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FORMS AND METHODS OF CZECHOSLOVAK ECONOMIC
AND TECHNICAL CO-OPERATION WITH DEVELOPING COUNTRIES ^{1/}

by

Dr. J. Filip and L. Pešl
Commercial Counsellor in the Ministry of Foreign Trade
Prague, Czechoslovakia

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TABLE OF CONTENTS

	<u>Para.</u>	<u>Page</u>
Introduction	1 - 24	1 - 5
Czechoslovakian Foreign Trade Organizations	25 - 45	6 - 10
Economic and Technical Co-operation between Czechoslovakia and the Developing Countries	46 - 51	11
Forms of Economic and Technical Co-operation and implementation of typical projects.	52 - 101	12 - 24
Practical results and prospects of other forms of co-operation including capital participation	102 - 128	25 - 28
Resumé	129 - 135	29 - 30

INTRODUCTION

1. Czechoslovakia being a highly developed industrial country and having old experiences in the sphere of industrial production, technical education and scientific research has large scale participation in world export of machinery and various industrial equipment.
2. An important part of these deliveries is oriented towards the developing countries and traditional economic links with various developing countries have been established in different sectors of industrial activities.
3. Among the main industrial sectors represented in the export the following could be mentioned:
 - hydroelectric and thermoelectric power plants
 - engineering equipment
 - oil refineries
 - cement plants
 - ceramic plants
 - sugar mills and refineries
 - textile mills
 - tanneries
 - shoemaking factories
 - metallurgical plants
 - ore treatment plants etc.
4. In Czechoslovakia many experienced export and production groups are active in this field as for instance:
 - Škodaworks, Škodaexport
 - CHEPOS, Technoexport
 - ČKD, Pragoinvest
 - Strojimport, Strojexport,
 - Královopolská strojírna, I. Brno etc.

5. The rapid growth of Czechoslovak engineering production throughout the whole postwar period has been evident both in the volume and structure of Czechoslovak exports, particularly in the growing share of engineering products in the total volume of the country's exports.
6. Before the war, machines, equipment and tools accounted for only about 6 per cent of Czechoslovak exports.
7. In 1948, their share rose to 20 per cent, in 1968 to already as much as 49 per cent.
8. With the growth of engineering production there naturally grew substantially also the volume of engineering exports.
9. In the past twenty years, the volume of the exportation of machinery has increased 9 times, while the total exports over the same period rose 3,8 times.
10. Thus, Czechoslovakia is one of the important world manufacturers and exporters in the engineering line, participating with almost 2 per cent in the world production of machinery and equipment and with more than 3 per cent in the world exports in this branch.
11. With its per capita volume of exports of machinery, Czechoslovakia ranks among the first ten industrially most advanced countries in the world.
12. Great attention is paid to the promotion of exports of machinery and equipment and to the forms and methods of these exports.
13. A system of Government to Government long term agreements and specific contracts between interested partners in public as well as in private sectors enable a large and flexible scope of industrial co-operation.

14. Of course we have to take into consideration the basic aims of the Czechoslovak external economic co-operation, that is to say to promote the exportation of Czechoslovak machinery and equipment securing at the same time the necessary imports.

15. The exportation of engineering products and equipment is a natural and specific result of the structure of the Czechoslovak economy and of the export capacities of its industry. At the same time complementary activities are developed in view of integrating all possible aspects of the industrial co-operation:

- survey studies
- scientific and industrial research
- preinvestment studies
- feasibility studies
- project reports
- technical assistance, experts, incl. know-how management
- organization
- marketing studies
- licences and other forms of co-operation.

16. The credit facilities accompanying the industrial projects are considered according to the importance and category of the investment.

17. Although the mechanism of credit facilities and deliveries of machinery and equipment in co-operation scheme continues to be the most important and quite practical method of co-operation with developing countries, need for new ways and approaches appeared necessary in last few years.

