

Table of contents

Part I

BACKGROUND REPORT

Chapter 1. Legacies of the Communist period	11
Trends in aggregate industrial activity	13
Industry and other sectors of the economy	15
The structure of industrial activity	18
Industrial organisation	24
Foreign trade	24
Regional trends in industrial development: the Czech lands and Slovakia	29
Chapter 2. Liberalisation, stabilisation and privatisation	33
Economic liberalisation and systemic reforms	34
Economic liberalisation	34
Systemic reforms and institutional framework	40
Economic stabilisation and external shocks	48
Measures to restrict aggregate demand	49
Prices and wages	53
Macroeconomic outcomes	55
Trends in industry	56
Chapter 3. Restructuring industry: building on strengths and removing obstacles ...	59
Prerequisites for progress	59
Industrial structure	59
Small and medium-sized enterprises (SMEs)	64
Foreign investment	65
Industrial tradition and social stability	69
R&D capabilities	69
Social stability and the role of trade unions	70
Privatisation of state-owned enterprises	70

Barriers to restructuring	71
Corporate governance	71
Outdated capital stock	73
Financing the enterprise sector	74
Infrastructure	77
Unemployment and social tensions	77
The armaments industry: heavy weight in the economy	78
Ecological concerns	80
The handicaps of the Slovak economy	81
Macroeconomic performance	81
Industrial structures	81
Orientation of foreign trade	83

Chapter 4. Policy issues raised by the separation of the CSFR into the Czech Republic and the Slovak Republic 85

Legacies of the CSFR	85
Preparing for and carrying out the separation	85
Economic developments in the Czech Republic	87
Macroeconomic climate and policy developments	87
Policy measures affecting industry and developments	89
Economic developments in the Slovak Republic	91
Macroeconomic climate and policy developments	91
Policies toward industry	93

Part II

POLICY ISSUES AND RECOMMENDATIONS

Chapter 1. The industrial policy of the Czech Republic: policy issues and recommendations 97

Preamble	97
Economic governance and policy formulation and implementation	98
Industry within the economy	100
Re-thinking industrial policy	100
International economic relations	102
Labour markets and industrial policy	103
Price stability and industrial policy	106
Capital markets and industrial policy	106
SMEs and industrial policy	109
Foreign investors and industrial policy	110
Research and development	110
Ecological concerns	111
Infrastructure	112
Regional policy	113

Chapter 2. The industrial policy of the Slovak Republic: policy issues and recommendations	115
Preamble	115
Economic governance and policy formulation and implementation	115
Creating and implementing an industrial policy	117
Objectives of industrial policy	117
Industrial policy and international economic relations	120
Labour markets and industrial policy	121
Capital markets and industrial policy	124
SMEs and industrial policy	126
Foreign investors and industrial policies	128
Privatisation and industrial policy	129
Research and development	130
Ecological concerns	131
Infrastructure	133
Regional policy	134
Notes	135
Bibliography	137

List of tables

1.1	Factors of production in Czechoslovak industry, 1953-89	13
1.2	Trade between CMEA countries, 1989	16
1.3	Employment structure in some eastern and western European countries	16
1.4	Employment in services in selected countries, 1988-89	17
1.5	Classification of Czechoslovak industries according to factor intensity and degree of competition from low-wage countries, 1990	19
1.6	Growth of manufactured goods exports	27
1.7	Structure of Czechoslovak trade, 1988	28
1.8	Economic development of the Czech and Slovak Republics, 1948-83	30
1.9	Growth of industrial output in the Czech and Slovak Republics, by sector, 1948-89	31
2.1	The five leading coupon investment management teams	44
2.2	Indicators of monetary policy and monetary aggregates for the CSFR, 1990-92	50
2.3	Main macroeconomic indicators for the CSFR, 1989-92	51
2.4	Commodity structure of the CSFR's foreign trade, 1990-92	51
2.5	Shift towards the West of CSFR trade	52
2.6	Main macroeconomic indicators for the Czech and the Slovak Republics	55
2.7	Quarterly production trends in the CSFR	56
3.1	Size distribution of enterprises in the Czech Republic by employment	61
3.2	Slovak enterprises and firms by owner, July 1993	61
3.3	Productivity in manufacturing enterprises, 1989	63
3.4	Share of foreign capital in the registered joint ventures in 1991 in the Czech Republic	66
3.5	Breakdown of joint ventures according to the country of origin of the foreign partner in 1991 in the Czech Republic	67
3.6	Origin of foreign investment in the Slovak Republic	68
3.7	Corporate indebtedness as percentage of GDP	75

3.8	Regional distribution of industrial production and export structure	82
4.1	Macroeconomic indicators for the Czech Republic, 1993	87
4.2	Budget of the Czech Republic, 1993	88
4.3	Budget of the Slovak Republic, 1993	92
4.4	Macroeconomic indicators for the Slovak Republic, 1993	93

List of figures

1.1	Industrial production in Czechoslovakia	12
1.2	Czechoslovak national income and industrial production	12
1.3	Productivity of labour in Czechoslovak industry	14
1.4	Industrial specialisation of Czechoslovakia, 1990	18
1.5	Sectoral distribution of investment in Czechoslovakia, 1980-89	21
1.6	Sectoral distribution of employment in Czechoslovak industry, 1980-90	22
1.7	Sectoral distribution of industrial value-added in Czechoslovakia, 1980-90	23
1.8	International exposure of Czechoslovak industries, 1988	26
1.9	Exports of Czechoslovak manufactured goods as percentage of production, 1988	28
2.1	Wages and prices in the CSFR, 1991-92	54
2.2	Recent trends in Czechoslovak industry	57
3.1	Size of enterprises in the CSFR and Germany, 1988	60
3.2	Foreign investment in the Czech and Slovak Republics	66
3.3	Markets for Czechoslovak armaments production	79
3.4	Regional distribution of armaments production	79