

## Economic Relations Between the Soviet Union and Czechoslovakia in the 1980's

Timur Kashapov

The University of Economics, Prague (Czech: Vysoká škola ekonomická v Praze)  
[kashapov\\_t@inbox.ru](mailto:kashapov_t@inbox.ru)

**Abstract:** This article is devoted to analysis of economic relations between the Soviet Union and Czechoslovakia in the 1980's within the crisis of development of economies of the two countries and determination of the reasons (in addition to political ones) of subsequent gradual reduction of the scope of economic relations between the Soviet Union and Czechoslovakia. The aim of the article is to inform contemporary reader about the recent history of interrelations between the two countries, about subjective evaluation of importance of bilateral cooperation, as well as generalization of both Russian-, Czech- and English-language publications devoted to the interrelations between the Soviet Union and Czechoslovakia in the last decade of existence of the Eastern Bloc. The article uses comparative and quantitative approaches, as well as the methods of systematic and historical analysis. The reference sources include current Russian publications, foreign magazines, Western books, statistic annual reports and unpublished materials of Russian and Czech archives.

[Kashapov T. **Economic Relations Between the Soviet Union and Czechoslovakia in the 1980's.** *Life Sci J* 2013;10(7s):1157-1162] (ISSN:1097-8135). <http://www.lifesciencesite.com>. 184

**Keywords:** economy, trade and economic relations, Soviet Union, Czechoslovakia, cooperation.

### 1. Introduction

The dividing line of post-war stage of relations between the Soviet Union and Czechoslovakia is Prague Spring (1968), which became a turning point in development of not only the two countries but of the whole socialist camp. The adopted by the Soviet authorities decision about interventionist action was based both on political and ideological reasons, and on military intentions (advance of the Soviet troops to the borders of Western Germany and provision of previous agreements with A. Novotny about deployment of Soviet nuclear weapons in Czechoslovakia) [1, pp. 102]. The events of 1968 in Czechoslovakia were a stage in strategic attempts of the Soviet Union to provide unity of the Warsaw Pact countries, uniformization of their policy and promotion of its influence in the World [2, pp. 56], and, as it turned out, were some kind of "fork in the road", where the selection of direction influenced on historical future of the Soviet Bloc and socialist economy [3, pp. 1-4]. Support of Czechoslovak reformists could become an impact in development, turning point to the model of "socialism with a human face" [4, pp. 789-801], however, this did not occur.

Development of bilateral relations after Prague Spring took place on the background of complex economical and social metamorphoses and was characterized with gradual increase in challenges. On the one hand, the first half of the 1970s was a period of economical recovery, expansion of production and foreign trade, improvement of standards of living [1, pp. 236]. On the other hand, the crisis of the established political

and economical Soviet system became more and more acute [5, pp. 8-11].

Analysis of recent studies and publications. Analysis of features of trade relations between the Soviet Union and Czechoslovakia in the 1980s is given in numerous publications in Czechoslovakia (later in Czech Republic and Slovakia) [1, 6, 7, 8, 9 and others] and the Soviet Union (Russia) [10, 11, 12, 13 and others]. The most prominent are the works by Nykryn J. [14], Fingerland J. [15], and Hanson P. [16], which are distinguished by high amount of evidences, detailed analysis of presented facts and statistics.

The aim of the studies is in analysis of features of trade relations between the Soviet Union and Czechoslovakia, as well as in revealing of factors influencing on development of relations between the two countries.

### 2. The main part

The Czechoslovak economy of the 1980s, especially of their first half, is characterized with advances of growth dynamics of foreign trade with the Soviet Union with respect to the growth of industrial production and national income [9, pp. 389], [17, pp. 76]. If in the 1970s the indices of average annual rates of export growth to the national income amounted to 1.2:1, then yearly in the next decade they were already 1.7:1. In 1981-1985 they amounted to 4:1, and the portion of export in national income increased from 25 % in 1970-1975 to 30 % in 1976-1980 and to 40 % in 1987 [14, pp. 78], which evidences significant growth both of total foreign trade exchange of Czechoslovakia in the 1980s, and

of trade with the Soviet Union, major foreign trade partner [18, pp. 323].