18. This is not to say that Czechoslovakia adopts these methods only recently. On the contrary, examples of companies with Czechoslovak capital participation exist since long years

/before the world war II/ such as Škoda India in Bombay and CNEICO Nigeria in Lagos. In response to the necessity of adaptation to the form of enterprises prevailing in many industrial sectors new companies with Czechoslovak capital participation and other schemes under mutual co-operation arose in various countries in recent years.

19. The activities of these companies and realization of these schemes cover some specific areas of industrial production and technical and scientific co-operation and will be specified in this study.

20. Such activities started for inst. in Mexico, Venezuela, Brazil, Columbia, Iran, Libanon, India, Marocco, Ethiopia and other countries.

21. At the 2nd UN Conference on Trade and Development held in Delhi in 1968, the Czechoslovak delegation acquainted the participants with further concrete possibilities of its economic co-operation with the developing countries, including the advantages of stabilization of sales prospects in goods in whose exports the developing countries are interested. The possibility of such activity on the part of Czechoslovakia is, of course, closely connected with the conditions and the possibilities that will be created for exports of Czechoslovak goods to these countries.

22. The proof of the realization of these principles is in the continuously expanding economic relations. The turnover of the mutual exchange of goods between Czechoslovakia and these countries is growing. In 1968, it reached almost one-third of the total volume of the exchange of goods between Czechoslovakia and the non-socialist countries.

23. Czechoslovakia exports to these countries primarily production equipment, particularly complete industrial plants, and renders technical assistance including the training of

specialists in accordance with the requirements of these countries. This assistance is rendered without any conditions that would limit or interfere with the political and economic independence of the developing countries.

24. The structure of Czechoslovak exports conforms to the fundamental tendencies of the industrialization policy of these countries. This is documented by the fact that the machinery and equipment participate in Czechoslovak exports to these countries with approximately 50 per cent.

Czechoslovak Foreign Trade Organizations

25. It may be interesting for a better comprehension of the mechanism of the Czechoslovak foreign trade organizations and their legal basis to quote some paragraphs from the "Information on Trade with the Czechoslovak Socialist Republic" published in 1969 by the Czechoslovak Chamber of Commerce:

26. "As far as the legal form is concerned, the major part of foreign trade organizations are foreign trade corporations. A foreign trade corporation is an independent corporate body and an independent economic organization and is responsible for its liabilities by its assets. Neither the government nor any other organization is responsible for the liabilities of the foreign trade corporation and, vice versa, the foreign trade corporation is not responsible for the liabilities of other organizations.

27. In harmony with the basic principles of the new system of management, the economic independence and responsibility of foreign trade corporations were increased, based on the corresponding authority of general managers. To this is adapted the whole system of planning, financing and material interest as well as the system of internal management.

28. This position of foreign trade organizations favourably affects also their external relations. Foreign trade organizations deal with business matters independently, and they are also exclusively responsible for the results of their trade activities.

29. Internal arrangement of individual sections of foreign trade organizations, their division into departments, the scope of their activity and mutual relations, the authority of the heads of individual groups and the whole internal system of management are fixed by the general manager.
30. The general manager is responsible for the management of the whole corporation, for its perspective development in all fields of its activities and for the results, he represents the corporation and is authorized to take all measures and decisions.
31. The deputy general manager represents him during his absence to the full extent of his duties, rights and responsibilities. In most cases the deputy general manager supervises directly all the business activities of the corporation. The agenda of trade operational character concerning all sections /the firm's policy, coordination of foreign relations and relations with home suppliers and customers, international transport, publicity/, are executed by the commercial manager. The field of economic tools of management, long-term and operational planning, accountancy and statistics, prosperity research, prices, foreign exchange as well as the management of the economic department. At the head of each trade section is a commercial manager who is responsible for all trade activities in the imports and exports of the allotted types of goods, for the results of these activities, for the perspective development and management of the trade sections.
32. The aim of including the foreign trade corporation in an economic production unit is the economic interlinking of the two organizations and their joint responsibility for the results of foreign trade activities.

33. Another form of a foreign trade organization is the form of a joint stock company. This form enables direct participation of shareholders in the management of the company to the extent corresponding to the invested financial means and thereby also their direct influence on the results of foreign trade activities which affect the total economic results of shareholders.

