industry** – Presidential Decrees in October 1945
- also economic reasons

C. land reform (1st round)

D. monetary reform (1945)

E. two-year plan (1947-8)

- objective - economic reconstruction

Political development

- **coup d'état of 1948 („Victorious February“)** → **very harsh regime**
- **releasing**
 - **after 1953** - † Stalin and Gottwald
 - after 1956 denunciation of **cult of personality**

EP measures – 1st five-year plan (1949 - 53)

A. centrally planned economy+ **planning**

B. full **nationalization**

- in Czechoslovakia - liquidation of the self-employed (even small)

C. land reform⇒ **collectivization**

D. **reorientation of foreign trade**

- retreat of Czechoslovakia from demanding western markets

- ↓ **domestic competition**

- LR **supply of food and natural resources** from USSR

E. **Political situation** ⇒ heavy industry + arms production⇒ ignoring other sectors

Retail prices of selected goods and services

Good/Service and its quality	Unit	Price (KČS in current prices)													
		1953	1960	1963	1965	1968	1970	1973	1975	1978	1980	1982	1984	1987	1988
rye-wheat bread	kg	2,8	2,6	2,6	2,6	2,6	2,6	2,6	4,4	4,4	4,4	4,4	4,4	4,4	4,4
rice (I. class)	kg	28,0	5,0	5,0	5,0	5,0	5,0	5,0	5,0	5,0	5,0	10,0	10,0	10,0	10,0
potatoes (I. class)	kg	0,6	0,6	0,7	0,7	0,7	0,7	0,7	0,8	1,4	1,6	1,6	1,6	1,6	1,6
butter (I. class)	kg	44,0	38,0	38,0	38,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0	40,0
oil	kg	34,0	25,4	25,4	25,4	25,4	25,4	25,4	25,4	25,4	25,4	25,4	25,4	25,4	25,4
sugar cubes	kg	14,0	9,0	9,0	9,0	8,0	8,0	8,0	8,0	8,0	8,0	8,0	8,0	8,0	8,0
white vine	l	26,0	19,0	19,0	17,0	17,0	17,0	17,0	17,0	17,0	24,0	28,0	24,0	28,0	28,0
flavoured ethanol "rum" (40 %)	l	68,0	80,0	80,0	65,0	65,0	65,0	65,0	65,0	65,0	83,0	100,0	100,0	100,0	100,0
pit coal	100 kg	22,4	22,4	22,4	22,4	26,2	26,3	26,2	18,6	25,9	25,9	25,9	25,9	25,9	25,9
men's socks	pair	8,8	4,5	4,5	4,5	4,7	7,0	6,8	6,7	11,7	12,8	13,7	14,4	14,0	14,0
rent (2 rooms, without heating)	mont hly	75,0	75,0	75,0	106,0	106,0	106,0	106,0	106,0	121,0	121,0	121,0	121,0	121,0	121,0
electricity	kWh	0,8	0,7	0,7	0,7	0,7	0,7	0,7	0,7	0,7	1,1	1,1	1,1	1,1	1,1
cutting hair	servi ce	2,0	2,0	2,0	2,5	3,1	5,1	5,0	5,0	5,0	5,0	5,0	7,0	7,0	7,0

Selected indicators – economy and trade

Selected economic indicators for the socialist sector (including private farming),
1948-1970 (%)

Indicator	1948	1950	1955	1960	1970
National income	60	78.9	92	98.5	99.96
Elementary means of production	70		96.5	97.4	99
Gross industrial production	70	96.1	99.5	100	100
Gross agricultural production		17	47	90.5	95.1
Retail turnover	31	91.7	99.8	99.98	100

Territorial structure of foreign
trade in 1948–1960 [%]

Year	RTE	CPE
1948	60.3	39.7
1950	44.4	55.6
1960	28.2	71.8

Results

- inflation ⇒ **monetary reform** 1.6. 1953
 - huge depreciation of the deposits ⇒ disturbances in Plzeň
 - BUT at the same time **end of the rationing**
- 1950 - 1955 considerable econ ↑ **BUT extensive**
- similarly
 - 1954 a 1955 **one-year consolidation plans**
 - 1956 – 1960 **2nd five-year plan**
- ⇒ end of the 1950s – 1st attempt to make a reform
 - **Rozsypal Reform**

Net material product, 1951-1990 (%)