Together with this the foreign trade terms were gradually deteriorated for Czechoslovakia, their scales are confirmed as follows: in 1975 r. in order to obtain a unit of quantum of imports Czechoslovakia should export by 10 % of quantum of products more than in 1970, in 1980 – by 22 %, and in 1982-1983 already by 35-40 % more [18, pp. 4-10], [19, pp. 489], [15, pp. 69]. Such rapid deterioration of external conditions lead to forced increase in quantum of Czechoslovak export to the Soviet Union, which in 1980-1985 increased more than by 22 % [14, pp. 81] (herewith, the increase in volume of trade in terms of physical indices amounted only to 2 %), which in its turn restricted possibilities of retrofitting of production capacities and adversely affected on supply of consumer goods to internal market. In addition, rapid increase in supplies of power resources, iron ore, asbestos, paper pulp and

other kinds of raw stuff from the Soviet Union was promoted by development of cooperation in deployment of natural deposits by means of share participation of the countries in capital investments and in joint construction of commercial facilities [20, pp. 1].

At the same time the structure of foreign trade of Czechoslovakia in the 1980s evidenced enhancement of orientation of national economy in accordance with demands of CMEA and the Soviet Union with regard to processing of raw materials into metallurgical products and regular engineering products, the prices for which in global market were behind the prices for resource-saving equipment [21, pp. 2], [17, pp. 83]. According to this trend the leading position in export of Czechoslovakia to the Soviet Union was occupied by machinery and equipment, the export rate of which was constantly increasing.

Table 1. Structure of Czechoslovak export to the Soviet Union (%)

Item	1981	1982	1983	1984	1985	1986	1987	1988
Machinery, equipment, vehicles	64.5	63.5	66.4	68.3	68.3	67.9	68.8	70.6
Fuel, raw materials	9.3	8.8	8.4	7.3	7.3	7.1	7.1	4.8
Chemical products, fertilizers	3.1	3.1	2.8	2.7	2.8	3.0	3.0	3.1
Construction materials	1.1	1.4	1.3	1.5	1.5	1.4	1.4	1.6
Foodstuffs	1.7	1.4	1.2	1.5	1.6	1.4	0.9	0.4
Consumer goods	19.3	19.6	18.8	17.9	18.2	18.4	18.3	18.8

Source: [22, pp. 108-178], [23], [17, pp. 81]

Export of certain types of machinery at that time reached significant levels, which made Czechoslovakia the main supplier of machinery to the Soviet Union [24, pp. 2] and one of leading world exporters of this goods in terms of overall export of such commodities [22], [19]. These supplies were an important payment instrument in relations with the Soviet Union, compensating for corresponding import of fuel and raw materials [15, pp. 71].

In absolute terms the import of machinery and equipment from Czechoslovakia to the Soviet Union amounted in 1981-1985 to about 16 billion rubles, that is, about 3-4 % of industrial investments in the Soviet economy (in certain fields it was higher by 1.5-2 times). In particular, the share of Czechoslovakia in import of railway rolling stock and rolling and power plant equipment exceeded 30 %, textile equipment – 50 %, food and chemical equipment – 15 %, import of trolleybuses and trams was 90 % of domestic production in the Soviet Union [22, pp. 176]. Supplies of Czechoslovak electric

locomotives, equipment for leather-shoe industry, metal cutting tools, press-forging plant, mining equipment, motorcycles, scooters were of high importance for the Soviet national economy.