34. The establishment of joint stock companies for foreign trade represents a further stage in the development of the organizational structure of Czechoslovak foreign trade. Joint stock companies enable the most efficient form of cooperation of foreign trade with organizations of production and other branches of the national economy.

35. Only a Czechoslovak socialist economic organization whose subject of undertaking is completely or partially connected with the subject of the company's activities may acquire shares. The proportion of the participation in the stock should correspond to the volume of supplies and/or purchases in relation to the joint-stock company at the time of its establishment. Changes in shareholding of supplier and customer organizations, resulting from possible imports and changes in the amount of supplies and purchases, are, however, not an exception. Another shareholder is the Commercial Bank of Czechoslovakia whose shareholding will be permanent.

36. The joint stock company takes over business activities as a legal successor of the respective foreign trade corporation on the basis of the decision of the Minister of Foreign Trade, as an organization authorized for the exclusive carrying out of foreign trade according to the respective statutory regulations.

37. According to the number of shares, every shareholder has a proportionate share in the capital and net profit of the company: He can, however, request the paying out of the share in the capital only in case of the liquidation of the company.

38. The fundamental rights which belong to the share-holders according to the articles of association and statutory rules, are performed by them especially at general meetings.
39. The organs of the company are a general meeting, the directorate, the council of administration, the general manager and his deputies.
40. The general meeting has the right to decide on all activities of the company, as far as the articles of association do not reserve the decisions for other organs of the company.
41. The directorate is the leading body of the company and represents it, individual members of the directorate may represent the company only if they are authorized in writing. The directorate is responsible for all activities to the general meeting.
42. The directorate may elect the executive committee from its members which takes over the authority of the directorate at the time when the directorate is not in session and decides on matters belonging to the directorate according to the individual or general authority granted by the directorate. Within the framework of this authority, the executive committee as a rule decides on individual important matters of commercial character which cannot be postponed. The members of the executive committee are responsible for their activities to the directorate.
43. The council of administration is an organ which supervises all activities of the company. The members of the council of administration are elected by the general meeting. A member of the council of administration cannot be a member of the directorate, or the general manager or deputy manager or member of staff.

44. The council of administration and its individual members have the right to control all documents of the company, including accountancy and to ask the members of the management for information.

45. The council of administration is obliged to check annual reports and to make a statement to the annual report on the management of the company in the past year which the directorate present at the regular annual general meeting. The council of administration has also the right to propose to the directorate or the general meeting measures which it considers desirable and has the right to convene a general meeting.

11

**...economic and technical co-operation between Czechoslovakia
and the developing countries**

46. The economic and technical co-operation with the developing countries represents a substantial part of the total volume of Czechoslovak trade.

47. It corresponds to the basic principle of Czechoslovakia's external economic policy that the government encourages the economic and technical co-operation with these countries in concluding intergovernmental economic agreements and in facilitating individual contracts on deliveries of investment goods between the Czechoslovak foreign trade organizations and their partners in the developing countries.

48. This field of activities may be considered as a traditional practice of economic and technical co-operation, until now the best adapted to the existing structure of the foreign trade subjects, although new forms and methods of higher types of co-operation gradually become more frequent, including the production sharing, capital participations, joint ventures etc.

49. The fact that the share of these relatively new forms in the total volume of trade lies far behind the volume of the classical co-operation may be - to some extent - counterbalanced by its dynamic aspect, by the readiness of the Czechoslovak organizations to further develop wherever suitable, these new forms and methods.

50. The inclusion into the text of this paper of principal articles and stipulations of the most important agreements on economic and technical co-operation is intended as an introduction into the problem.

51. Extracts of these economic agreements are attached to the documents entitled "Economic co-operation between Socialist and Developing countries" for exports.

Forms of economic and technical co-operation and implementation of typical projects

52 The mentioned stipulations of the agreements on economic and technical co-operation show a representative variety of terms applied in different countries according to their specific needs and conditions. The practical co-operation goes, however, far beyond these agreements. That is why we would like to describe in this chapter the practical results and experiences of the different forms of co-operation in specific cases and countries.

