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ECONOMIC COMMITTEE

ECONOMIC REVIEW OF EASTERN COUNTRIES: CZECHOSLOVAKIA

Note by the Chairman

The attached paper, prepared by the United Kingdom Delegation, examines economic developments in Czechoslovakia under the 1971-1975 Plan. It will be considered by the Committee during the reinforced meetings to be held on 10th and 11th July next.

(Signed) J. BILLY

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This document includes: 1 Annex

N A T O   C O N F I D E N T I A L

CZECHOSLOVAKIA: THE ECONOMY SINCE 1971

Note by the United Kingdom Delegation

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CZECHOSLOVAKIA: THE ECONOMY SINCE 1971

I. Introduction

1. The purpose of this paper is to examine economic developments in Czechoslovakia under the 1971-1975 plan which was approved in May 1971. When introducing this plan the Husak leadership which came to power in April 1969 was able to claim, with considerable justification, that they had led the country out of economic chaos and achieved a favourable starting point for the 5-year programme. However, although the economy had recovered from some of the acute difficulties of 1967-1969, its serious long-term problems which the reform programme initiated in 1967 was designed to solve still remain.

II. Overall Economic Growth

2. According to Czechoslovakia's official statistics produced "national income" (net material product) has grown at an average rate of 5.5 per cent a year in 1971-1974. This compares with an annual average of 5.1 per cent envisaged in the 1971-1975 plan and overall growth in the 5-year period is now expected to be 2-3 per cent above the original target. However, it is still likely to be slightly below that of the GDR and the slowest among the East European countries of the Warsaw Pact.

3. In terms of GNP (Western concept) Czechoslovakia's rate of economic growth has probably averaged rather less than 5 per cent a year in 1971-1974. It has not been possible to make a more precise calculation. Apart from the differences in coverage (since GNP includes depreciation and some services which are excluded from the Communist concept of national income)(1) East European statistics in value terms are viewed with some reserve by Western analysts as tending to exaggerate the rates of growth achieved.

4. The rates of growth recorded in Czechoslovakia's national income statistics for 1966-1970 average 6.8 per cent a year, well above the 5.5 per cent claimed for 1971-1974. The annual rates of growth show rather more variation but apart

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(1) Even among the Warsaw Pact countries the concept of national income is not uniform. Thus the USSR and Czechoslovakia differ from the rest in that they still exclude passenger transport and communications that do not serve material production. The others have added these services to their national income concept at various times

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from this the economic difficulties of the earlier period are not readily apparent in the overall growth rate which was boosted, inter alia, by an inflationary growth of investment which resulted in large increases in the amount of resources tied up in uncompleted construction projects. Since there were major price changes during this period, and also very high rates of growth in wages, it seems reasonable to conclude that the difficulties of calculating overall growth in constant prices were exacerbated and the claimed high rate of economic expansion gives a misleading impression of the progress achieved.

### III. Industry

5. Industry provides just over 60 per cent of Czechoslovakia's national income and employs rather less than 40 per cent of the labour force. Consumer goods production accounts for about 37 per cent of total industrial output and in 1971-1974 it has been increasing almost as rapidly as the output of industry as a whole. The 1971-1975 plan required an increase of 34-36 per cent in industrial production and the increase in the 5 years is now expected to be about 36 per cent. The fastest growing branches are chemicals and engineering, while production of glass and ceramics, a traditional field of Czechoslovakian expertise, has also increased at a slightly more rapid rate than total industrial output.

6. Although Czechoslovakia's industry is one of the most advanced among the countries of the Warsaw Pact, it suffers from a number of weaknesses that have long been recognised. Recently the leadership has shown particular concern with the foreign trade aspects of these problems, which is inevitable since there is a very great dependence on imported fuels and raw materials. A high proportion of these, including virtually all the oil and about 80 per cent of the iron ore, are obtained from the Soviet Union, while about one quarter are obtained on capitalist markets. In the context of the rise in world prices, this poses serious difficulties for Czechoslovakia since her exports are mainly manufactured goods with prices it has not been possible to raise commensurably. (See also Section VIII, paragraphs 41-42 below.) The response to this situation has included constant efforts to secure savings in the use of fuels and materials, including numerous surveys to ascertain whether enterprises are keeping within their quotas.

7. In a report to the Federal Assembly in March 1975 the Prime Minister Strougal commented on shortcomings in the economy and acknowledged both the low technical standards of some of its products and the failures in management efficiency. He emphasises the unexploited possibilities in foreign trade, since the relatively small domestic market does not permit the

building of plants of optimal size in some branches of industry, and he admitted that without more international contacts Czechoslovakia, like every other small or medium-sized state, would not be able to keep up with the rapid pace of modern technological developments. The correctness of this assessment can hardly be challenged, but in view of the expected deterioration in Czechoslovakia's relative trading position in the next few years, there appears little possibility that the situation can be substantially remedied in the near future.

8. Another adverse aspect of Czechoslovakia's industry is the frequent incidence of fires and breakdowns of equipment at enterprises. In 1974 breakdowns are reported to have been partly responsible for failure to satisfy requirements for electricity and for some underfulfilment of the chemical industry's annual plan. Strougal mentioned these occurrences in his March 1975 speech, attributing them to violations of labour discipline. While it is probable that poor labour morale has been an important factor, continued use of ageing equipment may well have been accountable to some extent, and also the installation of new equipment without due regard for safety factors and practical operating conditions.

9. Information on selected major branches of Czechoslovakia's industry is given in Appendix A and some further data, including output in physical units of major industrial products, is given in table 3 of the statistical Annex.

#### IV. Agriculture

10. A constant improvement in living standards, by increasing the availability of livestock products fresh fruit and vegetables is an important part of the Czechoslovakian government's policy for agriculture. Between 1971 and 1974 the annual average increase in agricultural production was 3.8 per cent, against a planned rise of 2.7 per cent, although progress was not universal throughout the agricultural sector. By 1973 Czechoslovakia had achieved self-sufficiency in the production of milk, butter and eggs and was virtually self-sufficient in meat production (over 95 per cent)<sup>(1)</sup>. Meat imports were mainly to add variety to the diet, rather than supplement home production. The expansion of the livestock sector was made possible by an improvement of the fodder base and, in particular, greater availability of grain.

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(1) Czechoslovakia's per capita consumption of meat at 78.5 kg a year is the highest among the countries of the Warsaw Pact and one of the highest in Europe

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11. Except in 1972 when a slight drop occurred, the grain harvest has been rising since 1970 and particularly good harvests were gathered in 1973 and 1974 when large increases in the yield per hectare of wheat and barley were achieved. While the ultimate aim of the government is self-sufficiency in grain production, and it is hoped that this will be possible in a few years' time, at present imports are still necessary. Some 1 $\frac{1}{2}$  million tons are being imported annually, including over 1 million tons from the Soviet Union.

12. Results have been poor in the horticultural sector and in production of sugar beet and coarse fodder. Vegetable and fruit production is well below target, with output of vegetables in 1971-1973 reaching only 75 per cent of the plan target and output of fruit only 50 per cent. The inadequate performance in these sectors can be partly attributed to the emphasis that is being placed on increasing grain production, since grain receives preferential treatment in the allocation of resources at the expense of the other arable sectors.

13. Land tenure in Czechoslovakia is similar to that in most of the other Eastern European countries. State and co-operative farms are over 90 per cent of the country's agricultural land, the remainder being private farms(1) (mainly in Slovakia) and private plots(2). A policy of amalgamating state and co-operative farms into larger units has been implemented, particularly in the past 2 years and there are now 290 state farms with an average area of 5,000 hectares each and 3,625 agricultural co-operatives, with an average area of 1,480 hectares. Strougal, the Federal Prime Minister has admitted that this process of amalgamation had gone somewhat further than had been originally intended and he emphasised the greater demands it places on the farm managements.

14. State farms tend to be located in areas where the soil is of an inferior quality and consequently their performance when compared to co-operatives is poor. The private sector concentrates on the production of goods which give a high return per unit of land, livestock, fruit and vegetables. Originally private plots were supposed to produce only sufficient quantities of food for the maintenance of the family but most owners give priority to their plot and this, coupled with the payments in kind which consist mainly of grain, has resulted in the intensive rearing of livestock. While the private sector has only about 10 per cent of the land it accounts for 20 per cent of the cattle, over 22 per cent of pigs and 70 per cent of

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- (1) Over 0.5 hectares in area  
(2) Less than 0.5 hectares

poultry. It remains the ultimate aim of the government to incorporate all the private sector into the state sector but this is progressing only slowly and is being resisted by the owners.

15. Inputs produced by industry for agriculture, including fertilizers, chemicals, buildings and machinery, have been steadily rising. The increasing use of fertilizers has been largely responsible for the significant increases in yields of grain per hectare in recent years. Production of machinery has also risen but the output is generally of a poor quality. Because of the high attrition rates, large quantities of spare parts are required. Indeed some 30-40 per cent of productive capacity of enterprises which should produce the new efficient machines is being used to produce spare parts.

16. The agricultural labour force which is about 1 million, has a high average age. Incentives of better housing, improved pension schemes and social benefits are being introduced to attempt to encourage younger people to enter a career in agriculture.

V. Labour

17. There has been a marked improvement in the demographic situation in the 1970s, partly attributable to a series of measures which improved maternity and child allowances, provided for low-interest loans to young couples and restricted the grounds on which abortions could be obtained. The birthrate which had fallen to 14.9 children per 1,000 inhabitants in 1968 and was one of the lowest in Europe, had risen to almost 20 per thousand in 1974 and was one of the highest.

18. The 1971-1975 plan called for an increase of 300,000 in the labour force and this total was already exceeded in 1974. Because of the increased numbers of women on maternity leave, however, the effective increase in number of workers has been less than half this amount and was reported as 135,000 for the 4 years, including 73,000 in material production and 62,000 in the "non-productive" sphere(1). Total employment at the end of 1974, excluding students and apprentices and the small private sector, was estimated at 7,340,000 out of a population of 14,742,000.

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(1) Hospodarske Noviny, 20th December, 1974

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19. There is virtually no scope for increasing employment apart from the increase in numbers of persons of working age, and this increase will continue to diminish in the next 10 years. The labour situation, therefore, is expected to remain tight. In the 1971-1975 plan it was specified that industrial investment must be confined to locations where there were proven sources of manpower available, or to projects which would result in a reduction in the number of workers employed.

20. In 1975 the Government is reported to be seeking agreements to gain additional labour from abroad, but there is no indication of whether they may wish to employ foreign labour on any considerable scale. At the end of 1973 it was estimated that the largest group of foreign workers in Czechoslovakia was some 18-19 thousand Poles, and that in addition there were a few hundreds of Hungarians, Bulgarians and Yugoslavs.

21. Since 1972 there has been a gradual introduction of a new wage system, claimed to have become necessary because the old system had been in use since 1959-1960 and had become seriously out-of-date, particularly as a result of developments during the crisis of 1967-1969. A start was made at 73 enterprises and by 1975 there were reported to be over 1,000 enterprises employing 2.5 million persons working under changed conditions which should provide better incentives both for higher performance and improved qualifications. Although the "principles" of the new system were approved in 1973 they have not been published in full, but it is clear that a great many detailed alterations to wage scales, incentives and norms are being made and there is continuing gradual modification in the light of experience. Some complaints that "the only real change is firmer norms" have been reported, but it is difficult to assess the impact of the new system which appears to be still partly experimental.