	Bulgaria	Czecho slovakia	East Germany	Hungary	Poland	Romania	USSR
1951-1955	12.2	8.1	13.2	5.7	8.6	14.2	11.3
1956-1960	9.6	7.0	7.4	6.0	6.6	6.6	9.2
1961-1965	6.6	1.9	3.5	4.5	6.2	9.1	5.7
1966-1970	8.7	6.9	5.0	6.7	5.9	7.7	7.1
1971-1975	7.9	5.7	5.4	6.3	9.7	11.3	5.1
1976-1980	6.1	3.7	4.1	2.8	1.2	7.2	3.7
1981-1985	3.7	1.8	4.5	1.4	-0.8	4.4	3.2
1986-1990	-0.5	1.0	-1.8	-0.5	-0.5	-3.5	1.3

D. Czechoslovak Socialist Republic

- 1960 new constitution ⇒

Czechoslovak Socialist Republic

3rd five-year plan (1960 - 1965)

- unrealistic goals
- **stagnation**
- ⇒ **reaction:**
 - **reforms from the late 1950s abandoned**
 - **five-year plans substituted by operative one-year plans**

Economic reform

- in mid-1960s **political melting** ⇒ **also** economic reform
- Ota Šik
- ⇒ 4th five-year plan (1966 - 1970)
 - ▣ attempt to ↑ involvement of economic subjects
 - ▣ partial implementation of market mechanism
- BUT August 1968 occupation – „allied armies“ ⇒
administrative methods of management
- so-called „Lessons from emergency development“ -
stabilization program + normalization

5th five-year plan (1970-75)

- up to mid-1970s **strong econ.** ↑
 - econ. ↑ > than in western countries
- **BUT problems with:**
 - shift from extensive to intensive ↑
 - fulfilment of scientific and technical objectives
 - also due to COCOM
- **isolation** ⇒ **crisis** not so rapid in Czechoslovakia
 - BUT ↑ import prices > export prices ⇒ **worsening ToFT** ⇒ balance of trade **deficit**

6th and 7th five-year plans

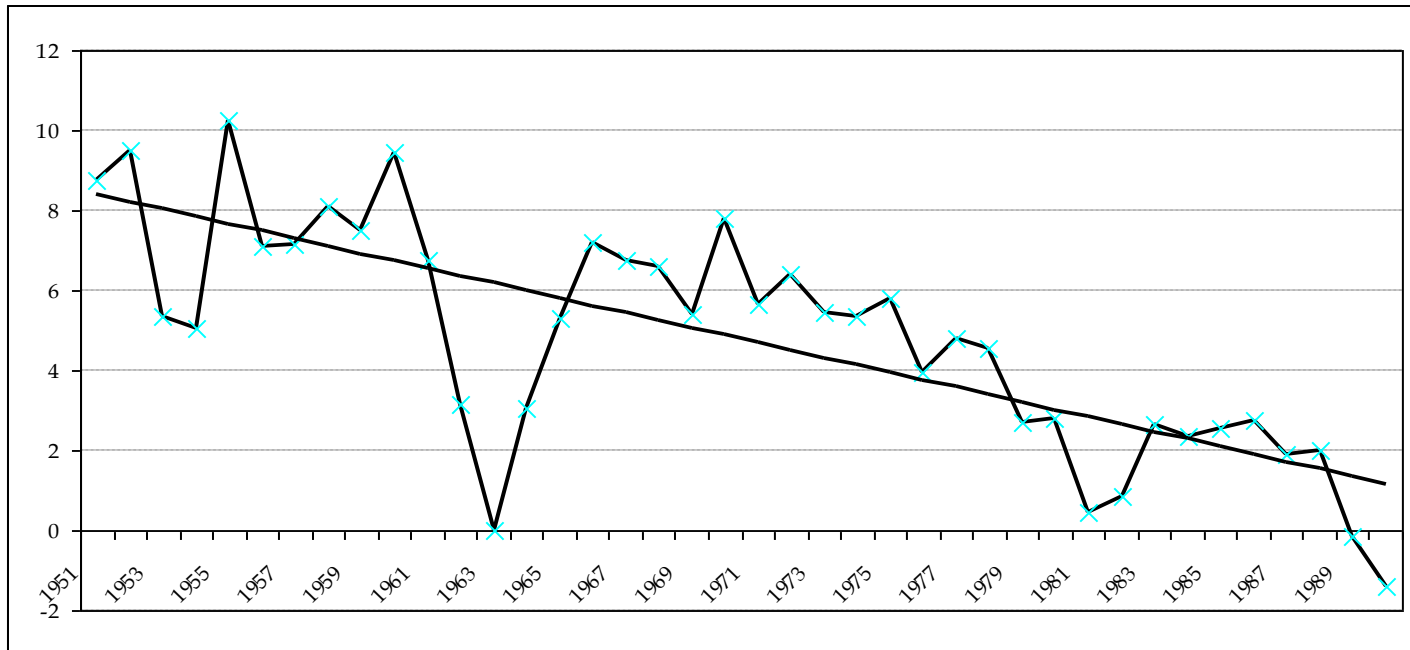
6th five-year plan (1976-1980)