Our choice of these examples was not arbitrary and represents in our opinion a picture of Czechoslovak activities in countries being the most important partners of Czechoslovakia and, on the other hand, cases in some minor countries presenting interesting solutions.

India

Foundry Forge Plant	in Ranchi	/Heavy Engineering Corporation/ Supplied by Skodaexport, Praha
Factory for the production of energetical equipment, turbines generators	in Hyderabad	/Bharat Heavy Electricals/ Supplied by Skodaexport Praha
Factory for the production of high pressure boilers	in Tiruchirappalli	/Bharat Heavy Electricals/ Supplied by Skodaexport, Praha
Heavy Machine tools	in Ranchi	/Heavy Engineering Corp./ Supplied by Skodaexport, Praha
Thermo Power Plants and other Power Plants	in Enore /Madras State/ in various states of India	Supplied by Skodaexport, Praha
Factory for chemical vessels and equipment	in Visakapatnam	Supplied by Skodaexport, Praha

Factory for the production of tractors	in Baroda	/Tractors and Buldosers/ Supplied by Motokov, Praha
Factory for the production of motorcycles	in Mysore	/Ideal Jawa/ Supplied by Motokov, Praha
Ceramic Factories	in Ranchi, Calcutta	Supplied by Pragoinvest, Praha
Cement Factories	in Churk, Satna	Supplied by Pragoinvest, Praha
Sugar Mills	in Panipat, Ganhadi Madras	Supplied by Technoexport, Praha
Various machine tools factories in private sector		Supplied by Strojimport, Praha
Factory for Alarmclocks	in Bombay	/Hindustan Equipment Ltd. Pondichy/ Supplied by Kovo, Praha
Rubber Tyre Factory	in Calcutta	/Indian Tyrers, Calcutta/ supplied by Technoexport, Praha
Beer Breweries		
Tractors	/Assembling and service/	Supplied by Motokov, Praha

54. India is a country where Czechoslovak organizations have big experiences in the field of co-operation with local organizations. This form of co-operation is both in the public and private sector.

55. Many projects were supplied in the frame of government to government long term credit agreements. Other projects were realized between commercial partners in private sector. Traditional exportation of Czechoslovak machinery and equipment opens further opportunities to the already existing industry. Large scale technical assistance and know-how is used in numerous factories.

56. It is very difficult to give a full report about this activity in India. Only in the government credits more than 15 large scale projects or integrated factories were completed. In these industries tens of thousands of workers are employed and the production of these factories, training centers and

vocational schools were started under Czechoslovak assistance. The products like turbines, generators, rollers, machine tools and others are produced under Czechoslovak technical assistance and know-how and large teams of Czechoslovak experts work in this field.

57. A special attention merits a large project the Foundry Forge Plant in Ranchi which in the volume of the production as well as the technical parameters of individual products of castings and forgings is the highest in Asia. This project based principally on local raw materials is a natural basis for the Indian heavy engineering industry and has an important place in the development of the whole Indian industrial capacity. This industry is able to supply the most complicated and large castings and forgings.

58. The production of the heavy industry is naturally not oriented for the exportation, at least not in the initial stage of production, but is indispensable for the formation of the future export industries.

59. The same can be said about the energetical equipment. Large scale power plants and even small diesel generating units are important for the development of national economy.

60. The enormous consumption capacity of the Indian market prevents naturally the direct exportation of other industrial products like tractors, motorcycles but some industries started with Czechoslovak co-operation play already now an important role in the exportation and some of these articles are regularly imported by Czechoslovak companies. These are for instance the textile products, tyres, tanned, and semitanned hides and skins, leather, leather goods, engineering products etc. Czechoslovakia imports approximately 40 % of its local importation from India in manufactures and this ratio may be increased in the future. The field of co-operation is practically unlimited successful results ventures in the public sector as well as in private enterprises is the example of the orientation but also the flexibility of the Czechoslovak trade policy in this respect.