22. Repeated reports of absenteeism, waste of working time and excessive labour turnover provide evidence of the authorities' concern with problems of labour morale, but it nevertheless appears that the share of economic growth attributable to higher productivity in 1971-1975 will probably not fall far short of the 95 per cent which was specified in the 5-year plan. For 1971-1974 increased labour productivity was estimated to have provided 94 per cent of the growth of national income. An assessment by an official of the Czechoslovakian Ministry of Labour and Social Welfare published in March 1974(1) found that labour productivity in agriculture

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(1) Svet Hospodarstri, 22nd March, 1974

though lower than in the West, was higher than in the other Communist countries apart from the GDR. Industrial labour productivity, however, was lower than that in the Soviet Union, as well as the GDR and the West, partly because of the relative backwardness of Czechoslovakia's technological standards. In view of its source, this assessment is of considerable interest but the difficulties of international comparisons in this field are great and it therefore must be treated with reserve.

## VI. Investment

23. The introduction to the 1971-1975 plan comments on the very high rate of increase in investment expenditures in 1968-1969 and claims that the new leadership achieved a significant success in 1970 in keeping down investment "to an economically bearable limit" and halting the growth in the number of unfinished buildings. A continuing effort to combat the same problems has, however, been evident in 1971-1975.

24. The plan required that the share of national income devoted to investment should be stabilised at 29-30 per cent. This level is being exceeded and it is probable that over the 5-year period about one-third of the national income produced will be absorbed by investment programmes. Investment plans for relatively small projects (up to 1.5 million Kcs) are being overfulfilled(1), but on the largest and most important programmes performance is reported to be below plan. In January 1975 the Czechoslovakian Minister of Finance claimed that a tightening of central control had secured some improvement and that in 1974 the volume of unfinished construction was "not quite so disproportionate as in previous years". This improvement was also acknowledged by the Federal Prime Minister Strougal in a speech 2 months later, but he nevertheless described capital construction as the weakest link in the development of the economy.

25. In 1971-1973 industry, which provides about 61 per cent of the national income produced, received about 38 per cent of the total investment, while agriculture which provides about 9 per cent of the national income received about 10 per cent. The share of industrial investment allocated to the fuel and power branches rose from 18 per cent in 1970 to 25 per cent in 1973. This accords with the priorities stated in the

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(1) Projects consisting mostly of machines and equipment; an article in Rude Pravo of 20th June, 1974 complained that this tended to multiply the already considerable number of vacant machine places

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1971-1975 plan where limitation of investment in the fuel and power base in 1966-1970 was blamed for the serious breakdowns in supply. Breakdowns still occur and in 1975 introduction of 1,400 MW power station capacity is represented as urgently necessary for a smooth transition to the 1976-1980 plan.

26. In terms of yield from investment, Czechoslovakia's overall performance in 1971-1974 appears relatively successful since a growth of 22 per cent in total fixed capital has been matched by a 24 per cent increase in national income produced. For each Kcs 1 of productive fixed capital there has been about Kcs 0.33 national income produced annually. The dissatisfaction of Czechoslovak officials centres around the failures and delays in completing major investment projects. These have included a large coal mine in the North Bohemia lignite area, cement factories, a new refinery, cellulose plants and others. Particular concern has been expressed because the investment projects that are lagging have included those whose output was expected to relieve dependence on imports which are becoming increasingly expensive and less obtainable.

#### VII. The consumer

27. In 1971-1974 the total monetary incomes of the population increased by about 5.5 per cent a year on average, while the plan had envisaged a growth of roughly 5 per cent a year. The total increase in 1971-1975 is now expected to be about 30 per cent, some 2 per cent above the 5-year plan target.

28. Expenditures were growing at a rather lower rate in 1971-1973 and there was a rapid increase in the savings deposits and cash held by the population. In 1974, however, the growth of retail trade turnover accelerated and the increase in savings deposits was significantly lower, less than Kcs 9,000 million as compared with over Kcs 13,000 million in 1973. It seems likely that an increase in spending may have been precipitated by fears that retail prices might rise or that desirable consumer goods might become unusually scarce because of the difficulties of the foreign trade situation.

29. Such fears would no doubt have gained credibility when the retail price of petrol was raised substantially in March 1974, primarily in the hope of reducing consumption. The official retail price index has, however, remained steady since 1971 and the Party has committed itself to maintaining the current overall retail price levels until the end of 1975. There has almost certainly been some tendency for prices to drift upward, particularly when new products were introduced, but on the whole the available evidence suggests that they have indeed remained fairly stable.

30. Private savings in Czechoslovakia have been increasing far more rapidly than the populations monetary expenditures and at the end of 1974 the total amount in deposits was almost 110 thousand million crowns, equal to one half of the year's retail trade turnover(1). The Director of the State Savings Bank has claimed that this can be regarded as testimony of confidence in the national currency, especially since about a third of the savings are in long-term deposits. A study of the motivation behind private savings was carried out in the Czech Republic in 1965 and again in 1972, with remarkably similar results. Apparently some 36 per cent of the savings were for purchase or betterment of housing, about 26 per cent for purchase of consumer durables (though by 1972 the share earmarked for private cars was substantially higher), and about 35 per cent for general financial reserves. The report of the survey emphasised, however, that it could not be regarded as accurate material for forecasting future economic trends since a great many depositors save for no particular reason and have no idea what they will ultimately spend their savings on. It is probable that, as in other Warsaw Pact countries, part of the savings represent frustrated purchasing power, since official reports admit that demand for some kinds of goods (including furniture, furnishing textiles, automatic washing machines and refrigerators) still cannot be satisfied. However, these problems appear to be less severe in Czechoslovakia than in the USSR and most of the other countries of Eastern Europe.

31. In general, while Czechoslovakia's economic growth since 1971 has been slightly above plan, the consumer appears to have been receiving a due share of the benefits from this expansion. Most of the targets for improving living standards have been consistently overfulfilled. It is clear that Czechoslovakia and the GDR have the highest standards of living among the countries of the Warsaw Pact, but comparisons between these 2 are not very illuminating since most differences appear slight and likely to be attributable to national preferences.

#### VIII. FOREIGN TRADE

32. General. Foreign trade turnover is equivalent to some 30% of estimated gross national product and foreign trade transactions represented \$876 per capita in 1973, the third highest in the Soviet bloc, behind GDR (\$907) and Bulgaria (\$878). During the 1971-1975 plan period trade with Communist partners was scheduled to rise by 43-45%, faster than the planned overall rate of 36-38%; this implied a growth rate with non-Communist countries of something over 30%. In the event all the plan targets had been exceeded by 1974, particularly those

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(1) At the end of 1973 corresponding proportions were over 80 per cent for the GDR and Bulgaria, and over one third for Hungary, Poland and the USSR

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	1971-1975	Actual 1971-1974
Plan Communist countries	43-45%	+50%
Overall trade	36-38%	+61%
(Implied) non-Communist	30%	+88%

with non-Communist countries; however in the same period trade with the USSR rose by only 39%.

33. In 1974 total Czechoslovakian foreign trade turnover amounted to \$1,480 million, 22 per cent up on the previous year. Imports rose marginally faster than exports and the deficit on overall trade was \$178 million, about double that of 1973. Trade with the Communist countries rose more slowly than that with the developed West and with them Czechoslovakia moved from a surplus of \$97 million in 1973 to a deficit of the same amount in 1974. Her deficit with the developed West increased by a small amount and included a deficit of \$51 million with the EEC countries with whom in earlier years she usually ran a surplus. Like her East European neighbours Czechoslovakia is conducting more trade with the developed West and the developing countries. However, she remains behind all her Communist partners, except Bulgaria, in the amount of trade she does with the developed West (26 per cent of her turnover in 1974) and particularly in the share she imports from these countries (28 per cent in 1974).

34. The distribution of her trade between these major groups in 1973-1974 is given in table 12 of the statistical Annex, while table 13 lists her trade in 1974 with the main individual countries. The Soviet Union alone accounted for 28 per cent of the total turnover in 1974 (compared with 32 per cent in 1970), while the leading partner in the West is the Federal Republic of Germany with a share greater than that of the next 2 Western partners, Austria and the United Kingdom, taken together.

Multilateral Partners(1)

35. These countries settle their trade accounts with Czechoslovakia in convertible currencies. The 1974 figures have been calculated but do not take account of all Czechoslovakia's multilateral partners. [In addition, these figures are often subject to revision later in the year]. Western sources suggest the final balance is likely to be of the order of \$275-300 million.

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(1) A list of multilateral partners appears at table 22

	1972	1973	1974(1)	(in million US\$)
Turnover	2,241	3,204	3,778	
Exports	1,091	1,496	2,032	
Imports	1,150	1,708	1,746	
Balance	-59	-212	-286	

Commodity Trade - Exports (see table 15)

36. Over 3 quarters of Czechoslovakia's exports of machinery and equipment go to Communist countries, (with the Soviet Union accounting for nearly half the exports to this group). The Communist countries also receive the same share of the leather shoe and furniture exports and nearly 2 thirds of the consumer goods. Deliveries within the framework of CMEA co-operation and production sharing arrangements are now accounting for a growing share of exports, particularly in the engineering sector. However, in general 1974 exports in this sector were below plan targets indicating that structural changes in the industry are being effected more slowly than anticipated. The Soviet Union takes one-fifth of Czechoslovakia's exports of lorries, one-third motorcycles, 40% woollen cloth, china ware and procelain and between 55% and 65% of steel pipes, shoes and computers. [Table 16.7]

37. Czechoslovakia's exports to the developed West comprise largely manufacture goods, machinery and equipment and crude raw materials as the following table shows:

CZECHOSLOVAK EXPORTS TO EUROPEAN NATO COUNTRIES  
IN 1973(2)

Commodity Group	Value (M-US\$)	% Share
Food, beverages, tobacco	84.4	9.5
Crude materials, inedible, except fuels	111.7	12.5
Mineral fuels, lubricants, etc.	35.0	3.9
Animal and vegetable oils and fats	3.7	0.4
Chemicals	52.8	5.9

- (1) Figures not available for several developing countries  
(2) Excluding Iceland. Source: National Statistics of NATO countries

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Commodity Group	Value (M-US\$)	% Share
Machinery and transport equipment	152.8	17.2
Manufactured goods	388.8	43.7
Other goods	51.0	6.9
Total	<u>890.2</u>	<u>100.0</u>

Planned exports of heavy and general engineering goods to this area were not fulfilled; this state of affairs seems to recur each year and may be affected by the slowing down of planned investment in the construction of new plants in Czechoslovakia.

38. Czechoslovak exports to the developing countries consist largely of machinery and equipment, in particular railway cars and wagons, road building machinery, mining equipment as well as exports of complete plants, such as sugar refineries, textile mills, ore processing complexes equipment for power stations and oil refineries. In addition Czechoslovakia provides technical services and construction work for these countries.

Commodity Trade - Imports

39. Czechoslovakia buys only about one quarter of her total raw material requirements in the Free World, the remainder comes from her Communist partners, principally the Soviet Union, which has been Czechoslovakia's leading trade partner since the early 1950s. Czechoslovakia's dependence on the Soviet Union is shown by the fact that in 1973 the latter supplied 49% of Czechoslovakia's imports of cars, 50% anthracite coal, nearly 90% oil, 87% iron ore, 95% pyrites, 100% pig iron and 77% wheat. [See table 17.7] In 1973 and 1974 Czechoslovakia had to purchase grain, particularly feedstuffs from the non-Communist countries (largely the USA and Canada) because the USSR was unable to supply all her requirements. From the other CMEA countries Czechoslovakia imports largely machinery and equipment, manufactured consumer goods, chemical products and other raw materials such as coal, sulphur and copper from Poland.

