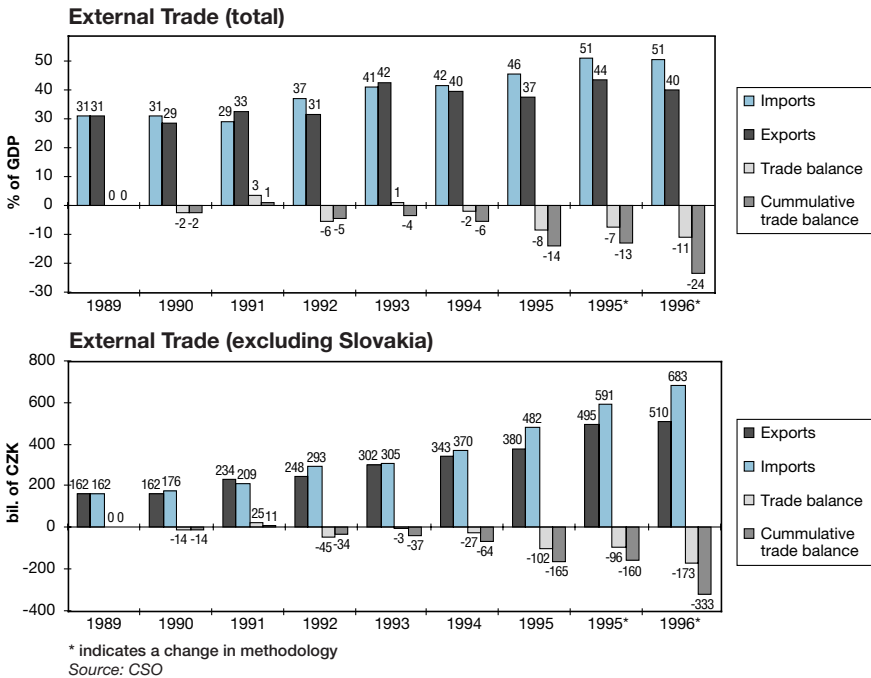


## V. FOREIGN TRADE

### V.1 Exports, Imports and Trade Balance

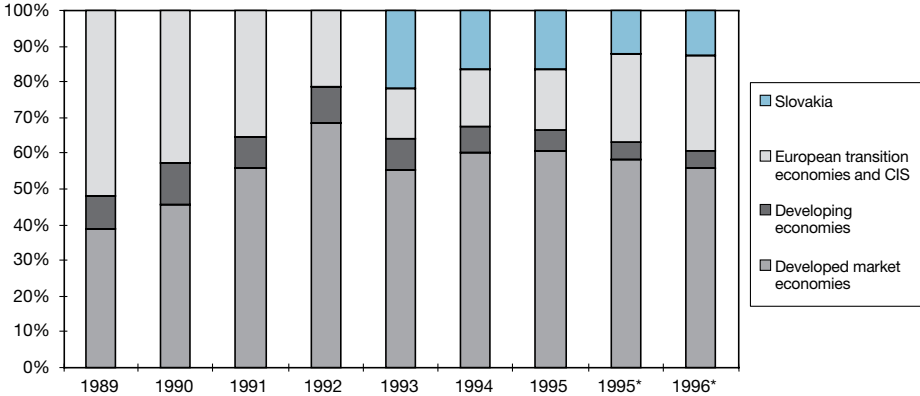


The current account deteriorated very sharply during 1996. It reached the “magical” 8% of GDP. Recent developments in Czech foreign trade show a slight improvement in the last few months (export growth exceeds import growth). The main change occurred as a result of the currency crisis in May 1997 (y-o-y comparisons in USD: index January-September in imports totaled 97.7 while exports totaled 102.6). Nevertheless, the final deficit is expected to be below \$4 billion.