62. In this connection it is necessary to mention that a successful joint venture has been active in India already for many years. This is the company Škoda India, New Delhi, which is a mixed company with Czechoslovak participation. The activity of this company is oriented mainly in the field of construction of industrial projects. Škoda India completed in India the erection of all Czechoslovak sugar mills, cement plants, ceramic factories and some projects supplied even as a turn key project as the coal washing plant in Durgapore. Škoda India is active also in other fields of business activity and has adequate technical and commercial staff and branch offices in the main business centers of India.

63. This large scale industrial co-operation with India has a direct connection with the total volume of the mutual trade which is already now very high and gives also further prerequisites for the growth of Indian exportation of industrial products to Czechoslovakia in the traditional sphere of the Indian consumption goods.

S y r i a

Crude Oil Refinery in Homs	Supplied by Technoexport, Praha/
Sugar Mill in Homs	-"-
Sugar Mill in Damascus	-"-
Thermo Power Plant in Homs	Supplied by Škodaexport, Praha

64. The crude oil refinery was erected on a turn key basis by the Czechoslovak company Technoexport. The first and the second stage have a total capacity of about 3 million tons of crude oil per year. The same company granted the necessary credit. The refinery utilizes the local crude oil and constitutes a basis for the refining and petrochemical industry in Syria.

65. Beside the power plant and the sugar mills which were equally supplied on the basis of a credit granted by the respective companies, a variety of machinery and equipment for various industrial branches was delivered./

66. Czechoslovak technical experts assisted during the erection period and in many cases even in the first years of production.

I r a n

Engineering Factory
Sherkate Sahami Sanaati Va Tolidi,
Machine-Sazi, Tabriz, Iran

Equipment supplied by
Škodaexport, Praha

67. This factory was erected under Czechoslovak assistance in the framework of a government to government agreement.

68. Iran imports from Czechoslovakia various machines and equipment and many Czechoslovak experts work in the Iranian industry.

69. During the last year, an important industrial co-operation agreement was concluded between Czechoslovak foreign trade organizations Investa, Hrobojevit and the Iranian company Melli Shoe, Teheran, to start a joint production of leather.

C e y l o n

Hydro Power Plant Udavalave, supplied by Škodaexport, Praha
Sugar Mill In Kandalai, supplied by Technoexport, Praha.

70. The Hydro Power Plant in Udavalave was erected by Škodaexport Praha as a turn key project. The equipment was supplied from Czechoslovakia and the dam and the other civil engineering works were realized by local contractors on the account of Škodaexport.

71. The sugar factory /1.500 tons of sugar cane per day/ in/ Kantalai was erected by Technoexport, Praha, with a cooperation of firms from Poland.

United Arab Republic

Thermo Power Station	Ekodaexport, Praha	Mehalla El Kubra
Crude Oil Refinery and Equipment	Technoexport, Praha	Textile Mill
Motorcycles Factory	Motokov, Praha	Suez, Alexandria
Water Purification Plant	Pragoinvest, Praha	Cairo
Water Supply System	Pragoinvest, Praha	Cairo
Ceramic Factories	Pragoinvest, Praha	Delta Region
Cement Factories	Pragoinvest, Praha	Mostorod Sornaga
Sugar Mills	Technoexport, Praha	Helouan
		Ermant

72. These examples give some orientation of the activity of Czechoslovak companies but are not characteristic enough. In the volume the most important is the equipment for the crude oil refinery industry, which volume is not exactly the export industry. In this respect much more important is the supply of thermo-electric power station to the important textile group Mehalla El Kubra, who are big exporters of textiles. In this connection important are also the deliveries of textile looms and other equipment for various textile mills.

73. Also the problems of water supply play an important role in the economy of this country.

74. Czechoslovak companies export each year to the United Arab Republic large variety of machine tools, diesel motors and diesel generating sets, pumps and irrigation equipment, trucks and lorries, agricultural implements, instruments and tools and other materials and equipment necessary for the local industry.