40. Czechoslovakia's imports of machinery and equipment account for one-third of her imports from the developed West, as the following table demonstrates:

CZECHOSLOVAKIA: IMPORTS FROM EUROPEAN NATO COUNTRIES(1)  
IN 1973

Commodity Group	Value (in million US\$)	Percentage share
Foods, beverages, tobacco	169.7	17.5
Crude materials, inedible, except fuels	66.4	6.9
Mineral fuels, lubricants	4.2	0.4
Animal and vegetable oils and fats	4.0	0.4
Chemicals	159.6	16.5
Machinery and transport equipment	314.7	32.4
Manufactured goods	237.5	24.5
Other goods	13.1	1.4
Total	<u>969.8</u>	<u>100.0</u>

They are followed by manufactured goods, foods, beverages and tobacco. Among individual items imported, feedstuffs led the field at \$93.5 million, followed by textile yarn \$55.1 million, plastics \$41.2 million and iron and steel semi-manufactures \$38.7 million.

41. From the developing countries imports of raw materials and foodstuffs predominate, accounting for over four fifths of Czechoslovakia's purchases. Table 18 shows the main imports from each country; in general terms they comprise oil, cotton, rubber, coffee, tea, tin, beef, processed fish and fruits.

Relations with the Free World

42. In 1974 Czechoslovakia was confronted by recession in most of her Western markets, as well as higher prices for the raw materials she imports from them. Spiralling world prices for oil, steel, cotton, grain, soyabean meal, fertilizers, plastics and chemicals added substantially to the cost of the import bill and in both 1973 and 1974 Czechoslovakia had to import large amounts of grain. Czechoslovakia's export prices rose relatively less than the import prices and her terms of trade vis-a-vis the West deteriorated. The Czechoslovakian

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(1) Excluding Iceland. Source: National Statistics of NATO countries

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State Bank has calculated that the price of Czechoslovak exports to the developed West rose by 8.5-10% in 1974, while import prices rose on average by 22-25%, and raw material prices even higher. To put this in context, the Czechoslovak deficit with the developed West was not as high as had been expected largely because she did not take up the amount of machinery and equipment planned for 1974; had she done so the deficit might have risen substantially [table 197].

CZECHOSLOVAKIA PERCENTAGE OF IMPORTS  
FROM NON-COMMUNIST COUNTRIES

% of total imports				Those imports as % of estimated GNP			
1965	1970	1973	1974	1965	1970	1973	1974
27	31	32	36	3	3	5	6

43. The effect of price increases on the domestic economy has not yet been felt deeply because Czechoslovak organizations have been buying from the foreign trade corporations at unchanged prices; with the difference between these prices and actual import costs being covered by the state budget. In 1973 it cost 6,000 million crowns to cover this, but in 1974 the figure had risen to three times that sum; such a situation cannot be allowed to operate indefinitely.

Industrial Co-operation

44. The Czechoslovak attitude towards trade with the developed West has traditionally been cautious and her attitude to industrial co-operation with Western companies is similar. The Czechoslovaks have preferred to rely on their own engineering R&D resources, which have been relatively advanced in such sectors as machine tools, textile machinery and electric power equipment. From this position of considerable technological strength, at least among the bloc countries, the Czechoslovaks appear to have confined their interest in buying Western industrial plant and know-how to a few selected fields such as electronics, road vehicles and some forms of engineering.

45. Czechoslovakia does not allow foreign firms to establish offices in the country; instead they have their own firms which specialise in arranging the submission of tenders, promotion of products, technical consultancy services and servicing for foreign firms. They also collect a hard currency commission of about 3% per transaction arranged.

46. A law laying down the principles of economic co-operation came into effect on 1st January, 1973. This allows enterprises to carry out negotiations with regard to industrial co-operation agreements (ICA's). It appears to be aimed at preventing unco-ordinated activity and spontaneity and maintaining a large degree of central control to ensure that ICA's are closely connected with the five year plan targets and that there is an assured market for the goods produced under these and specialisation agreements.

47. Over the past 15 years Czechoslovak economic organizations have obtained some 450 licences and have granted a similar number to other countries. Most Czechoslovakian licences have been made available in the textile sector. Of the licences bought, the main sectors in which they have been used are engineering, chemicals, consumer goods and building materials. The Czechoslovaks regard expenditure in convertible currency as justified so long as it enables them to dispense fully or partly with research and development. [Table 20.7]

CZECHOSLOVAKIA LICENCE PURCHASE AND SALES(1)

Indicator	1970	1971	1972	1973
I. Number of contracts signed for purchase of licences	44	32	44	29
II. Payment and fees for I. (in million US\$)	46.7	40.7	53.1	47.6
III. Number of contracts signed for sale of licences	59	44	32	42
IV. Payments and fees for III.	9.2	13.8	8.0	12.1

Source: Czechoslovak Foreign Trade Nos. 11-12, 1974

Details of Czechoslovakia's involvement in international organizations appear at Appendix B.

Finance from the West

48. Until recently Czechoslovakia has been one of the few East European countries to keep her trade with the convertible currency area in balance. The 1971 and 1972 deficits were relatively small, but they increased substantially in 1973 and 1974.

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(1) Includes licences sold to and purchased from all countries

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49. Credit outstanding to NATO countries at the end of 1973, stood at \$326 million. This is likely to have risen substantially in 1974. New credits of \$100 million were taken on in 1973 and repayments to NATO countries were \$94 million, giving a debt service ratio of 11%.

NATO COUNTRIES CREDITS TO CZECHOSLOVAKIA

(in million US\$)

Year	New	Credit of which over 5 yrs	Repay- ments	Credit	Outstanding of which over 5 yrs	Exports to NATO countries	Debt service ratio (%)
1970	46	5	48	261	115	488	9.9
1971	62	7	64	258	106	567	11.3
1972	115	41	78	292	121	663	11.9
1973	100	34	94	326	141	880	10.7

Source: NATO countries reporting

50. If credits from other industrial countries were estimated, the NATO figure for end 1973 would probably rise by nearly \$150 million bearing in mind that Austria, Japan, Sweden and Switzerland would be active credit lenders to Czechoslovakia. Czechoslovakia still appears to resist most offers of credit and her credit lines with Western countries are often under-utilised. This also applies particularly to short and medium-term emocurrency borrowing. The Czechoslovaks do not appear to have raised any consortia loans in the last 3 years, though there may have been small scale private borrowing which would not be publicised. Czechoslovakia is the only East European country to be consistently a net lender in the London euro-currency market as the following table shows:

EXTERNAL LIABILITIES AND CLAIMS OF UK BANKS WITH  
CZECHOSLOVAKIA IN FOREIGN CURRENCIES

(in million US\$)

	Liabilities	Claims	Net position /for Czechoslovakia <sup>7</sup>
1971	85	63	+22
1972	125	53	+72
1973	125	110	+15
1974	166	118	+48

Source: Bank of England Quarterly Review

51. Czechoslovakia is not in receipt of United States Eximbank finance and at present she is eligible for 3 year credits from the Commodity Credit Corporation to finance imports of foodstuffs, but the amount involved is very small and totalled only \$7 million in 1967/1968 with nothing since then.

52. Czechoslovakia earns hard currency revenue from tourism. No figures are published for these earnings, but figures are available on numbers of Western tourists visiting Czechoslovakia and the numbers of Czechoslovakians visiting the West(1). In 1973 the Slovak trade Union Daily paper "Area" reported that Western visitors spent 766 million crowns (\$106 million at the official range of exchange in 1972). Allowing a small amount for Czechoslovakian expenditure in the West, this leaves net earnings of about \$80-90 million in 1972 which might not have increased by much in 1973.

	Incoming			Outgoing		
	Total (% from West) (Nos.)			Total (% to West) (Nos.)		
	(000 people)			(000 people)		
1970	3,545	20.6	(730,270)	2,060	9.1	187,460
1971	4,699	16.9	(794,131)	2,349	6.3	147,987
1972	11,499	7.8	(896,922)	2,323	7.0	162,610
1973	9,479	8.8	(834,152)	2,799	7.0	195,930

Czechoslovakia and CMEA

53. Czechoslovakia was one of the founder members of CMEA and has since been one of its more active and vocal supporters. She has often been described as "the workshop of CMEA" and as such has been one of the major countries interested in establishing production co-operation between her industrial enterprises and those of her larger neighbours. Because of her shortage of manpower and reluctance to employ labour from other CMEA countries, production sharing arrangements have been seen as a means of increasing economic growth. However until recently Czechoslovakia, like some of the other CMEA countries, has been reluctant to put large scale specialisation into progress because she did not wish to be dependent on any other country for machinery parts, particularly in the engineering sector. With her relatively limited domestic resources, she is interested in the "Socialist division of labours", taking that phrase in its broadest meaning, particularly to ensure fuel and energy supplies for the next 5 year plan period 1976-1980.

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(1) Source: National Statistics - International Travel Statistics

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54. Until this year, Czechoslovakia, along with the other East European members of CMEA, had been relatively shielded from the effects of Western inflation by pricing arrangements that ensured that CMEA prices for all commodities including raw materials and oil remained stable. These prices had been set at the beginning of the present 5 year plan, based on world prices of an earlier period, and so were very out of line with current world prices, especially since the last quarter of 1973. In January this year the CMEA Executive Committee agreed to implement the Soviet Union's decision to raise prices. These rises, which took effect retroactively from the beginning of this year, have altered the situation. Although reporting on this subject has been sketchy, and in some CMEA countries non-existent, it appears there is to be an annual revision of prices based on a moving average of world prices of the preceding 5 years (although 1975 prices are being based on a 3 year average 1972-1974). For Czechoslovakia these changes signify a 175% increase in the cost of crude oil from the USSR compared to 1973. Recent articles have indicated that Czechoslovakia has also had some difficulty in obtaining sufficient supplies of crude oil and the situation is further complicated by announcements that Soviet oil deliveries may have to be paid for in hard currency or goods imported from the West if they exceed an existing quota based on contracts now in operation. Czechoslovakia will probably not be affected this year, but is likely to be in the 1976-1980 period. Although the revision of CMEA prices applies (or will apply) to all commodities, the relative trading position of Czechoslovakia, as an exporter of machinery, will deteriorate vis-a-vis the raw material exporters, such as the Soviet Union and Poland.

Czechoslovakia and the Soviet Union

55. The process of integration between the 2 countries' economies is detailed and co-ordinated by the Intergovernmental Czechoslovak-Soviet Commission of Economic and Technical Co-operation set up in 1963. It has 15 working groups whose activities are designed to solve economic problems, speed up scientific progress, and raise production efficiency through specialisation and co-production. A number of specific agreements have been signed recently including specialisation in the manufacture of machinery and equipment for light industry, manufacture of machine tools, forging and pressing equipment. The Soviet Union is rendering technical assistance, in designing and delivery of equipment for house construction, the Prague underground, developing a second television channel and colour television and reconstruction of pulp and paper mills in Czechoslovakia. Appendix C shows Czechoslovakia's participation

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in raw material projects in CMEA countries, Czechoslovakia's latest contribution to this being her part (along with the other East European CMEA members) in the construction of the gas pipeline on Soviet territory, to bring Soviet gas from the Orenburg fields.

Outlook and Prospects

56. Czechoslovakia faces problems in her trade relations both with the West and with CMEA. Discussions on rationalisation in the economy generally and in foreign trade in particular appear to be gaining momentum - spurred on by world inflation and the rapid rise in raw material prices. At the present time Czechoslovakia claims to meet 80% of her requirements for technology from her own resources, but it now appears that her East European neighbours who have imported Western technology and know-how more extensively are overtaking her in the potential of their exports to the West. Any reduction in trade with the West could reinforce this position and not help Czechoslovakia in the long run. Similarly trade with the USSR has declined relatively, although in percentage terms it will increase as the new CMEA prices take effect. Some rationalisation will be necessary as a result of the higher price for Soviet oil and the USSR's insistence on material help in developing Soviet raw materials, as prerequisites for increased supplies.