Due to close relation with the Soviet industry the main enterprises of Czechoslovakia (heavy, machine building, military industries) obtained significant impact for development, for them the first half of the 1980s was the best period in their history (in terms of quantity and quality of production). As an example, the following plants can be considered [14, pp. 86]:

České loděnice (Praha) – supplies of dredge pumps, pump stations, hydraulic excavators, tow boats, barges to the Soviet Union: within the frames of specialized operation the enterprise was oriented at production of these ship types (not marine), which were not assembled in the Soviet Union; Zbrojovka (Brno) – supplies and specialization in production of: top harvesters, hop harvesters, root harvesters, microtractors, mowers, hop driers, calf rearing units,

hop centers; První brněnský strojírenský podnik – gas-turbine units, gas compressor units (of key importance within construction and operation of the Soviet pipelines), steam turbines; within establishment of supplies from the Soviet Union this plant in cooperation with MMK (Magnitogorsk) performed supplies of required spare parts and equipment for gas industry in the Soviet Union.

The second largest export item consisted of consumer goods. Their share in total export of Czechoslovakia to the Soviet Union amounted in that period to 16-18 % [19, pp. 478], [17, pp. 78]. If to review individual positions, the attention of the Soviet customers was focused at Czechoslovak footwear (genuine leather, artificial leather, textile rubber footwear), leather accessories, furniture, wearing apparel, knitwear, medications, cut-glass ware, earthenware, porcelain ware, glassware.

Significant position was occupied by supplies of mineral resources, mainly of low-grade brown coals. In addition, large-diameter pipes, thin-wall pipes (weldless, electric welded), colorants, chemical reagents and foodstuffs (malt, hop, eggs, meat) were exported to the Soviet Union [14, pp. 89-91].

In its turn, the share of fuel and raw materials in import from the Soviet Union in that period continued to increase. This was influenced mainly by price increase in the bilateral trade, since according to the existed procedure of price formation (system of sliding prices for the last five years) there existed some delay with regard to global level [18, pp. 279]. If to exclude the influence of prices, then the share of fuel and raw materials, as well as of consumer goods to some extent (in physical terms) in import and export decreased, and the share of machinery and equipment increased.

Table 2. Structure of the Soviet export to Czechoslovakia (%)

Item	1981	1982	1983	1984	1985	1986	1987	1988
Machinery, equipment, vehicles	20.8	18.9	19.4	19.7	18.6	19.7	21.7	22.0
Fuel, raw materials	69.4	72.5	72.5	72.3	73.4	71.8	69.4	68.5
Chemical products, fertilizers	3.8	3.3	3.1	3.2	3.4	3.5	3.8	3.7
Construction materials	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2
Foodstuffs	0.8	0.7	0.6	0.5	0.6	0.6	0.6	0.5
Consumer goods	1.4	1.2	1.3	1.3	1.1	1.4	1.6	2.3

Source: [22, pp. 108-178], [23], [17, pp. 81]

The largest import items included oil, natural gas, iron ore. The Soviet Union continued to be the main supplier of raw materials for the Czechoslovak economy, which is evidenced by shares of specific goods in total import of Czechoslovakia. In particular, oil from the Soviet Union covered 94 % of demands of national economy of Czechoslovakia [25], [19], gas – 100 %, coal – 69 %, asbestos – 76 %, iron ore – 83 %, manganese ore – 100 %, cotton – 69 %. In addition, the Soviet Union supplied chromium, copper, nickel, aluminum, sulfuric acid, as well as cast iron, phosphor, potassium chloride, timber, concentrated apatite, paraffin, coke, natural gas, graphite, steel, magnesium [26, pp. 1-5]. Thus, in total import from the Soviet Union the share of raw materials reached 70 % in the mid-1980s [27, pp. 169].

An important component of the Soviet-Czechoslovak cooperation in this field was handling and uninterrupted supply of the Soviet gas to Western Europe. Incomes from gas remained almost the only reliable source of freely convertible currency in global market, so required for subsequent satisfaction of import requirements from capitalist countries,

which under the conditions of growing problems were highly important for provision of steady situation in domestic market and social stability in society [28].

The second largest item of the Soviet export to Czechoslovakia consisted as before of machinery and equipment. Within the frames of specialization and cooperation the Soviet Union supplied vast list of machine building products: power generating equipment, electric machinery, equipment for underground and open-pit mining of mineral resources, metallurgical equipment, handling machinery, equipment for wood processing, foodstuff, textile, chemical, printing industries, agricultural equipment, ships, aviation equipment, passenger cars, means of communication, personal computers, metal cutting machines [15, pp. 63].