75. There is an important tendency in the mutual trade between United Arab Republic and Czechoslovakia. Czechoslovakia is permanently increasing the proportion of manufactures and semimanufactures imported from the United Arab Republic.

As examples we can mention the growing imports of cotton yarn, cotton textiles, leather goods, processed foodstuff, refrigerators etc.

76. The U.A.R. importation of equipment, components and materials from Czechoslovakia has a positive influence on the total volume of U.A.R. exportation. The U.A.R. industry is supplied by local raw materials like cotton and other agricultural raw materials, crude oil and petroleum products, ceramic material, metallurgical products.

M O R O C C O

77. Copper ore treatment plant supplied by Technoexport, Praha, to the organization:
Bureau de Recherches et de Participations Minières, Rabat, Morocco.

78. Czechoslovak company Technoexport, Praha supplied the equipment of the capacity 150 tons per day and technical know-how and the Moroccan company repaid the countervalue by the supply of 30 % copper concentrate. This co-operation started in 1962 and the equipments and services were repaid in the period of five years.

79. Though this form of co-operation represents relatively a small turn-over, it gives a good example. The invested capital, as well as the technical know-how, has a small volume, but the production of this plant gives not only an important metallic semiproduct destined for exportation.

80. Other Czechoslovak companies export to this country various machines and equipment which are used in the textile industry and other industrial fields.

G h a n a

31 In the frame of a government to government economic agreement some industrial projects were realized by various Czechoslovak organizations on a long term credit basis:

Shoe factory, in Kumasi	by Investa, Praha
Sugar factory	by Technoexport, Praha
Rubber tyre factory	by Technoexport, Praha
Tractor Assembling Plant and Repair and Service Center	by Motokov, Praha

32. All these projects were realized according to the requirements of the investors and started successfully the production. With the exception of the rubber tyre factory Czechoslovak technical assistance was applied and Czechoslovak technicians worked in those factories long time. Tyres, tractors are of course products which substitute importation. The shoe factory is, however, an industry with a potential export capacity and some exportation of shoes was realized to the neighbour countries.

33. As there was not enough local capital and out of other internal reasons this project was not completed by the tannery which according to the Czechoslovak proposal and offer should have been constructed paralelly with the shoe factory, the shoe factory has not a local supply of leather and the shoe production is based on the importation of raw material. The project of the tannery was elaborated by the Czechoslovak company Investa, which is connected together with the financial assistance. But even when the raw materials are imported the total value of the production is much higher than the value of imported materials. The production of shoes substitutes the importation of shoes in much higher value. And a potential export capacity of this factory can help to improve the country's balance of payments.

24. Some Czechoslovak companies supplied to the universities in Cape Coast and Kumasi scientific instruments and other equipment and Czechoslovak lecturers and professors are teaching in these schools.

E t h i o p i a

Rubber textile and rubber shoe factory

Addis Abeba

Supplied and erected by Investa, Praha in 1965

Volume of investment: \$ 1,500,000

Capacity: 50,000 tyres

45,000 tubes

Tannery in Addis Abeba

Supplied by Investa, Praha, contract signed in 1968

Volume of investment: \$ 10,000,000

Capacity: 1,500,000 sq. feet of top leather

6,000,000 sq. feet of mutton and goat leather

25. All these projects have been supplied in the framework of a government to government credit agreement. A large scale technical assistance was necessary, as practically no industrial facilities were locally available. The training of local personnel was realized in Czechoslovakia. Within a short time, it was possible to put the Shoe Making factory into production with local staff.

B r a z i l

Hydro Power Plants Ibitinga and Bariri for the organisation CESP, Sao Paulo, supplied by Skodaexport, Praha

Cement Factories, supplied by Pragoinvest for various partners

Textile Looms and Textile Equipment

Brewery

Flour Mills

Machine Tools

The most important field of co-operation is the electrification program: important projects have been already realized and others are under preparation.

86. This field is an example of a direct industrial co-operation the local industry supplying a part of the equipment and the Czechoslovak companies supplying all such equipment which is not produced locally.