57. In the immediate future attempts to increase exports to the West to any great degree may be thwarted by Western recession. It is difficult to estimate the extent to which Czechoslovakia can expand exports to the West as some of the present hard currency earning exports may have to be diverted to the Soviet market to pay for raw material. This comes at a time when Czechoslovakia is being hit by the earlier over-valuation of her machinery and equipment exports, which have been priced near, or above, the level of superior Western models. Czechoslovakia needs to use her domestic resources to better effect and to realise the relative value of fuels and raw materials, to apply Western technology more systematically and to improve and promote production of goods for export capable of competing on world markets. The only alternative to this would be for her to develop an effective programme of import substitution. The Czechoslovak government has taken certain steps e.g. reducing the production of certain goods that need high priced Western inputs, such as textiles, and increasing central control over foreign trade. The number of enterprises with authority to conduct foreign trade has been reduced and further cuts are possible. Prague has also ordered that hard currency loaned to enterprises for import of Western machinery must be repaid in hard currency,

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that is, from export earnings. The effect of this measure over time should be to direct Czechoslovak imports to those industries with greatest export potential. It remains to be seen what other measures the Czechoslovaks can introduce to improve their trading system and it is likely that greater involvement in trade with the West will become a necessity. However until the guidelines for the next 5 year plan period are made available and the sectors singled out for investment known, it is impossible to say how great this involvement will be.

IX. Defence Expenditure

58. Budgetary expenditure on "defence and security" has been reported as follows in Czechoslovakia's official statistics (million Kcs):

	<u>Total</u>	<u>Federal Budget</u>	<u>Czech Republic</u>	<u>Slovak Republic</u>
1968	13,189			
1969	14,268	12,024	1,588	646
1970	14,919			
1971	15,943			
1972	16,770	13,169	2,598	1,003
1973	17,646	13,776	2,806	1,065
1974	na	na	2,898	1,149
1975 plan	19,280	15,123	2,933	1,224

It is noted that actual expenditures do not always coincide with those planned. Thus, for 1969 the expenditures planned for the Czech and Slovak Republics were Kcs 1,402 million and Kcs 605 million respectively. We estimate that in 1969-1973 the share of Czechoslovakia's GNP expended on "defence and security" was about 4 per cent each year. This would imply that the growth of these expenditures has been maintained at about the same rate as the overall growth of the Czechoslovakian economy.

APPENDIX A: MAJOR SECTORS OF INDUSTRY

I. ENERGY

1. Total coal production in 1974 was 110 million tons of which brown coal and lignite accounted for 82 million tons (74.6%) and hard coal 28 million tons (25.4%). Czechoslovakia is a net importer of hard coal and we estimate that the proportion of coal in total primary energy consumption has fallen from 75% in 1971 to 71% in 1974.

2. In 1974 Czechoslovakia produced 56,035 million kwhs of electricity, nearly 5% more than in 1973. However this was not enough to meet domestic requirements and imports were needed to make up the deficit. Supply of water for hydro-electric stations was exceptionally favourable in 1974 and the shortfall is attributed to delays in construction of new power plants and to an increasing rate of breakdowns. Czechoslovakia is Eastern Europe's second largest producer of hydro-electric power with an annual output of well over 2,000 million kwhs. Her first nuclear power station was commissioned at Bohunice in Slovakia in 1972 using a 150 Mw reactor supplied by the Soviet Union. Construction of the second and third nuclear plants at Bohunice and Dukovany is underway, though they are unlikely to become operational much before 1980.

3. Natural gas reserves are small and are not expected to last more than 20 years, even at the currently low rate of extraction of about 1,000 million cubic metres per annum. Demand for natural gas, however, is rising and by 1975 it is expected to reach 3,500 million cubic metres. This can only be satisfied by imports of Soviet gas through the existing Brotherhood pipeline and also by additional supplies from the same source via the Transit pipeline which goes on to deliver Soviet gas to GDR, Italy, Austria and the FRG. Czechoslovakia is due to receive unspecified amounts of gas from the Orenburg deposit, though probably not much before 1980.

4. Oil production has remained fairly static at just under 200,000 tons a year since the mid-1960s. Although a number of new oil finds have been reported, reserves are not large and production is not expected to rise in the future. The growing demand for oil can only be satisfied by Soviet imports and by much smaller amounts from the Middle East. In 1973 total crude imports were 14.2 million tons of which 13 million tons (91.5%) were supplied by the USSR through the northern branch of the Friendship pipeline system to refineries at Bratislavia and Zaluzi. We estimate that demand for crude in 1975 will be 16.5 million tons, rising to 22.7 million tons by 1980.

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II. METALS

(a) Ferrous

5. Czechoslovakia only produces a relatively small amount of iron ore - not more than 1.7 million tons a year and, consequently, relies on imported supplies to meet the needs of her steel industry. In 1973 13.2 million tons of ore were imported of which 11.6 million tons (87.9%) were supplied by the USSR. In 1974 crude steel production amounted to 13.6 million tons, 3% more than in 1973. Czechoslovakia's main steel producing areas include: Ostrava-Kuncice and Kosice (both integrated concerns), Trinec and Kralu DVUR.

(b) Non-ferrous

6. Czechoslovakia is not richly endowed with non-ferrous metals and has to import nearly all of her nickel and a substantial part of her lead from the USSR. She does, however, produce small amounts of aluminium, copper and lead.

7. Aluminium: In 1973 Czechoslovakia depended on Hungary for more than half of her supplies of bauxite. Czechoslovakia ranks as one of the least significant producers of aluminium in Eastern Europe (just around 10% of total Eastern European output). In 1971 her output was 36,942 tons, in 1972 42,713 tons and in 1973 it had risen to 47,646 tons. In comparison Poland and Rumania produced over 100,000 tons of aluminium each over the same period.

8. Copper: Czechoslovakia produces as much refined copper as Rumania but again the amounts are relatively insignificant compared with Poland and the GDR. In 1971 Czechoslovakia produced 17,196 tons, in 1972 18,068 tons and in 1973 17,840 tons. Poland, on the other hand, produced 92,700 tons in 1971, 131,000 tons in 1972 and 150,000 tons in 1973. Czechoslovakian copper output has been less than 10% of the total East European production between 1971-1973.

9. Lead: Czechoslovakia produces considerably less lead than Bulgaria, Poland and Rumania and her proportions of total East European output is only around 8%. In 1971 Czechoslovakia produced 17,609 tons, in 1972 18,163 tons and in 1973 16,724 tons. Poland on the other hand produced 62,900 tons in 1971, 63,000 tons in 1972 and 69,000 tons in 1973.

10. In 1973 construction began on the Vinto antimony smelter in Bolivia for which Czechoslovakia is expected to provide \$3.2 millions worth of equipment. The project is scheduled for completion in 1975 when total output will be 5,000 tons of metallic antimony.

III. CHEMICALS

(a) Petrochemicals

11. Czechoslovakia's existing refinery capacity of around 16.5 million tons a year is divided between Bratislava (8.5 million tons) and Zaluži in Bohemia (5 million tons), both terminal points on the Southern branch of the Friendship pipeline, and Kralupy near Prague (currently 3 million tons, but being expanded to 5 million tons by the end of 1975). Construction of a new refinery at Ostrava is in progress with an initial capacity of 3 million tons in 1978 rising to around 6 million tons in the early 1980s.

12. The Böhlen petrochemical combine in the GDR and Zaluži's chemical complex have been linked by an ethylene pipeline and in 1975 the GDR is expected to provide Czechoslovakia with ethylene and propylene which will be processed at Zaluži into high-density polyethylene and polypropylene, some of which will be re-exported back to the GDR. New plants recently commissioned include a 48,000 ton per annum benzene facility at the Slovnaft complex in Bratislava which came on stream in 1974. While contracts concluded recently include a 80,000 ton per annum low-density polyethylene section at Bratislava which will be supplied by the French Cdf Chemie Company.

13. Output of plastic products in 1972 was 300,900 tons, in 1973 - 356,000 tons and in 1974 - 389,000 tons. Despite this sustained progress, however, it is doubtful whether the 1975 planned target of over 500,000 tons will be achieved. An important future development in the petrochemical industry in general aid in plastics in particular will be the use of Soviet natural gas as the main raw material.

(b) Fertilisers

14. Total output of fertiliser in 1973 was 687,705 tons which was fairly evenly divided between phosphorus and nitrogen products. The largest increases in production since 1971 have been in nitrogen fertilisers from 316,867 tons N in that year to 350,672 tons N in 1973. Czechoslovakia continues to import a substantial amount of Polish fertiliser: total imports in 1973 were 577,000 tons of which the GDR provided 439,000 tons and USSR 137,000 tons.

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IV. ENGINEERING

(a) Production of metal forming machines

15. Czechoslovakian-produced metal forming machines include a wide variety of mechanical and hydraulic presses, hammers, shearing machines, and complete stamping and forging lines. Major manufacturers include the Skoda works, Plzen, which specialises in supplying equipment to iron and steel installations throughout Eastern Europe; the Smeral works, Brno, which produces a wide assortment of presses; the Piesok Engineering works, which makes forming machines for working sheet metal, tubes, and sectional steel; and the Zdas Engineering works, which produces heavy hydraulic and mechanical presses and rolling mill equipment.

(b) Machine tool production

16. Machine tool production is one of the most advanced branches of Czechoslovakian industry. The Skoda works, Plzen, manufactures lathes, drilling and milling machines in addition to special purpose heavy machine tools and a wide range of heavy industrial products. Most other manufacturers are associated in the TST Mechanical Engineering Group, which employs over 60,000 workers and produces about 300 different types and sizes of machine tools, including over 100 types of special purpose tools including transfer lines. The group includes factories at Gottwaldov, Kurim, Hostivar, Seximovo Usti, Svitavy, Trencin and Varnsdorf. Currently efforts are being made, based on research at the Kurim works, to develop a range of numerically controlled machine tools. A NC machine produced at Kurim, fitted with a Sinumerik 550 continuous path system manufactured by Siemens of West Germany, and capable of milling, boring, thread cutting, and drilling operations in one set up was displayed at the Brno Engineering Fair in the autumn of 1974.

(c) Anti-friction bearings

17. Czechoslovakia commenced the manufacture of anti-friction bearings in 1948 and today with an annual output of some 50 million pieces claims to rank eighth in the list of world producers. Nearly 3,000 different types and sizes of bearing are currently manufactured, ranging from 1 mm bore diameter to 1,540 mm outside diameter, for a wide variety of uses. About 25% of this output is exported, mainly to Eastern Europe. The present structure of the industry dates from 1965 when most of the major factories, numbering about a dozen in all, were organized into the ZVL Trust for Bearings Manufacture.

(d) Tractor production

18. The Czechoslovakian Zetor tractors are manufactured at the Brno-Lisen ZKL factory and fitted with diesel engines made at Zbrojovka. Six basic types of wheeled tractor and a number of variants, ranging from 25 hp to 120 hp, are produced. During the present plan period, output has increased from 21,794 machines in 1971 to 27,065 machines in 1974. Two current models, the Z 8011 (80 hp), and the Z 12011 (120 hp), are assembled from components produced in both Czechoslovakia and Poland, although it seems unlikely that this co-operation will be significantly extended in the near future, given the recent Polish agreement with Massey Ferguson. Further Czechoslovak co-operation with other East European countries may however be arranged in the future - already, in autumn 1974, an agreement has been signed with the Rumanian tractor factory at Brasov providing for deliveries of front drive axles for the Z 8045 and Z 12045 models to Czechoslovakia.