- ↓ **economic performance**
 - ↓ rise of **national income**
 - ⇒ other attempt for **reform - failure**
- structure of GDP** in 1980
 - I = 63% - S = 30% - A = 7%

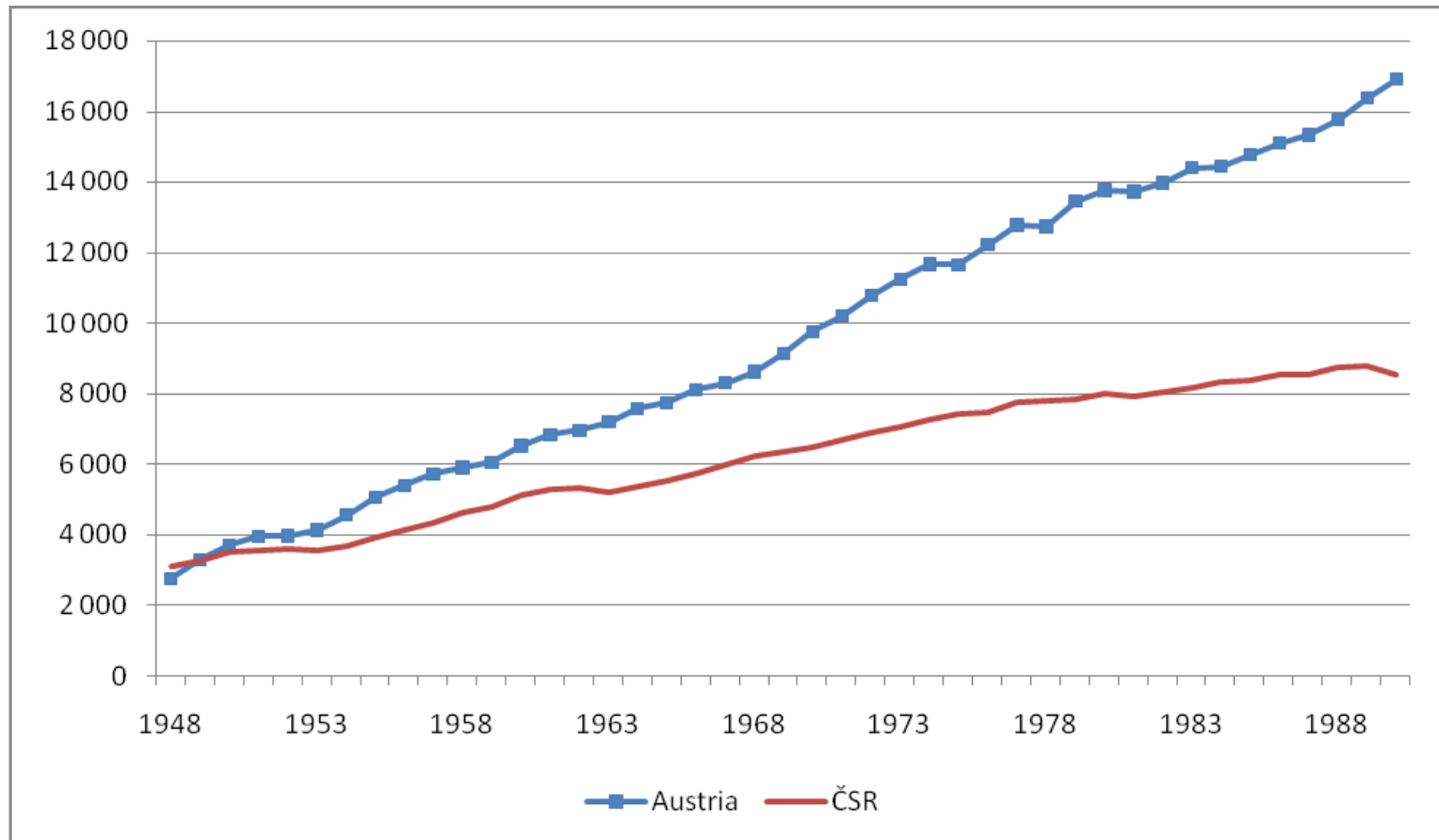
7th five-year plan (1981 - 1985)