However, the quality of these commodities was gradually decreasing. This is evidenced by decrease in the share of high-tech products in machine-building export of the Soviet Union in Czechoslovakia to 5 % in 1988. One of the reasons of the established trend was common low level of final engineering products. Thus, in the Soviet Union only

20 % of engineering products were qualified as the first category quality in 1985.

Certain concept about technical level of engineering products can be achieved by the index 'kilogram-price of products supplied to Western markets'. The Soviet Union, as well as Czechoslovakia, was characterized with steady growing delay from global level. In particular, in 1970 kilogram-price of Soviet products was 40-50 % of global level, in 1980 – 30-35 %, and in 1983 – less than 25 % [20, pp. 10], which was related with multi-item production, insufficient development of scientific-technical cooperation, incoordination of delivery of engineering products, technologies and purchasing of foreign licenses [18, pp. 61]. The delay was especially rapid for high-tech products.

In addition to raw materials and engineering products, noticeable position in the Soviet export to Czechoslovakia was occupied by power supplies, foodstuff (tea, caviar, salt, alcoholic drinks) and consumer goods (for instance, household appliances, furniture, carpets) [22, pp. 175].

The first signs that the bilateral cooperation started to be stuck appeared already in the 1970s. Already at that time arresting factors of development of national economy and social sphere became apparent, and soon the crisis in other spheres of public life became obvious. The growth rates of economies of the Soviet Union and Czechoslovakia [29, pp. 6] (as well as other European countries-CMEA members) dropped starting from the mid-1970s, huge capital investments did not yield any results [10, 30, 31]. At the end of the decade the further development of relations was hindered also by "structural barrier" [32, pp. 23]. Moderate efficiency of the established national economy became more and more obvious, which was reflected in low labor efficiency and non-rationality of multi-item structure of economy [17, pp. 76-89]. While possibilities to increase supplies of fuel and raw materials from the Soviet Union significantly diminished, export of ready products in terms of quality and amounts could not be used as replacement. As a result, upward dynamics of foreign trade turnover was directly related with increase in global and contractual process and not with increase in quantum of trade [7, pp. 56]. And sharp drop of oil prices in global market resulted in sharp reduction of export incomes, mainly of the Soviet Union, which supported relative well-being of socialistic bloc [9, pp. 380].

Simultaneously with more and more noticeable stagnation of interstate exchange other problems became more severe, in particular, deficiency in high-quality product in mutual trade, increase in its price imbalance, obsolescence of commodity turnover structure [8, pp. 141]. Moreover,

development of commodity turnover hindered retention of excessive centralization of decision making at higher level, suspending of producers from participation in trade, segregation of foreign trade purposes and production, as well as involvement of deteriorated control methods foreign trade activity. Together with this, intensively formed institutional and contractual legal mechanism of cooperation did not receive necessary financial and economic instruments. Transferable ruble in the situation of unfree relations of commodity turnover and deformed prices could not become adequate means of payment within the frames of bilateral trade.

One of the main reasons was absolute absence of factors, providing spontaneous dynamism in society, such as profit motive and competitiveness of domestic and foreign producers with regard to consumer markets. Economic development of the states in addition to planning obeyed to aims of development of the so called "Soviet social state", that is, provision of social protection and overall employment [16, pp. 83]. This economy of overall employment lead to more and more leveling payment for less and less efficient labor, and it was arranged in such a way that increase in production and labor efficiency was unprofitable for an enterprise, since yield increase could lead to increase in target plans and decrease in wage funds in next calendar year.

