

GENERAL AGREEMENT ON TARIFFS AND TRADE

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MEASURES FOR ASSISTING ADJUSTMENTS IN STRUCTURE AND PATTERN OF PRODUCTION AND TRADE

Addendum

The following is the text of a communication received from the delegation of Czechoslovakia.

Czechoslovak internal policy and legislative measures facilitating changes in the structure of trade and production

Economic policy

In the structure of the economy of every country which has attained a certain degree of economic development, there is a law of necessity which commands changes both in the pattern of production and, in a number of cases, in its territorial distribution. In this respect, Czechoslovakia is no exception. Thorough changes in the pattern of production had been made already in the post-war period, strongly characterized by a trend towards intensified industrialization of the Czechoslovak economy, and closely linked to the social and economic changes in the State. An example of the changes in the territorial distribution is the extensive process of industrialization of the formerly predominantly agricultural part of the country - Slovakia.

The system of planned economy has justified itself as an instrument capable of facilitating and accelerating the process of the structural changes which had become economically necessary, or expedient and of carrying out the corresponding shifts in the material and financial resources and manpower.

At the present period, Czechoslovakia has reached that level of economic growth when the need of a further specialization urgently manifests itself. In the foreground of attention are the questions of a rational profile of the Czechoslovak economy and its place in the international division of labour. Also, conditions are being created for taking into consideration in this process the interests of the developing countries in the expansion and diversification of their exports.

Legislative instruments

The basic instrument for the realization of all the structural changes in the Czechoslovak economy is the Plan of National Economy, primarily that part of it which deals with capital construction and investments which are, and will remain, mostly centralized. Consequently, the part of the Plan dealing with investments is the most important instrument for the creation of an optimum structure of the economy. Considerations on the comparative advantage of import and corresponding expansion of export capacities in place of investments for the building of capacities for home production are an integral part of the preparation of the Plan. The Plan, approved by the Government and by the National Assembly, has the nature of a law; it stipulates the basic trends of development and steers the activities of the individual branches. From the plan-law the detailed directives are derived for its implementation.

Mechanism

The basic impulse for carrying out of the structural changes may emanate from different sources or their combinations.

- (1) The internal impulse springs from the consequent comprehensive analysis of the economic effectiveness of the individual kinds of production, or from an advance analysis of the effectiveness of the investment policies under consideration;
- (2) The external impulse springs from the need and expediency of absorbing the objective trends of the world economy;
- (3) The foreign trade impulse springs from the comparison of the rentability of exports/imports of the individual kinds of goods.

The demands for structural changes are confronted - according to competence either in an enterprise or centrally - with the financial and material possibilities for their materialization, while a significant rôle may be played by the time distribution of the contemplated changes.

In carrying out the changes, several alternatives from the point of view of the enterprises may be followed:

- (i) modification of the production programme not requiring investments, in case of adjustments not exceeding the competence of an enterprise;
- (ii) modification of the production programme requiring investments or involving increased operational costs; this is covered either from central funds, or by credits of banks, or from financial resources accumulated by the enterprise;
- (iii) discontinuation of production, and entire reorganization of a production programme which is financed from central funds.

The interest of workers who change their occupation owing to the alterations of production is protected by law in order to prevent a decrease in their wages and their retraining is financed by State or by enterprise.