- stagnation – average** GDP growth 1,7%
- long-term deterioration of ToFT
 - mainly with USSR

Social product of Czechoslovakia (annual change, %)



GDP/person ČSR a Austria 1950-1989



Changes

- mid-1980s – **easing in USSR**
- ⇒ **changes (unwillingly)** also in the Czechoslovak Socialist Republic
- 1986 - 87 – **program of reforms**
 - the main part should be realised after 1990
- **1989 ...**

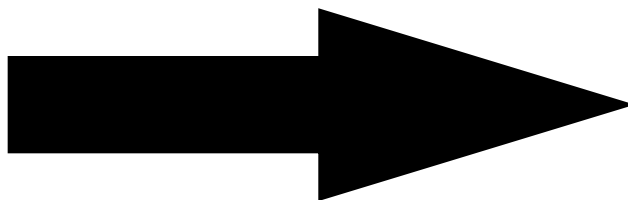
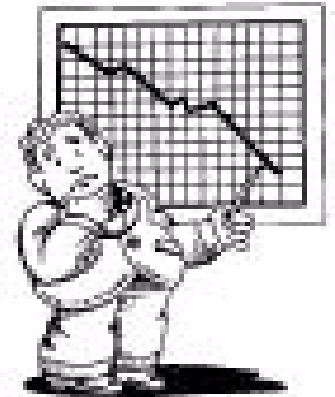
Evaluation

□ political collaps also due to economic reasons:

■ ↓ rise of **GDP**

- **exhaustion of extensive growth – ecology**
- **centrally planned economy**
- **no private initiative and competition**
- **non-functioning price mechanism**
- **impossible to compete with market mechanism** in a long run
 - emphasis on (heavy) **industry** X services

- insufficient integration to WE + orientation to **Eastern markets**



Lagging behind
the developed
countries

Territorial structure of foreign trade

Country / Group of countries	1970	1980	1988
CPE	53,5	53,3	64
COMECON	46,2	47	57,8
USSR	23,3	25,8	32,3
Developed market economies	34,7	35,8	29,1
Developing countries	11,8	10,9	6,9
Total	100	100	100

Content

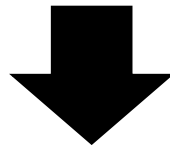
Two groupes of themes:

- I. Czechoslovakia
 - The First Republic of Czechoslovakia
 - Protectorate of Bohemia and Moravia
 - Czechoslovakia after WWII
 - Czechoslovak Socialist Republic
- II. International organizations
 - A. GATT, B. WTO, C. OECD
 - D. EFTA, E. ASEAN, F. APEC
 - G. CEFTA, H. NAFTA, I. MERCOSUR
 - J. Paris Club, K. London Club
 - L. G7, M. OSN, N. League of Nations
 - O. other organizations

GATT and WTO

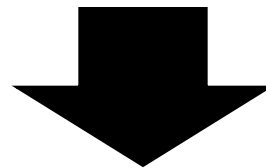
A. GATT

Lessons from inter-war development



Interanational trade -> GATT

intention to create the **International Trade Organization** BUT ...