(e) Motor vehicle production

19. The Czechoslovakian motor industry is one of the most advanced and diversified in Eastern Europe and has a long tradition as a major designer and producer. There is an extensive trade with other East European countries, and over the 1971-1975 period Czechoslovakia will export 275,500 cars and 42,700 lorries to her CMEA partners whilst importing 289,200 cars, 21,100 lorries, and 1,600 buses from them. Currently the industry is the subject of large-scale - though as yet incompletely defined - expansion plans, which will strengthen manufacturing links with other CMEA countries.

20. Preparations have reportedly been underway since 1972 for co-operation with East Germany in establishing joint production of a new 1,100 cc-1,300 cc car during the 1976-1980 plan period. The Mlada Boleslava plant, north of Prague, will reportedly produce a total of 600,000 engines for the new model and 200,000 complete vehicles from 1978 onwards. In fact this scheme has yet to be officially ratified by either side; nonetheless the expansion of the Mlada Boleslava factory is already under way, and plans have been announced for a new body and assembly works with an annual capacity of 100,000 vehicles to be built at Bratislava.

21. Czechoslovakia is an important producer of lorries and currently some 30,000 are manufactured annually. About one half of the present total are Skoda lorries produced by the Liberec group of factories, whose new family of vehicles based on standardized two axled trucks powered by a 6 cylinder

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diesel engine and capable of carrying/towing gross weights of up to 38 tonnes - the S 100 series - is shortly to be introduced. The Avia works is currently being rebuilt in order to increase its manufacture of 1.5 tonne and 3 tonne capacity trucks under licence from Saviem of France to an eventual total of 10,000.

22. The Tatra group of factories based upon Koprivnice which at present produces some 8,000 heavy lorries annually, is scheduled to increase this output to over 15,000 by 1980 with the help of a CMEA credit granted to enable it to specialise as the principal bloc producer of heavy lorries having a carrying capacity of between 12 and 16 tonnes.

(f) Land armaments production

23. Czechoslovakia is the most important producer and exporter of land armaments in Eastern Europe. A number of Soviet weapons are manufactured under licence but Czech industry also produces a higher proportion of weapons of its own design (including armoured vehicles and artillery) than any other Soviet satellite country. Its current range of products includes medium tanks, tracked and wheeled armoured personnel carriers, light and medium artillery, multiple rocket launchers, infantry weapons and a complete range of ammunition.

(g) The aircraft industry

24. Czechoslovakia has possessed historically a small but significant aircraft industry. Recent emphasis has been on the production of jet trainers; however, the industry has developed a light transport and produces a range of light aircraft. In 1961 the Czech designed L-29 jet trainer was adopted by the Warsaw Pact as its standard basic trainer. Since the early 1960s the production programme has been the mainstay of the industry and at its peak two factories were manufacturing the aircraft, Kunovice and Vodochody: at least 4,000 L-29 have been produced at the latter plant. Production is now probably phasing out. Another milestone was the adoption by the Warsaw Pact of the L-29's successor, the L-39 two seat jet trainer, as the standard training aircraft for all member countries except Poland. The L-39 which has been under development since the mid-1960s is now in production at Vodochody. The most important civil programme concerns the L-410 twin-turboprop light transport. A small number have so far been produced and the Soviet Union has expressed the intention to purchase the type as a replacement for the An-2 COLT, currently in Aeroflot service; however, no final order has yet been signed because of a disagreement on the mode of payment.

APPENDIX B: PARTICIPATION IN INTERNATIONAL  
ECONOMIC ORGANIZATIONS

1. Czechoslovakia has been reasonably active in the work of organizations to which she belongs. This applies firstly to the United Nations, Czechoslovakia being a founder member in 1945 and also a member of the first Economic and Social Council, UN's principal body for economic issues. Since then she has been a member of this body 6 times, most recently in 1973-1974, and within this body Czechoslovakia has been a member of the Economic Commission for Europe since 1947 and is active primarily in the following Committees:

- (a) Committee on Trade Development (problems of East-West trade, arbitration agreement, model sales terms for various types of goods, simplification of trade documents.
- (b) Committee on Land Transport (agreement on goods transport on TIR transporters, agreement on containers and road transport).
- (c) Agricultural Committee (standardisation of perishable food. Farm work mechanisation).
- (d) Coal Committee.
- (e) Steel Committee.
- (f) Energy Committee.
- (g) Housing Committee.
- (h) Timber Committee.
- (i) European Statisticians' Conference.
- (j) Water Economy Committee.

Czechoslovakia has observer status at the Economic Commission for Asia and Far East (ECAFE) and the Economic Commission for Latin America (ECLA) and the Economic Commission for Africa (ECA). She has also taken an active rôle in UNCTAD conferences and work as well as on the UN Industrial Development Organization (UNIDO), established in 1966 for promoting industrial development by stimulating mobilisation and efficient exploitation of national and international resources.

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2. Czechoslovakia was a founder member of the General Agreement on Tariffs and Trade (GATT) in 1948 but has not played a particularly active rôle as yet. On the commodities side, she is a member of the international agreements on sugar, coffee, tin and cocoa. She also takes part in the work of the International Study Groups for lead and zinc, rubber, cotton and wool.

Statistical Annex

(Czechoslovakian official statistics unless otherwise indicated)

I Background Data

Area - 127,876 sq km,

including 78,862 sq km in the Czech Republic and 49,014 sq km in the Slovak Republic.

Agricultural land accounts for 55 per cent of total area, including 56 per cent in the Czech Republic and 53 per cent in the Slovak Republic.

Density of Population - 115 per sq km [December 1974],

including 127 per sq km in the Czech Republic and 96 per sq km in the Slovak Republic.

Population

	1970	1971	1972	1973	1974
Total (millions, end year)	14.3	14.4	14.5	14.6	14.7
of which					
in Czech lands	9.8	9.8	9.9	10.0	10.0
in Slovakia	4.5	4.6	4.6	4.7	4.7
Percentage of Urban Population	62.3	62.5	63.0	64.0	
Population of Working Age (men aged 15 - 59 years, Women 15 - 54 years)	8.2	8.2	8.3	8.4	
Birth rate (per 1,000 of population)	15.9	16.5	17.3	18.8	19.8*
Death rate (per 1,000 of population)	11.5	11.5	11.1	11.5	11.4

\*In 1974 there were 292,000 live births, the second highest number in the post-war period (next after 1947).

National Income (net material product)

364.5 thousand million Kcs in 1973 in current prices.

Gross National Product (Western estimate)

43.6 thousand million US dollars in 1974 (at US purchasing power equivalent, 1973 prices).

According to this calculation, Czechoslovakia's GNP is the fourth largest among the Warsaw Pact countries (coming after the USSR, Poland and GDR) and amounts to 4.5 per cent of the total GNP of these countries taken together. On a per capita basis, Czechoslovakia's GNP is the second highest after the GDR.

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II Economic growth of the Warsaw Pact Countries  
(CMEA Statistics of percentage growth)

a) National Income Produced

	1966-70	1971-73
Bulgaria	52	24
Czechoslovakia	39	16
GDR	30	17
Hungary	39	20
Poland	33	32
Romania	45	37
USSR	45	19

b) Per capita National Income Produced

	1966-70	1971-73
Bulgaria	47	23
Czechoslovakia	39	14
GDR	28	17
Hungary	37	18
Poland	30	30
Romania	37	32
USSR	39	15

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III Czechoslovakian Economic Statistics

Table 1: Main Economic Indicators (annual percentage growth)

	1966-70 annual average	1971	1972	1973	1974 provisional	1975 Plan	1971-75 Plan annual average
National Income (Produced)	6.8 <sup>(1)</sup>	5.1	6.0	5.3	5.5	5.6	5.1
Industrial Output	6.8	6.9	6.5	6.4*	6.2	6.4	6.0-6.3
Industrial Labour productivity	5.7	5.8	5.9	5.6	5.4	n.a.	5.3
Agricultural Output	4.8	3.2	3.9	4.7	3.0	5.1	2.7
Gross Investment	7.1	5.7	8.7	9.2	8.7*	n.a.	n.a.
Monetary incomes of population	8.2	5.5	6.0	6.4	4.3	4.4	about 5
Retail trade turnover	7.9	5.2	4.9	6.0	7.5	4.4	5.1-5.4

\* As given in the statistical report for 1974 (Monthly Statistical Summary, February 1975).

\*Excluding the "Z" campaign (for improvement of amenities) and private investment.

(1) growth rates are reported as follows:

1966 - 9.1  
1967 - 5.3  
1968 - 7.2  
1969 - 7.3  
1970 - 5.5

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Table 2(a) National Income Produced  
(thousand million Kcs, prices of 1 Jan 1967)

	1970	1971	1972	1973	1974
<u>Total</u>	280.4	294.7	312.4	329.0	347 <sup>+</sup>
growth index (1970=100)	100	105.1	111.4	117.3	124
of which (as % of total)					
industry	61.7	61.6	60.8	60.9	
agriculture	9.6	9.4	9.1	8.5	
construction	10.8	11.4	12.2	12.2	
transport and communications*	3.5	3.8	3.8	3.7	
trade and supply	11.9	11.5	11.8	12.4	
other**	2.5	2.3	2.3	2.3	

+provisional: stated to 6,000 million Kcs above plan.

\*goods transport and communications that serve material production.

\*\*forestry accounts for just over half of this residual.

In current prices national income (produced) amounted to 312.3 thousand million Kcs in 1970 and 364.5 thousand million in 1973.

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Table 2(b) National Income Distributed  
(thousand million Kcs, prices of 1 Jan 1967)

	1970	1971	1972	1973
<u>Total</u>	270.8	282.8	298.7	321.9
growth index (1970=100)	100	104.4	110.3	118.9
of which				
<u>Consumption</u>	208.1	221.1	232.5	246.3
% of total	76.8	78.2	77.8	76.5
growth index (1970=100)	100	106.2	111.7	118.4
including -				
personal consumption	156.8	164.5	172.6	181.5
% of total	57.9	58.2	57.8	56.4
growth index (1970=100)	100	104.2	110.1	115.8
<u>Accumulation</u>	62.7	61.7	66.2	75.6
% of total	23.2	21.8	22.2	23.5
growth index (1970=100)	100	98.4	105.5	120.6
including -				
increase in fixed capital	41.4	44.5	47.1	58.3
% of total	15.3	15.7	15.8	18.1
growth index (1970=100)	100	107.5	113.8	140.8
increase in unfinished construction	8.0	7.1	10.8	9.0
% of total	3.0	2.5	3.6	2.8
growth index (1970=100)	100	88.7	135	112.5
increase in inventories	13.2	10.1	8.3	8.3
% of total	4.9	3.6	2.8	2.6
growth index (1970=100)	100	76.5	62.6	62.5

In current prices, national income distributed was 300.8 thousand million Kcs in 1970 and 357 thousand million in 1973

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Table 3(a) Industrial Production by Branch  
(growth index, 1970=100)

	1971	1972	1973*	1974 <sup>+</sup>	Share of Branch in Total Output in 1973 (percentage)
ALL	107	114	121	129 <del>4</del>	
Producer goods	107	115	122	130	63.3
Consumer goods	106	113	121	128	36.7
Electrical & thermal energy	105	115	121	127	2.8
Fuel	106	110	110		7.0
Ferrous metallurgy	105	111	116	122	10.1
Non-ferrous metallurgy	106	110	114	123	2.6
Machine Building and Metal Working	108	117	127	138	29.7
Chemical, Rubber, Asbestos	111	122	135	143	7.9
Building Materials	108	113	118	128	3.4
Timber and Wood-working	106	111	118	127	3.1
Cellulose and Paper	106	113	120	127	1.6
Glass, porcelain & ceramics	109	115	121	130	1.4
Textile	106	113	119	125	5.2
Clothing	103	109	117	121	1.8
Leather, fur and footwear	107	114	119	125	2.5
Printing	103	106	110	117	0.6
Food	105	110	115	120	15.3
Other (residual)					5.0

\*The Czechoslovakian Statistical Handbook, published 1974, implies a rather higher growth of total industrial production in 1973 than that quoted in official statistical publications in 1975.