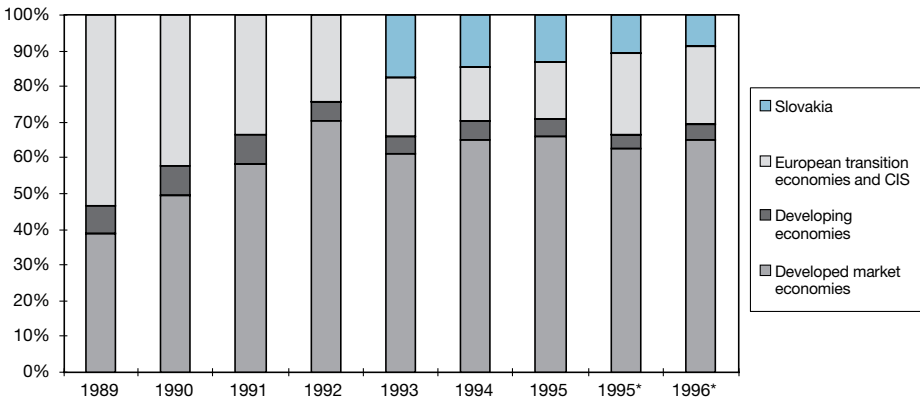
*Export growth in the Czech Republic is driven in particular by machinery producers. Especially, Škoda, Automobilová a.s., increased y-o-y production (and exports) by more than 34%. Moreover, exports of Škoda, Automobilová a.s., represent about 8% of total Czech exports. Škoda, Automobilová a.s., may serve as an excellent example of successful privatization.*

## V.2 Exports and Imports by Groups of Countries

Exports by Country



Imports by Country



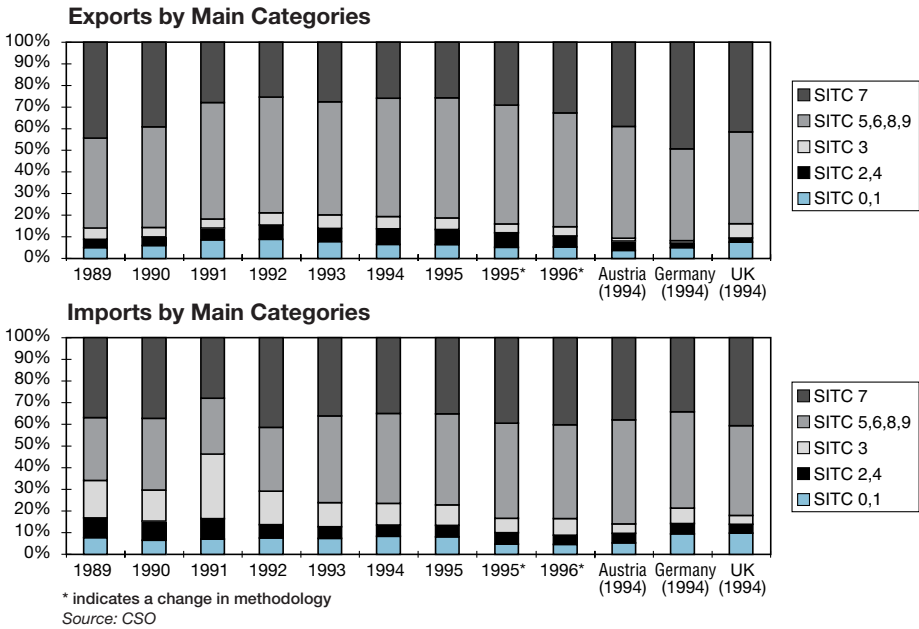
\* indicates a change in methodology  
Source: CSO

The graphs showing the successful reorientation of foreign trade in the Czech Republic are self explanatory. Looking at the 1990 through 1997 figures, it is clear that former major partners (other transforming economies) were replaced by EU members, which currently account for more than 50% of trade. Since trade with the EU represents

a major part of Czech foreign trade, any negative or positive impulse from the EU market will strongly affect growth and export figures for the Czech Republic.

On the other hand, a decline in trade with Slovakia reflects problems with Slovak market protectionism along with a crisis in the customs union.

### V.3 Exports and Imports by Commodity Groups



Scarcely seven years after the transformation, the structure of exports and imports is similar to that of other European economies. In order to compare the Czech Republic with Austria, Germany and the United Kingdom, main categories of commodities were formed.

Throughout the transition period, the structure of Czech exports and imports has been discussed. Namely, SITC category 7 of imports - machinery (also containing cars) was the key issue: do we import machinery, technology and know-how that will change our export competitiveness, or does this entire category consist of nothing but imported cars? Looking at the two-digit SITC classification, it seems that the former is true and that compact cars are not the main article imported.

On the other hand, export growth is mainly driven by SITC category 7 (37.4% of total exports), and we observe a decline in export of crude materials by 4%, which is a positive sign.

#### Classification Scheme of the SITC, rev. 3

Category	
0	Food and live animals
1	Beverages and tobacco
2	Crude materials
3	Fuels and related products
4	Animal and plant oils and fats
5	Chemicals and related products
6	Intermediate manufactured products
7	Machinery and transport equipment
8	Miscellaneous manufactured articles
9	Other commodities and products of trade

Source: External Trade, CSO