GATT – 50 years „temporary substitute“

In general

- **GATT = General Agreement on Tariffs and Trade** ⇒ NOT an organization!
= no membership
- **conference in Geneva (1947)**
 - agreement came into force **1.1.1948**
 - 23 countries = „contracting parties“
 - 80% of the world trade
- **objectives:**
 - **liberalization** of the world trade
 - **against discrimination** in the international trade

Principles

- **no discrimination**
 - **same tariff** ↓ for all contracting parties
 - **exceptions**
 - tariff unions, FTA, ...
 - measures in the case of problems with BofP
- **X non-tariff obstacles (quotas)**
 - protection only through tariffs
 - exceptions – agriculture, BofP
- **solving problems** among contracting parties

Development

- **in jumps** – b/c conferences
- **negotiation rounds** since the 5th conference

Overview of the GATT conferences and negotiation

Year	Venue	Subject	Number of participants
1947	Geneva	tariffs	23
1949	Annecy (France)	tariffs	13
1951	Torquay (Great .Britain)	tariffs	38
1956	Geneva	tariffs	26
1960-61	Dillon Round (Geneva)	tariffs	26
1964-67	Kennedy Round (Geneva)	tariffs and antidumping measures	62
1973-79	Tokyo Round (Geneva)	tariffs, non-tariff measures a general agreements	102
1986-93	Uruguay Round (Geneva)	tariffs, non-tariff measures, rules, services, rights to intellectual property, settlement of disputes, agriculture, foundation of the WTO	123

1st – 5th conferences

- **1st conference successful**
- in Annecy and in Torquay **only limited progress**
- **problems:**
 - **unwillingness** to decrease protection
 - only **the least needed** products
 - countries with relatively low tariff had little to offer in exchange
 - one of the reasons in favour of **EEC (1958)**
- suggestions to deal with the situation BUT conference in Geneva and Dillon round **as before → limited results**

Kennedy and Tokyo rounds

Kennedy (6th) round (1964 –7)

- **breakthrough** – Kennedy's proposal to abandon the system of individual commodities tariff reduction and **reduce tariffs in a blanket manner**
- success in **industry** X min. progress in agriculture
- **Antidumping Codex**
- **application** in 5 years (1972)

Tokyo (7th) round 1973 - 79

- **industrial production** successful BUT ↑ tariffs in agriculture (CAP)
- **non-tariff obstacles** included BUT with only limited progress
- **application** in 8 years

Uruguay (8th) round

- **the last round (1986 - 1993)**
- **difficult, long and uncertain negotiations**
 - „Nothing is agreed until everything is agreed“
- **results - závěrečný akt:**
 - **creation of WTO**
 - **New General Agreement on Tariffs and Trade**
 - **+ agreements on:**
 - **agriculture**
 - implementation of **anti-dumping tariffs**
 - trade with **services**
 - **copyrights**
 - **dispute settling**

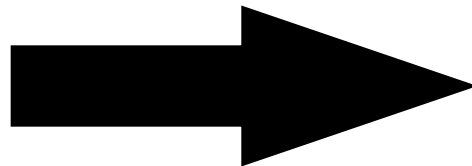
Evaluation

- 50 years of GATT - successful
 - **tariff reduction**
 - **introduction of rules** (e.g. Antidumping Codex)



enormous ↑ world trade

**BUT longer and
more difficult
negotiations**



**WTO =
permanent
negotiations**

B. World Trade Organization

- **foundation – 1.1.1995**
 - initiators EU and Canada
- headquarter in **Geneva**
- member states – **90% of the world trade**
 - China
 - list of all members and observers:
 - https://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm
observers
- **the biggest success**
 - liberalization of the **telecom market**
- **dispute settling**
- the latest round of negotiations about liberalization – **Doha (Qatar) 2001**
 - also liberalization of **agriculture**

Differences between GATT and WTO

- GATT only **temporary solution**
- GATT set of rules X WTO **permanent institution**
- GATT only trade with goods X WTO also **services and intellectual property rights**
- GATT multilateral agreement BUT only contracting parties involved X WTO **principle of single undertaking**
- membership = acceptance of **all obligations** from The agreement establishing WTO
- faster system of **dispute settlement**

FACTS ABOUT OTHER IO

C. OECD – The Organisation for Economic Co-operation and Development

- successor of **OEEC**
- official foundation – 30.9. **1961**
- headquarter in Paris
- membership – the most developed countries in the world
 - the Czech Republic since 1995
 - **35 member states** (the last ones Chile, Estonia, Israel and Slovenia in 2010)
- **publications**
 - **prognoses** (general and sectoral)
- support of **liberalisation** of international movement of **goods, services and capital** + X **money laundering**
- ⇨ **no rights to impose decisions**

D. EFTA - European Free Trade Association

- foundation in **1958** –alternative trade bloc to EEC
- **founding countries** – DK, SE, NO, PT, AT, GB
- 1966 **FTA**
- 1977 **FTA with EC**
- 1992 **EEA (European Economic Area)**
 - free movement of non-agricultural goods, services, capital and labour
- nowadays: **Island, Lichtenstein, Norway, Switzerland**