+Calculated from the annual statistical report.

~~4~~the plan required a growth of 25.6 per cent in 1971-74.

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Table 3(b) Output of Selected Major Industrial Products

	1970	1973	1974	1975 Plan	1975 planned increase over 1970 (%).
Electric Power (thousand million kW hours)	45.1	53.7	56.0	62-63	37-40
Hard coal (million tons)	28.2	27.8	28.0	25-31	
Lignite ( " )	78.0	78.2	82.2	87-90	11-15
Steel (million tons)	11.5	13.2	13.6	14	22
Rolled product ( " )	7.9	9.2	9.6	9.7	23
Pipe ( " )	1.1	1.3	n.a.	1.3-1.4	18-27
Aluminium (thousand tons)	30.8	47.6	49.8	n.a.	
Plastics (thousand tons)	245	356.2	389.8	over 500	over 100
Man-made fibres ( " )	100.6	124.8	131.3	n.a.	n.a.
Nitrogen fertilisers* ( " )	323.9	350.7	385.4		
Phosphorous fertilisers <sup>+</sup> (thousand tons)	322.3	336.4	336.0		
Tyres for private cars and lorries (millions)	2.5	3.9	4.2	at least 4.2	68
Tractors (thousands)	18.5	24.0	27.1	35	89
Passenger cars ( " )	142.9	164.4	168.7	n.a.	n.a.
Lorries ( " )	24.5	28.4	n.a.	n.a.	n.a.
Cement (million tons)	7.4	8.4	9.0	9.8-10	32-35

n.a. - not available

\*in terms of nitrogen content

+in terms of P<sub>2</sub>O<sub>5</sub>

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Table 4(a) Agriculture : Major Crops  
(million tons)

	1966-70 average	1971	1972	1973	1974	1971-75 planned average 8.2-8.4 <sup>+</sup>
Grain*	7.1	8.9	8.7	9.7	10.6	
including -						
wheat	2.9	3.9	4.0	4.6	5.1	
barley	2.1	2.9	2.7	3.0	3.4	
rye	0.7	0.6	0.6	0.7	0.7	
oats	0.9	0.9	0.7	0.7	0.7	
Potatoes	5.7	4.6	5.1	5.1	4.6	
Sugar beet	6.9	5.7	6.7	6.1	8.2	

\*including pulses

+The 1975 annual plan calls for 10.3 million tons of grain.

Table 4(b) Yields  
(centners per hectare)

	1966-70 average	1971	1972	1973	1974	1975 Plan 31
grain	26.6	32.7	31.3	34.7	38.5	
including -						
wheat	28.9	35.2	33.6	37.6	40.2	
barley	28.2	33.5	31.0	33.9	39.2	
rye	21.9	26.5	27.3	30.7	31.0	
oats	21.5	26.2	22.5	26.6	30.4	
Potatoes	151	139	157	167	164	
sugar beet	358	309	359	309	395	

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Table 5(a) Agriculture : Livestock  
(thousands at end of year)

	1970	1971	1972	1973	1974
Cattle -	4,288	4,349	4,466	4,556	4,566
of which, cows	1,881	1,900	1,906	1,927	1,927
Pigs	5,530	5,935	6,093	6,266	6,719
Sheep	981	932	889	842	811
Poultry (millions)	39.2	38.2	39.2	41.2	39.5
" layers				20.6	
				approx	

Table 5(b) Livestock Products

	1970	1971	1972	1973
Meat (thousand tons, dead-weight)	1,098	1,157	1,225	1,242
of which,				
beef	362	373	377	404
pork	586	624	681	671
poultry meat	103	111	119	124
Milk (thousand tons)	4,978	5,092	5,266	5,430
Eggs (millions)	3,733	3,996	4,120	4,254

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Table 6 Manpower and its utilisation  
(annual average, thousands)

	1965	1970	1973	Increase	
				1970 over 1965	1973 over 1970
1. <u>Total</u>	8,362	8,568	8,773	206	205
of which - those working but above working age*	631	625	592	- 6	- 33
2. <u>Employed in the economy</u>	6,477	7,033	7,237**	556	204 <sup>+</sup>
of which -					
a) <u>In productive sectors</u>	5,170	5,500	5,637	330	137
% of those employed	80	78	78		
including -					
industry	2,480	2,670	2,799	190	129
% of those employed	38	38	39		
agriculture	1,262	1,183	1,049	- 79	- 134
% of those employed	19	17	14		
b) <u>in non-productive sectors</u>	1,307	1,533	1,600	226	67
% of those employed	20	22	22		
3. <u>Students and apprentices</u>	832	800	820	- 32	20
4. <u>Others of working age</u> including the unplanned sectors of the economy	1,053	735	716	- 318	- 19

\* Over 59 for men and 54 for women

\*\* Estimate for 1974 - 7,340,000 an increase of 307,000 in 1971-74.

+ The actual increase is reported to be less than half of this (some 82,000) because of the increase in numbers of women on maternity leave.  
(Hospodarske Noviny, 20 December 1974, pp 16-17)

Table 7(a) Investment  
(thousand million Kcs, prices of 1 Jan 1967)

	<u>1966-70</u> <u>Total</u>	1971	1972	1973	1971-75 Plan <u>Total</u>
<u>ACC Investment</u>	387.3	93.5	101.6	111.0	520
% of national income produced	31	32	33	34	29-30
<u>Productive Investment</u>		65.8	70.4	78.4	
% of total		70	69	71	
including					
industry		35.1	36.1	41.8	
% of total		38	36	38	
agriculture		9.3	10.2	12.1	
% of total		10	10	11	
<u>Non-productive Investment</u>		27.7	31.2	32.6	
% of total		30	31	29	
<u>Increase in Fixed Capital</u>	257.4	73.9	76.5	93.6*	

\*In 1974 - about 96,000 million Kcs; total 1971-74 - 340,000 million Kcs, an increase of about 22 per cent over 1970.

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Table 7(b) Investment in Branches of Industry\*  
(percentage of total industrial investment)

	1970	1971	1972	1973
Fuel and Power	18	20	22	25
Iron and Steel	7	7	7	6
Non-Ferrous Metallurgy	2	1	1	1
Engineering	17	16	17	17
Chemicals <sup>+</sup>	13	12	11	13
Building Materials	6	7	8	7
Timber, Wood-Working Cellulose and Paper	4	7	6	6
Glass and Ceramics	2	2	1	1
Textiles and Clothing <sup>++</sup>	8	7	7	7
Food	7	7	8	7
Residual	16	14	12	10

+Including rubber and asbestos industries

++including footwear, fur and leather industries

\* Source: Statistical Handbook of CMEA, 1974.

Table 7c   Investment Yield

	Productive Fixed Capital (thousand million Kcs, 1967 prices)	National Income Produced (thousand million Kcs, 1967 prices)*	National Income Produced per 1 Kcs Productive Fixed Capital (Kcs)
1966	696.9	219.4	0.31
67	724.1	231.0	0.32
68	757.1	247.6	0.33
69	791.9	265.7	0.34
70	837.7	280.4	0.33
71	882.4	294.7	0.33
72	928.0	312.3	0.34
73	986.1	329.0	0.33

\*If the comparison is made in terms of national income in current prices, the amount produced for each 1 Kcs of productive fixed capital is 0.36 Kcs in 1969-73.

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Table 8 Monetary Incomes of the Population  
(thousand million Kcs)

	1970	1971	1972	1973	1974	1975 Plan
<u>Total Income</u>	226.4	238.8	253.0	269.3	280.9	293
Index (1970 = 100)	100	105	112	119	124	130
of which -						
from Employment	148.7	155.4	163.5	171.0	179	
Index (1970 = 100)	100	104	110	115	120	
from Agricultural Co- operatives	14.3	14.6	15.5	16.5	n.a.	
Index (1970 = 100)	100	102	108	115		
from sale of Agricultural Produce	3.2	3.3	3.4	3.6	n.a.	
Index (1970 = 100)	100	103	106	112		
from Monetary Social Bene- fits	40.3	41.8	44.8	47.9	50	
Index (1970 = 100)	100	104	111	119	124	
Loans from State Bank	5.4	7.3	7.6	10.1	about 10	
Other	15.2	16.5	17.5	19.3	n.a.	
Net income from abroad	- 0.5	- 0.1	+ 0.7	+ 0.9	n.a.	
<hr/>						
<u>Total Expenditure</u>	216.0	226.8	239.4	253.9	n.a.	
Index (1970 = 100)	100	105	111	117		
of which						
purchases in retail shops	149.9	157.5	165.3	175.0	n.a.	
Index (1970 = 100)	100	105	110	117		
purchases in agricultural co-operatives	0.9	0.9	1.0	1.0	n.a.	
payments for services <sup>+</sup>	28.8	29.8	31.3	32.9	n.a.	
Financial payments*	36.5	38.7	41.8	45.0	n.a.	
<u>Additions to Savings Deposits</u>	9.6	10.4	11.8	13.2	8.8	over 10
<u>Increase in Cash in Hand</u>	0.7	1.6	1.8	2.3	n.a.	
<u>Increase in Savings and Cash   Resources</u>	10.3	11.9	13.6	15.4	n.a.	
Index (1970 = 100)	100	116	132	150		

+ rent, transport, etc.

\*taxes, insurance, loan repayments etc.

Table 9 Standard of Living: Selected Indicators

	1970	1971	1972	1973	1974	GDR in 1973
<u>Average monthly wage*</u> (Kcs)	1937	2009	2091	2161	2234	
% growth	3.0	3.7	4.1	3.3	3.4	
<u>Cost of Living Index (1968 = 100)</u>						
a) Households of State Labour Force	107.1	106.2	105.8	106.0		
b) Households of co-operative Farmers	108.8	107.9	107.5	107.8		
<u>Food Consumption, per capita</u>						
Meat (kg)	71.9	73.3	75.1	77.3	78.5**	74.0
Fish (kg)	5.2	5.2	5.2	5.5	n.a.	8.3
Milk Products (kg, in terms of milk)+	196.2	201.8	200.6	206	n.a.	n.a.
Fats and oils(kg)	19.9	20.0	20.0	20.6	20	n.a.
Eggs (units)	277	288	292	291	292**	249
<u>Ownership of Consumer Durables</u> (number of inhabitants per unit)						
Refrigerators	6	5	5	4		5
Television sets	4	4	4	4		5
Private cars	17	15	14	12++		11
<u>Retail Sales per 1,000 of population</u>						
Refrigerators	15.6	21.4	17.8	21.9		26.6
Television sets	18.9	20.7	19.3	17.8		26.4
Passenger cars	5.8	7.7	6.8	8.0		7.6

\*Excluding apprentices and members of agricultural co-operatives

+Excluding butter

++1975 estimate - 10.

\*\*The level of consumption recommended by Czechoslovak nutrition experts in 1970 was 76.3 kg meat and 292 eggs.