87. These principles are applied in a similar way also in other fields of industrial co-operation.

88. An important role in the Czechoslovak relations with Brazil is played by the bank credits.

89. In 1968, the Czechoslovak Commercial Bank agreed with BNDE, Rio de Janeiro, a credit line for the development of small and medium industries.

90. The above mentioned projects give the survey of the Czechoslovak activity in this sphere. These projects were realized very often in the competition of many participants in international tenders and according to the wishes and conditions of the local investors.

91. Therefore it is not possible to make a concrete evaluation of these projects and to determine their importance in the total industrialization of the respective country. On the contrary there is a very important fact which is to be mentioned. This is the volume of machinery and equipment imported by individual importers respective consumers who start the original industrial activity which is later a natural basis for the national industry. And for such an activity a basic supply of diesel generating sets, agriculture implement, tractors, trucks and lorries, machine tools, electric motors, textile machines and other machines, equipment

and materials are indispensable. And it is necessary to say, that Czechoslovakia is permanently increasing its exportation of these lines to the developing countries.

92. But to come back to the industrial projects it is important to mention some characteristics of this activity.

93. For each project supplied by a Czechoslovak organization a feasibility report is elaborated before the final decision of the investor. Then comes the preliminary project report and afterwards the definitive project report. Very often the studies were elaborated for civil engineering. The equipment was erected with the assistance of Czechoslovak supervisors and technicians. In many cases even the civil engineering works were done under Czechoslovak assistance. In the supplied factories the Czechoslovak technical know-how is used and in many of them Czechoslovak organization was applied and in some cases even the Czechoslovak management. Many Czechoslovak experts have been working for many years in various factories as managing directors, technical directors, supervisors, experts. In some large projects even numerous teams of Czechoslovak experts are employed.

94. It is very important to mention that in different countries exist different conditions and prerequisites for the volume of technical assistance necessary for the successful start of the industrial activity. In the countries which are already industrially advanced like Brazil, Argentina, India, U.S.R., Iran etc. there is a chance to find suitable local partners with many industrial experiences and suitable experts and for the civil engineering works national firms can be found.

95. But even in these countries specialised experts from the country of origin of the equipment are needed. In other countries, where the process of industrialization is starting, practically all preinvestment studies, feasibility reports,

project reports, civil engineering works, the erection of the equipment, putting into the production as well as the running of the factory, the management as well as the marketing of the production is to be done with the help of foreign experts. Czechoslovak companies are able to assist in this form of co-operation. Czechoslovak experts were employed even to put into production and to run foreign factories where the equipment was supplied by other country.

96. In some cases where it is indispensable the Czechoslovak companies are prepared to supply a turn key project and some successful projects of this character were fulfilled.

97. The industrialization has an important impact upon the national economy of the respective country. The industry is usually started as an importation substitution industry with the aim to reduce the volume of the importation. The industrialization enables at the same time new labor possibilities. The new industry is usually starting its production under the protection of tariff barriers which enables a good prosperity even when the cost of production is usually very high. In the later stage when the volume of the production is higher and also the cost of production comes to the comparative and competitive level the new industry can turn to the export industry.

98. The industrialization brings however in these new countries many new problems. First of all the new factory is obliged to overcome all difficulties with the new production, with unexperienced labour force and very often even with not satisfactory management. In the national economy of the respective country, it is necessary to recover with new importation of raw materials, components, fuel and a great raw of technical materials. These new importations

are at the beginning often higher than the exportation results of the new industrial sectors and in this form the new industry starts to be a burden of the balances of payment.

10. The industrialization and all new industries have to be started as a complementary economic activity, which can at the same time mobilise all other resources of the respective countries, especially the resources of the primary production and all production forces especially the human labour force. This is a complex of very complicated questions which are not the topic of this study, but it is a very important factor in the evaluation of individual industrial projects in individual countries. These aspects are very important in the stage of preparation of industrial plans and also during the active participation in the industrialisation process in the developing countries.