Non-equivalent exchange and unavailability of structure determining indicators lead also to deepening of exchange disbalance, increase in deficiency of high-quality products in turnover, inability to influence on implementation of scientific and technological progress [33, pp. 2-3]. Uneven variation of prices for the most important Soviet export supplies intensified the problem of their exchange balance, increase in the Soviet debts. Provision of regular economic and financial relations became unprejudiced requirement of development of relations between the countries. The economy of both countries was not ready to be adapted to rapidly varying conditions of global market, even with consideration for the fact that in the relations between the two countries the market fluctuations were leveled by the system of sliding prices. The parties suffered losses and experienced increasing lag of technical level and mobility of industrial structures [9, pp. 351].

In its turn, development of scientific and technical cooperation between the Soviet Union and Czechoslovakia was hindered by numerous problems [15, pp. 81]. In particular, different regulations in the field of safety and application of equipment, preferences of domestic producers despite common agreements of purchase in partner country, variations in technical specifications and technological



regulations, issues of determination and approval of foreign trade process for final joint products, as well as preferences of license purchasing in Western countries within production of the same products prevented cooperation in this sphere.

The established conditions promoted setting of the problem of balance of foreign economic exchange. Top authorities recognized the necessity to restructure relations in mutual trading: "...supplies in the frames of mutual trade were not executed according to agreements and contracts, which evidences harmfulness of unavailability of material interests in order to provide normal operation of economic mechanisms: about 5 % of defective deliveries were detected, that is, this range of problems was steady" [34, pp. 5].

As a result, the parties started payments in freely convertible currency initially with regard to non-essential goods and then with regard to essential supplies, which is attributed to necessity to trade with capitalistic countries [35, pp. 181]. Besides, aiming at increase in efficiency of foreign trade in the frame of bilateral cooperation, quantum of direct trade between enterprises without governmental interference was increasing [10, pp. 79]. Similar purposes of increase in trade efficiency were pursued by Intergovernmental agreement dated November 4, 1986, which established main principles of foundation of joint ventures, international incorporations and companies in the frames of Soviet-Czechoslovak cooperation [36, pp. 5].

However, these attempts to reform the foundations of mutual cooperation were unsuccessful and the development of the bilateral relations continued in the established manner up to the breakup of the Soviet bloc.

### 3. Conclusions

The late 1980s were characterized with rapid revolutionary changes, which were based on inherent economical and political reasons both on the nation-wide and the system level. Under the influence of external environment the system was eroded, the corresponding results became evident in economy, politics, ideology, and social life of the countries of socialist camp, including Soviet Union and Czechoslovakia in the second half of the 1980s. The apparent crisis phenomena covered all spheres of society of socialist countries to the end of the decade. Further decrease in rates of economic growth, persistent shortage of capital, decrease in financial solvency transformed into general political crisis in socialist countries.

The year 1989 became the last year of communist authoritarian regime in Czechoslovakia, where conventional for the country democratic system, based on capitalist economy, was recovered

after revolution. After victory of the Velvet Revolution Czechoslovakia started to build its own external political and external trade strategy, where the determining role is played by nation-wide interests, trading relations under the conditions of variation of political orientation and economical transformation experienced complicated evolution, and the Soviet Union is no longer considered as the closest ally and major foreign trade partner of Czechoslovakia.

### Corresponding Author:

Dr. Timur Kashapov  
The University of Economics, Prague  
(Czech: Vysoká škola ekonomická v Praze)  
kashapov\_t@inbox.ru