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Table 10 Housing

	1971	1972	1973	1974	1975 Plan	1971-75 Plan
<u>Number of Dwellings Built</u> (thousands)	107.4	115.6	118.6	127.3	126	500*
of which - private (%)	27.5	27.8	27.0	27.3	n.a.	
Average living area (m <sup>2</sup> )**	41.4	40.6	38.3	n.a.	n.a.	
Dwelling built per 10,000 of population	75	80 <sup>+</sup>	81 <sup>+</sup>	87		
<u>Net increase in number of dwellings++ (thousands)</u>	97.1	103.1	102.4	n.a.	n.a.	
<u>Investment in housing</u> (thousand million Kcs)	16.6	18.0	17.9	n.a.	n.a.	
% of total investment	18	18	16			
Private investment in housing (thousand million Kcs)	3.7	4.7	5.0			
% of all investment in housing	22.3	26.0	28.0			
<u>Facilities in New Housing**</u>						
% with central heating	98.6	98.1	98.3 <sup>+++</sup>			
% with hot water	99.3	99.1	99.3			

\* Total dwellings built in the 5 years now expected to exceed 590,000

\*\*Excluding privately built houses

+Corresponding figures for the GDR are 70 in 1972 and 74 in 1973.

++ie less those demolished, reconstructed for other purposes etc.

+++Corresponding figures for the GDR are 93.7 per cent with central heating and 98.4 per cent with hot water in 1973.

Table 11. Comparison of Economies of the Czech and Slovak Republics

	Czech Republic	Slovak Republic	Slovak Republic as % of total
National Income Produced (thousand million Kcs, current prices) 1970	221.4	80.6	26.7
1973	257.5	95.0	27.0
National Income Distributed (thousand million Kcs current prices) 1970	212.0	88.9	29.5
1973	247.2	106.7	30.2
Investment (thousand million Kcs 1967 prices) 1970	60.3	28.1	31.8
1973	74.0	37.0	33.3
of which:- productive 1970	42.3	19.5	31.5
1973	52.3	26.1	33.2
including:- industry 1970	23.1	10.5	31.1
1973	28.0	13.8	33.0
Industrial output 1973 (thousand million Kcs constant prices)	234.8	78.4	25.0
Agricultural output (thousand million Kcs, constant prices) 1970	45.6	21.5	32.1
1973	51.2	24.1	32.0
Money Incomes of Population (thousand million Kcs) 1973	193.3	76.0	28.2
Increase in savings and cash resources 1973	10.9	4.5	29.2
Population (thousands) 1973	9,964	4,670	31.9

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Table 12

FOREIGN TRADE 1973/4 (\$ US millions)

	1973			1974			% Change in Turnover 1974/3	% Change in Exports 1974/3	% Change in Imports 1974/3		
	Turnover	Exports	Imports	Balance	Turnover	Exports				Imports	Balance
All Countries	12096.4	6007.1	6089.3	- 82.2	14779.6	7301.0	7478.6	-177.6	+22.2	+21.5	+22.8
Communist Countries	8391.2	4243.9	4147.3	+ 96.6	9621.9	4762.2	4859.7	- 97.5	+14.7	+12.2	+17.2
of which	7882.3	3972.3	3910.0	+ 62.3	8861.2	4368.4	4492.9	-124.5	+12.4	+10.0	+14.9
CMEA	2728.7	1902.7	1826.0	+ 76.7	4131.1	2090.8	3040.3	+ 50.5	+10.8	+ 9.9	+11.7
USSR	508.8	271.6	237.2	+ 34.4	760.7	393.9	366.8	+ 27.1	+49.5	+45.0	+54.6
Other	3705.3	1763.3	1942.0	-178.7	5157.7	2538.8	2618.9	- 80.1	+39.2	+44.0	+34.9
Non-Communist Countries	2855.4	1310.7	1544.7	-234.0	3891.2	1820.2	2070.9	-250.7	+36.3	+38.9	+34.1
of which	849.8	452.6	397.3	+ 55.3	1266.5	718.5	548.0	+170.5	+49.0	+58.7	+37.9
Developed West	1676.0	844.9	833.0	+ 11.9	2280.6	1114.8	1165.8	- 51.0	+36.1	+32.0	+40.2
Developing Countries	2981.4	1387.4	1594.0	-206.6	3778.1	2031.8	1746.3	-285.5	+26.7	+46.4	+ 9.6
EEC											
Multi-lateral Partners											
PERCENTAGE DISTRIBUTION OF CZECH FOREIGN TRADE											
All Countries	100.0	100.0	100.0		100.0	100.0	100.0				
Communist Countries	69.4	70.6	68.1		65.1	65.2	65.0				
of which	65.2	66.1	64.2		60.0	59.8	60.1				
CMEA	30.8	31.7	30.0		28.0	28.6	27.3				
USSR	4.2	4.5	3.9		5.1	5.4	4.9				
Other	30.6	29.4	31.9		34.9	34.8	35.0				
Non-Communist Countries	23.6	21.8	25.4		26.3	24.9	27.7				
of which	7.0	7.5	6.5		8.6	9.8	7.3				
Developed West	13.9	14.1	13.7		15.4	15.3	15.6				
Developing Countries											
EEC											

Table 13      FOREIGN TRADE WITH INDIVIDUAL COUNTRIES IN 1974  
(\$ US millions)

1974 Rank	1973 Rank	Country	Turnover	Imports	Exports	Balance
1	1	USSR	4131.1	2040.3	2090.8	+ 50.5
2	2	GDR	1661.1	896.1	765.0	-131.1
3	3	Poland	1243.2	604.9	638.3	+ 33.4
4	4	FRG	(34.8) 960.0	515.3	444.7	- 70.6
5	5	Hungary	836.5	445.7	390.8	- 54.9
6	7	Yugoslavia	604.4	288.8	315.6	+ 26.8
7	9	Austria	(54.4) 458.3	251.5	206.8	- 44.7
8	10	United Kingdom	(64.8) 454.9	227.2	227.7	+ 0.5
9	6	Romania	453.7	240.3	213.4	- 26.9
10	8	Bulgaria	344.1	164.5	179.6	+ 15.1
11	12	Switzerland	(26.8) 333.0	218.9	114.1	-104.8
12	11	Italy	(17.0) 263.8	127.7	136.1	- 8.4
13	16	Egypt	257.7	141.2	116.5	- 24.7
14	14	Netherlands	(22.2) 202.2	106.3	95.9	- 10.4
15	13	USA	(13.3) 194.2	135.4	58.8	- 76.6
16	15	France	193.2	92.2	101.0	+ 8.8
17	17	India	156.0	86.6	69.4	- 17.2
18	18	Sweden	136.2	67.5	68.7	+ 1.2
19	20	Belgium/Luxemburg	125.8	60.2	65.6	+ 5.4
20	19	Cuba	116.4	63.8	52.6	- 11.2
21	25	Canada	98.8	26.9	71.9	+ 45.0
22	22	Japan	(23.4) 36.0	56.6	29.4	- 27.2
23	24	Denmark	70.0	35.0	35.0	-
24	-	Greece	62.1	31.3	30.8	- 0.5
25	23	Brazil	61.2	31.3	29.9	- 1.4

Figures in brackets give percentage growth of turnover in 1974 as compared with 1973.

SOURCE: Statisticke Prehledy No.3. 1975  
Exchange Rate \$ IUS = 5.88 Kgs

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Table 14

TRADE WITH LESS DEVELOPED COUNTRIES

	1972			1973		
	Turnover	Imports	Exports	Turnover	Imports	Exports
Arab Republic of Egypt	145	56	89	139	72	67
India	112	59	53	115	69	46
Iran	40	19	21	43	20	23
Iraq	31	-	31	75	20	55
Lebanon	35	7	28	44	8	36
Syria	37	6	31	37	9	28
Brazil	43	21	22	62	45	17
Peru	20	16	4	10	7	3
Turkey	25	14	11	21	11	10
Algeria	19	4	15	20	11	9
Pakistan	16	3	13	16	1	15

SOURCE: Facts on Czechoslovak Foreign Trade 1974 and  
Statisticka rocenka CSSR. 1974

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

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IMPORTS AND EXPORTS BY COMMODITY GROUP

Table 15

	Imports (million US \$)			Exports (million US \$)			Commodity Balance 1972   1973 (million US \$)
	1970	1971	1972   1973	1970	1971	1972   1973	
I Machinery and Equipment	1232	1327	1578   2272	1904	2072	2426   3009	+848 -913
II Fuels and Raw Materials, Materials of which:	1593	1787	2108   2619	1113	1177	1360   1706	-748
a) Fuels, metals, minerals	878	1023	1212   1497	716	740	846   1037	-366
b) Chemicals, fertilisers, rubber	328	363	407   480	178	194	221   283	-186
c) Construction Materials and parts	46	42	50   66	85	102	124   157	+ 74
d) Materials of plant and animal origin	342	359	439   576	134	140	170   230	-269
III Cattle and Other Animals	10	9	9   14	3	5	7   11	- 2
IV Foodstuffs of which:	547	574	606   748	144	177	202   240	-404
a) Raw materials for food production	201	253	236   280	52	88	59   73	-177
b) Food products	346	321	370   468	92	119	143   166	-227
V Industrial Consumer Goods	314	313	362   436	627	750	920   1041	+558
Total	3695	4010	4662   6089	3792	4180	4915   6007	+253 - 82
			% by Category in 1973			% by Category in 1973	
			37.3			50.1	
			43.0			28.4	
			24.6			17.3	
			7.9			4.7	
			1.1			2.6	
			9.4			3.8	
			0.2			0.2	
			12.3			4.0	
			4.6			1.2	
			7.7			2.8	
			7.2			17.3	
			100.0			100.0	

SOURCE: Statisticka ročenka CSSR. 1974.

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Table 16

EXPORTS BY MAJOR COMMODITIES

Commodity	1970	1972	1973	% to USSR
Metal Cutting Machines (pieces)	10,953	12,108	10,139	19
Excavators ( " )	224	304	239	13
Electric Motors ( " )	200,548	304,206	436,191	-
Turbo Compressors ( " )	47	29	39	72
Computers (million \$)	12.5	22.8	25.5	56
Wheel tractors (pieces)	13,420	14,904	20,180	-
Agricultural machines (million \$)	21.1	33.0	49.8	28
Lorries (pieces)	8,562	10,443	11,723	21
Buses ( " )	678	1,023	625	-
Passenger cars ( " )	73,909	88,638	111,226	-
Motorcycles (000 pieces)	92	169	190	32
Antifriction bearings (million \$)	22.1	30.8	31.8	13
Bituminous coal (000 tons)	2,970	3,310	3,482	-
Coke ( " " )	2,500	2,417	2,573	-
Rolled stock ( " " )	2,147	2,551	2,358	-
Pipes ( " " )	415	831	513	62
Tyres (000 pieces)	355	1,125	1,072	2
Sawn timber (000 m)	650	688	727	-
Malt (000 tons)	199	193	199	17
Sugar ( " " )	296	208	207	10
Beer (000 hectolitres)	1,072	1,253	1,060	23
Woollen fabrics (000 m)	6,209	4,369	4,066	42
Silk fabrics ( " " )	21,175	31,267	31,577	11
Leather footwear (000 pairs)	28,292	31,858	31,665	64
Rubber shoes ( " " )	9,703	10,472	10,542	61
Chinaware and porcelain (tons)	9,903	11,244	11,890	40
Costume jewellery (million \$)	25.3	29.7	30.3	25

SOURCE: Facts on Czechoslovak Foreign Trade 1974

Table 17

IMPORTS BY MAJOR COMMODITY

Commodity	1970	1972	1973	% from USSR
Metal cutting machines (pieces)	6,670	8,422	6,017	20
Cars (000 pieces)	41,835	78,448	95,394	49
Lorries ( " " )	3,259	3,116	4,253	-
Harvesters (pieces)	2,816	1,378	1,512	33
Bituminous coal (000 tons)	4,569	5,535	5,299	50
Crude oil ( " " )	9,798	12,571	14,146	92
Iron ore ( " " )	12,724	13,152	13,211	87
Pyrites ( " " )	76	63	95	95
Sulphur ( " " )	303	325	322	46
Asbestos (tons)	39,017	38,220	42,032	52
Manganese ore (000 tons)	202	388	441	76
Pig iron ( " " )	779	802	730	99
Nickel (tons)	3,187	4,106	3,722	82
Phosphate (000 tons)	361	365	359	50
Potassium fertilisers ( " " )	526	611	577	24
Nitrogenous fertilisers ( " " )	97	70	75	75
Natural rubber ( " " )	51	50	46	-
Cellulose ( " " )	80	81	93	48
Cotton ( " " )	114	108	104	58
Wool ( " " )	20	19	16	25
Wheat ( " " )	1,026	1,094	950	77
Maize ( " " )	122	302	469	30
Other forage ( " " )	427	627	663	-
Coffee (tons)	14,810	17,353	17,507	-
Vegetables (000 tons)	107	109	107	-
Fruit ( " " )	263	341	362	-

SOURCE: Facts on Czechoslovak Foreign Trade 1974.