E. ASEAN -

Association of Southeast Asian Nations

- headquarter in **Jakarta** (Indonesia)
- main **objectives**:
 - acceleration of **economic development**
 - economic, social and cultural **cooperation**
 - **FTA** up to 2002
- **founding countries** - Philippines, Indonesia, Malaysia, Singapore, Thailand
 - 1984 **Brunei**
 - 1997 **Myanmar, Vietnam and Laos**
 - 1998 **Cambodia**
- ⇒ **big differences** among the countries

F. APEC - Asia-Pacific Economic Cooperation

- foundation in **1989**
- **21 member states:** among others Australia, Chile, China, Japan, USA, Russia + Asian Tigers and ASEAN member countries
- **enormous economic power**
- **objective:**
 - to create **FTA**

G. CEFTA -

Central European Free Trade Agreement

- established in XII/**1992** → in force since **1.3.1993**
- founding countries: **CR, SR, HU, PL**
- **the main objective:**
 - **elimination of tariffs and quantitative barriers**
 - for industrial products up to 2001 or 2002
 - in agriculture – permanent problems
- **enlargement:**
 - 1.1. 1996 **Slovenia**
 - 1. 6. 1997 **Romania**
 - 1. 7. 1998 **Bulgaria**
- **accession to EU** → **termination of the membership!**
- current member states from the **Balkan**

H. NAFTA-

North American Free Trade Area

- 1989 – **FTA between USA and Canada**
- 1991 accession of **Mexico**
 - necessity of ratification → in force since **1.1.1994**
- within 15 years **total tariff elimination**
- small effects on the US economy

I. MERCOSUR - Southern Common Market

- **foundation in 1991**
- **member states** - Argentina, Brazil, Paraguay, Uruguay, Venezuela + Bolivia (Chile, Ecuador, Peru, Colombia, Guayana, Surinam associate members)
- **objective:**
 - Gradual creation of **tariff union**
 - X WB ... tariffs
- **sucessful →↑ mutual trade**
 - BUT...

J. Paris Club

- agreements of **creditors with indebted countries**
- foundation in **1956** (reason: Argentina)
- creditors = **governments**
- secretariat - FR
- objective:**
 - to find solutions to insolvency of indebted countries + agreement on the repayments
- principles:**
 - equal preferences of all creditors
 - request of agreement between the debtor country

K. London Club

- solving problems with loans of **private creditors**
- **since 1980s**
- **informal group** ⇒ no secretariat
- first meeting in London, later various places
- **ad-hoc commissions** for each country
 - ⇒ to discuss conditions which should be presented to debtors

L. G7

- the most developed countries in the world
- **USA, JP, GB, FR, DE, IT, CA**
- main **emphasis on:**
 - economic policy + international trade + relations with DC
- since 1975 **yearly meetings**
 - since 1994 – G7 + Russia = P8 ("**Political 8**")
 - 1998 ⇨ Russia became member = **G8**
 - BUT G7 parallel existence
 - **G10** = G7 + Sweden, Belgium, the Netherlands
 - **G20**

M. United Nations

- **ILO** – International Labor Organization
 - social fairness for employees in the world
 - labour standards
- **UNDP** – United Nations Development Programme
 - Coordination of development activities
 - emphasis on the poorest countries – better living standards, more efficient use of resources, higher productivity, ...
 - HDI
- **UNCTAD** - United Nations Conference on Trade and Development
 - support of international trade - mainly DC

N. Commonwealth of Nations

- before 1931 **British Empire**
- up to 1947 **British Commonwealth**
- head - **British monarch**
- Free association of countries – **GB + its former colonies and dominions**
- e.g. Cyprus, Malta, Kenya, Nigeria, Zambia, Jamaica, Canada, NZ, ...
 - in total **53 countries**

O. Other organizations

- **FTAA - Free Trade Area of Americas**
 - project - FTA over the whole American continent
- **AFTA - Arab Free Trade Area**
 - **1998**
 - elimination of all tariff barriers up to 2008
 - relatively small market ⇨ small economies of scale ...
- **MAGREB**
 - 1964
 - Algeria, Libya, Mauretania, Morocco, Tunis

Thanks for your
attention!