### References

1. Durman, K., 1998. Utěk od praporů. Kreml a krize impéria 1964-1991, - Praha. -531 p.
2. Medvedev R, 2006. Andropov. Moscow. Certain remarks to the problem of military-political action of August 21, 1968. // Russian national archive of contemporary history, Collection 89, List 61, Document 6.
3. Křen, J., (2005). Dvě století střední Evropy. – Praha. – 1109 p.
4. Berend, T. I., 2009. From the Soviet bloc to the European Union. - New York. –300 p.
5. Dědek, O., 1997. Ekonomické aspekty zániku Československa. Příklad kulturního rozchodu národů. – Praha. – 207 p..
6. Dyba, K., Chaloupka, J., Zeman, K., 1984. Postavení ČSSR ve světové ekonomice. – Praha. - 61 p.
7. Vykoukal, J., Litera B., Teichman M., 2000. Východ: vznik, vývoj a rozpad sovětského bloku 1944-1989. – Praha. –860 p.
8. Židek, L., 2009. Dějiny světového hospodářství. – Plzeň. – 397 p.
9. Danshina, V., 1988. Economy of Czechoslovakia in the 1980s: structure and efficiency. – Moscow. –163 p.
10. Марьяна В., 2005. Czech Republic and Slovakia in the 20<sup>th</sup> century. – Moscow. – 327 p.
11. The Soviet Union--Czechoslovakia: Scientific and industrial integration and intensification // Collection of articles. – Moscow. – 1989. – 108 p.
12. Shmelev, B., 1997. Russia and central Eastern Europe in the first half of the 1990s. – Moscow. –202 p.
13. Nykryn, J., 1988. Zahraniční obchod. – Praha. – 189 p.

14. Fingerland, J., 1987. Problémy a perspektivy československo-sovětských vztahů. – Praha. - 76 p.
15. Hanson, P., (2003). The rise and fall of the Soviet economy. An economic history of the USSR from 1945. - New York. - 279 p.
16. United States. Joint economic committee, East European economies: slow growth in the 1980's. - U.S. Government Printing Office. – 1989. - 205 p.
17. Nekipelov, A., Orlik, I., 1997. Central Eastern Europe in the second half of the 20<sup>th</sup> century, 1966-1989. - Part 2. Moscow – 516 p.
18. Český statistický úřad // Statistická ročenka 1989, - Praha. – 1990. – 560 p.
19. Structure of Czechoslovak--Soviet trade in 1983 // Archive of economy, State Archive of Russian Federation, Collection 413, List 32, Document 3127
20. Analýza vývoje vnějšího obchodu // Národní archiv ČR, фонд Ústředního výboru KSČ (1983), Collection P65/83, Document 4042.
21. Ministry of foreign trade // Foreign trade of the Soviet Union in 1989. – Moscow. – Gosstat. – 1989. – 307 p.
22. Interní statistický materiál FMZO. – Praha. – 1986. – 305 p.
23. Archive of economy, State Archive of Russian Federation, Collection 413, List 32, Document 892
24. Ministry of foreign trade // Foreign trade of the Soviet Union in 1980. – Moscow. – Gosstat. – 1981. – 345 p.
25. Archive of economy, State Archive of Russian Federation, Collection 302, List 2, Document 2165a
26. Ministry of foreign trade // Foreign trade of the Soviet Union in 1987. - Moscow – Gosstat. – 1988. – 231 p.
27. Dohoda o přepravě sovětského zemního plynu do zemí západní Evropy přes území Československé socialistické republiky a výměnný dopis a Protokol k Dohodě o přepravě sovětského zemního do zemí západní Evropy // URL: <http://doccrp.pravo.ru/document/view/20020678/>. - [16.6.2012].
28. Zpráva o vývoji národního hospodářství a plnění státního plánu ČSSR v roce 1984. In: Národní archiv ČR, фонд Ústředního výboru KSČ (1984), Collection P111/84, Document 6957. - 51 p.
29. Fingerland, J., 1989. Národohospodářský komplex SSSR a československo-sovětská spolupráce. – Praha. – 81 p.
30. Průcha, V. a kol., 2009. Hospodářské a sociální dějiny Československa 1918-1992, Období 1945-1992. - 2. díl, - Brno.– 578 p.
31. Turek, O., 1995. Podíl ekonomiky na pádu komunismu. – Praha. – 106 p.
32. Archive of economy, State Archive of Russian Federation, Collection 413, List 32, Document 891
33. Report on state and development of economic cooperation of the Soviet Union with Czechoslovakia // Archive of economy, State Archive of Russian Federation, Collection 302, List 2, Document 1536.
34. Berend, T. I., 2006. An Economic History of 20th Century Europe. – Cambridge. – 258 p.
35. State Archive of Russian Federation, Collection 302, List 302/2/V, Document 1981.

4/7/2013