PRINCIPAL GOODS IMPORTED BY CZECHOSLOVAKIA FROM VARIOUS DEVELOPING COUNTRIES:

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**EUROPE**

**Cyprus**

- Wine
- Various spirits
- Citrus fruits 20400 tons

**ASIA**

**Afghanistan**

- Cotton 500 tons

**Bangladesh**

- jute fabrics

**Burma**

- rubber
- rice

**Cambodia**

- rice

**India**

- Iron ore 691000 tons
- cotton yarn
- jute fabrics
- woollen knitwear
- cotton textiles
- woollen clothing
- underwear
- stockings
- costume jewelry
- traditional handicraft products
- tyres and inner tubes
- tobacco 1600 tons
- fodder 105000 tons
- coffee 2400 tons
- groundnuts 5000 tons
- manganese ore
- tools
- accumulators
- plumbing fittings
- fittings
- mineral oils and products
- cosmetics
- pharmaceuticals
- knitting machines
- tea 534 tons

**Indonesia**

- tin and tin alloys
- rubber

**Iraq**

- processed dates
- crude oil

**Iran**

- crude oil
- tyres
- cooling equipment
- chrome ore
- accumulators
- cotton 9200 tons
- carpets
- clothing
- stockings
- furnishing fabrics
- fruit products
- leather and plastics footwear
- woollen knitwear
- fodder (6000 tons)

**Lebanon**

- tinned fruit and vegetables
- processed fruit
- clothing
- citrus fruits

**Malaysia**

- tin and tin alloys
- natural rubber 27000 tons

**Pakistan**

- jute fabrics
- cotton yarn
- processed fruits
- tinned food
- towels
- rayon fabrics
- handbags
- leather footwear
- cotton knitted goods

**Sri Lanka**

- rubber 4000 tons
- vegetable oils
- tea
- processed fruits

**Syria**

- cotton 3500 tons

**Thailand**

- rubber 4000 tons
- rice

**Turkey**

- cotton 3000 tons
- ceramic tiles
- clothing
- processed sea fish

- semi-processed fruit and vegetables
- leather clothing
- chromium ore
- tobacco - 3000 tons

**AFRICA**

**Algeria**

- crude oil
- textiles
- wine
- phosphates
- iron ore 121000 tons
- citrus fruits 18400 tons

**Egyptian Arab Republic**

- phosphates 147000 tons
- rice 20,000 tons
- citrus fruits 19700 tons
- textiles
- cotton yarn 17200 tons
- cosmetics
- floorings
- cigarettes
- clothing
- cotton

**Gabon**

- manganese ore

**Ghana**

- cocoa beans

**Morocco**

- tinned fish
- tinned vegetables
- textiles
- iron ore
- phosphates

**Nigeria**

- rubber

**Senegal**

- tinned fish

**Sudan**

- cotton 1200 tons
- groundnuts 6000 tons

**Tanzania**

- sisal rope
- coffee 240 tons

**Tunisia**

- olive oil
- phosphates

**LATIN AMERICA**

**Argentina**

- vegetable oils
- tanning materials
- woollen clothing
- processed fish
- wool
- beef
- fodder 32000 tons

**Bolivia**

- tins and tin alloys

**Brazil**

- iron ore 404000 tons
- manganese ore
- cocoa beans
- coffee 10000 tons
- beef
- fodder 59000 tons

**Colombia**

- bananas 10500 tons
- coffee 1700 tons

**Costa Rica**

- bananas

**Ecuador**

- bananas 31000 tons
- cocoa beans

**Mexico**

- metallurgical zinc products
- chemicals
- tinned fish

**Peru**

- fishmeal

**Uruguay**

- blankets
- wool
- rice
- beef

**Venezuela**

- iron ore
- cocoa beans

Table 19      CONTRACTS CONCLUDED/UNDER NEGOTIATION WITH WEST

Western Country/Company	Date	Details of Contract	Value
			\$ US mills
<u>FRG:</u> KloECKner Ind. Plants Ltd	Jul 72	Design and deliver plant equipment for the manufacture of P.V.C.	\$ 10.2
Babcock Wilcox	Nov 74	Boiler house installation for new power station at Melnik	\$ 8.0
Wolff Walsrode	Dec 74	Plant for production polypropylene including engineering and knowhow	\$ 11.4
<u>AUSTRIA:</u> Voest-Alpine	Jun 72	PVC plant for chemical works at Spolona <del>Veratove</del> . Financed by foreign trade credits	\$ 7.8
Integral Inds.	Jun 73	Gas works for Prague. Completion end '74	\$ 4.5
Waagner <del>Bivo</del>	Jul 73	1,700 heavy bogies for ore wagons. Payment in hard currency. Delivery 1974-6	\$ 10.0
Voest-Alpine	Dec 73	Technological equipment for the paper ind., including machinery and equipment for the Chemicelalozza works in Zilina	\$ 10.7
<u>FRANCE:</u> CDF. Chemie	Oct 74	Construction of a polyethylene plant in Bratislavia	\$ 35.3
No details. (R.F.E.)	1974	Natural gas stocking centre	\$ 14.0
<u>JAPAN:</u> (also see over) Teijin Co. & Nissho Iwai	Aug 74	Nylon-six tirecord manufg. plant - completion 1977. Price paid in instalments over 5 yrs.	\$ 6.85
Komatsu Co & Marubeni Corp	Feb 75	65 pipelayers and 17 straight tildozers to be used on the Czech section of Orenburg	\$ 12.8
<u>SWEDEN:</u> S.I.A.B.	Mar 72	Construction of a department store in Prague. Completion date autumn '74/early '75.	\$105.0
<u>CANADA:</u> Under negotiation with Canadian comps. Combustion engineering - superheater.	-	Construction of a pulp and paper mill at Ruzomberok, Slovakia	\$ 50.0
	Jun 73	Chemical recovery and air pollution system to be installed in Hencovae Pulp Mill, <del>Ustrov</del> Export Devlpt Corp. will provide \$2.9 mill repayable in ten semi-annual instalment	

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Table 19 cont'd

CONTRACTS CONCLUDED/UNDER NEGOTIATION WITH WEST

Western Country/Company	Date	Details of Contract	Value
			§ US mills
<u>U.K.:</u> Simon Carves	Mar 72	Construction of a low-density polyethylene plant.	§ 9.1
C.J.B. (Projects)	Jun 72	Engineering and procurement of a high-density polyethylene plant at Zafra in the N.W. Due to have come on-stream in late 1974.	§ 31.2
<u>JAPAN:</u> Toyo Engineering Cor	Feb 72	Supply of an ethylene plant - ann. capacity of 200,000 tons. Price paid in 6 mthly instalments over 7 yrs. 20% downpayment. Completion 1975.	§ 22.0
Itoh & Co.	Feb 72	Supply a polypropylene plant - capacity 80,000 ton p.a. Complete by 1974 end of.	§ 18.0
Teijin & Nissho Iwai	Nov 72	Export of nylon plant and related technology. Part of the machinery costs will be paid over 7 years from 1974. Completion by 1975.	§ 9.7
<u>SWITZERLAND:</u> Varian A.G.	Apr 74	11 data acquisition communication systems for State Bank.	§ 1.8

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Table 21

LICENCES SOLD TO WEST

Western Licencee	Date	Details of Licence
<u>JAPAN:</u>		
Enshu Hamamatsu	1963	Production of hydraulic jet looms
Honda Motors	1964	Motor cycle automatic clutch.
Kurimoto	1965	Patents and documents for the production of mechanical presses.
Ishi Iron Works	—	Helical method for the construction of oil storage tanks.
Toyoda Automatic Loom & Daina Spinning Co.		Technology and production of spindleless spinning machines.
Sumitomo Machinery	1968	Documents and knowhow for the manufacture of equipment for large capacity cement production.
Toyo Menka Kaisha	1974	Rotary template for textile printing.
Kyowa Hakko Kogyo	"	Manufacture of tri-methazone
Tsusho Kaisha	"	Alloying of steel with lead.
Nissan Motor Co.	"	Manufacture of pneumatic jet loom.
<u>USA:</u>		
Nat. Patent Develop't Corp. - Hydron, Europe	1971	Licence to make and sell contact lenses in W. Europe.
Crompton Knowles	1974	Serial production of OK looms.
<u>SWITZERLAND:</u>		
Maschinenfabrik Rieter	1974	Production of spindleless spinning machines.

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Table 20

L I C E N C E S   P U R C H A S E D   F R O M   T H E   W E S T

Western Licencer	Date	Details of Licence
<u>JAPAN:</u> Mitsubishi Chem Inds	1965	Production of <del>2</del> Ethylhexanol, butanol and <del>1,2,3,4</del> stane.
Nippon Seiko	1967	Manufacture of ball-bearings.
Mitsui Co	1968(?)	Production and methods of dyeing polyethylene.
Toyo Engineering	1973	Licence for the making of ethylene by the Toyo process, together with the respective equipment.
<u>JAPAN/USA:</u> C. Itoh & Co & Chisso, Toyko/Avison, US.	1968	Production of polypropylene.
Teijin, Osaka/Allied Chem. USA	-	Production of high tensil nylon thread.
<u>FRG/USA:</u> Int'l Synthetic Rubber, US/Lurman, Schutte & Co.	1972	UNISOL and stabilization process of I.S.R FRG firm supplied the equipment necessary for the production and application of UNISOL 91 <i>an oil/laxex</i> blend.
<u>USA:</u> PepsiCo Inc.	1972	Licence to begin producing Pepsi-Cola in 1973. Coca-Cola is already produced under licence.
Universal Oil Products	1970	Cumene process.
<u>FRANCE:</u> Renault-Saviem	1968(?)	Licence to produce light trucks. Payment partly in delivery of component parts.
Not known	1974	French plant for the processing of solid domestic waste to be put into operation. If plant proves to be successful, equipment will be manufactured under licence.
<u>UK:</u> Filkington Glass	1960s	Manufacturing of mirror glass by the float production method.
I.C.I.	1960s	Production of polyethylene

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Table 22

MULTILATERAL PARTNERS

EUROPE

Austria  
Belgium Luxembourg  
Denmark  
Finland  
France  
FRG  
UK  
Iceland  
Ireland  
Italy  
Netherlands  
Norway  
Spain  
Sweden  
Switzerland

ASIA

Burma  
Indonesia  
Iraq  
Japan  
Jordan  
Kuwait  
Malaysia  
Saudi Arabia  
Syria  
Thailand

AFRICA

Ethopia  
Ghana  
Kenya  
Libya  
\*Morocco  
Nigeria  
Sierra Leone  
Tunisia  
Uganda  
Zambia

AMERICA

Argentina  
Bolivia  
Brazil  
Canada  
Chile  
Colombia  
Ecuador  
Mexico  
Peru  
USA  
Uruguay  
Venezuela

AUSTRALASIA

Australia  
New Zealand

\* Morocco not multilateral in 1972.

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