

Czechoslovakia: a case study in looting

by Luba George

At the time of the 1948 Communist takeover, Czechoslovakia had a sizable heavy industrial base, on a par with Western standards. Four decades of Soviet looting have changed the picture drastically. Today, Czech industry is not only far behind that of the West, it has the highest rate of obsolescence in the East bloc. During the 1980s, the dictates of the Soviet pre-war build-up vastly increased the looting of Moscow's Czech "industrial milk cow."

In general, the vast increase in Comecon "trade" during the 1980s, measured in goods, rather than in rubles, has been a one-way street, *from Eastern Europe to the Soviet Union*. As the Czech case typifies, Comecon exports are in the form of industrial and chemical goods, transport and construction equipment, industrial plant, machinery, and equipment, whose prices have remained relatively constant.

The contrary is the case concerning Soviet exports to Comecon countries. Over 75% of Soviet exports are crude oil, natural gas, raw materials, ores, and metals. Under Comecon regulations, the prices of such products are calculated on the basis of their average world market price in the five years preceding their delivery to Eastern Europe. Thus, through 1986, the price of Soviet crude oil supplied to the Comecon (by far its largest single Comecon export) had increased roughly threefold over the 1981 price, even though the crude oil price in the West had collapsed. During that same period, Soviet crude oil and oil products' exports to Eastern Europe fell by almost 6 million tons, from 90 million in 1980 down to 84.2 million in 1986.

The case of Czechoslovakia is exemplary. In 1981, the Czechs paid 8 billion rubles for Soviet crude oil. In 1986, the Czechs paid 23 billion rubles for a somewhat smaller amount of crude oil, which represented 41% of Czech imports from the U.S.S.R.

The sharp increase in real exports required to pay for the inflated price of Soviet crude oil was attained at the expense of investment in the country's industry and infrastructure.

Some examples

In August 1986, Czechoslovakia's two brown coal thermal power plants, at Tusimice and Prunerov in Northern Bohemia, both broke down because of the age of their equipment and lack of maintenance. Nine generators were slated

for extensive overhaul by October 1986, before the cold season set in. Only two were completed on time.

The forced "neglect" of spare parts production in favor of construction equipment to meet higher Soviet delivery quotas, also produced a crisis in 1986. The Czech TATRA complex, producing heavy trucks and earth-moving equipment, at least 70% of it for export to the Soviet Union, was and is crucial to Moscow's development of the Western Siberian oil and gas fields, from which the bulk of Soviet oil and gas production comes. Nearly all the trucks and earth-moving equipment used there are TATRA trucks. (Other Czech enterprises built the specialized housing for the workforce in Western Siberia.)

The Soviet demands for new equipment were met, at the expense of spare parts output. But in 1986, Moscow began screaming at the hapless Czechs. Some 850 TATRA construction vehicles were standing idle in Western Siberia for lack of spare parts. The Czechs had to quickly retool and gear up spare parts production.

Obsolescence

Moscow's main sources for looting industrial goods are East Germany and Czechoslovakia. In both cases, under the "rules of the game" to date, a law of diminishing returns has set in for Moscow.

About 44% of total Czech trade is with the Soviet Union. In February, Radio Prague said that 1988 trade would "remain at last year's level" with few changes made in its structure. But, unless a policy is adopted to modernize the Czech economy, this milk cow could suddenly dry up.

Only 25% of the industrial machinery and equipment now in use is 10 years old or less. The average age of machinery and equipment is about "a third" higher than in other developed countries, according to the latest government estimates; and some 25% of the machinery in use has officially been classified as written off. Some more examples:

- In the textile/leather processing industries, 65% of the machinery and equipment has been written off.
- In the metallurgy/heavy engineering sectors (usually given preferential treatment) 60% had been written off by 1986;
- In some branches of the consumer goods industry the obsolescence percentage is even higher;
- Productivity in metallurgy is 50-60% lower than in the West; in the capital goods industry at least 80% lower; in the consumer goods industry, it ranges from 20% to 50% lower.

The big bottleneck is that the electronics industry and mechanical engineering, which are supposed to provide modern machinery for other sectors, themselves require modernization. The average age of machine-tools and cold-forming machinery increased to 19.5 years in the 1981-85 period; and 16% of it is more than 30 years old. At the present rate, the average age of machinery is expected to reach 25.6 years in 1990.