11. As Czechoslovakia as a small country with relatively limited material and human resources is not able to develop a large scale co-operation with many countries and in many fields of activity, it was necessary to orient the activity of the Czechoslovak companies in this respect in the directions which are in conformity with the interest of the Czechoslovak foreign trade /in this respect also other countries, especially much stronger are oriented in the same way/.

12. Czechoslovakia has given industrial structure and within this structure the Czechoslovak industry has to supply the national economy with the necessary equipment and products and to create simultaneously sufficient funds for exports. This structure of industry is being gradually adapted and oriented to the needs of the country and at the same time to the more effective lines, but the natural base of the Czechoslovak industry is very difficult to be changed. On the other hand Czechoslovakia needs a great quantity of raw materials, processed and semiprocessed goods and many products for the direct production. All these facts as well as the general economic situation influence the orientation of the co-operation with developing countries.

Practical results and prospects of other forms of co-operation including capital participation

102. As mentioned in the introduction, some Czechoslovak foreign trade organizations had already many years ago their branches or mixed companies in various developing countries. This system has been maintained with some amendments corresponding to the changing structure of the Czechoslovak foreign trade.

103. New conceptions and prospects arose especially in the course of the last decade, when the necessity of new commercial representations, maintenance shops, service stations, consulting offices became indispensable for securing a better access to markets.

104. In some cases new mixed companies were founded with the aim of promoting sales of investment goods and machinery accompanied with assembling plants, production based on Czechoslovak licenses and technical documentation and know-how.

105. As a rule, partners for such joint ventures are traditional commercial partners and representatives having acquired a good experience in dealing with investment goods and machinery.

106. It is up to the partners to agree on the form and extent of participation which varies from case to case and which must be in conformity with the legal prescriptions of the respective country, from the Czechoslovak side no limits or rigid schemes are imposed.

107. Mixed companies with participation of Czechoslovak firms exist in many countries, e.g. Lebanon, India, Iraq, Iran, Thailand, Singapore, Morocco, Ghana, Nigeria, Venezuela, Brazil, Columbia, Chile, Mexico.

108. In conformity with the purpose of this study, some typical examples of mixed production companies are mentioned.

India

109 The company SKODA INDIA, New Delhi, has been active in India since the period before the 2nd world war and its activity has been mentioned already.

Lebanon

110. The company Commercial Transactions, Beyrouth: beside the current commercial activities, the main orientation of the firm consists in the participation in various industrial projects, organizes technical service for the supplied machines and in some cases acts as consulting engineers.

Iran

111. Czechoslovak companies Investa Praha, Strojsvit Krcov and Svit. Gottwaldov, started in 1969 a mixed company with the Iranian partner The Melli Shoe Factory.

112. The new company is called International Leather Company /Sherkate Sahami Charme International/, 273 Standard Building, Khayam Avenue, Teheran, and was registered at the office of the Registrar of Companies under No. 12.279.

113. The company will produce daily 14.500 sq. feet of top quality processed leather in one shift.

114. No additional investment will be needed for the envisaged increase to 29.000 sq. feet provided the introduction of another shift.

115. The Iranian partner, the Melli Shoe Factory, produces already a large assortment of shoes partly with Czechoslovak equipment and technical co-operation.

116. The production of the International Leather Company will be consumed by the Melli Shoe Factory and eventual surplus/quantities would be exported to Czechoslovakia.

Mexico

117. Several mixed companies have been founded in recent years acting in various fields of industrial production based on Czechoslovak equipment, licenses and technical know-how eventually financial participation.

Jablonex de Mexico, S.A., -Halco, Mexico

118. The Czechoslovak company Jablonex participates with Mexican industrial partners in shares and production of the mentioned company producing costume jewellery.

Eric de Mexico /EMSA/, Avenida Diagonal 20 de Noviembre,
No. 362, Mexico City

Sociedad Industrial de Mecanica Aplicada, Mexico City
Fábrica de Máquinas y Accesorios, Mexico City

119. The Czechoslovak company Strojimport undertakes jointly with the three mentioned companies the production of machine tools based on Czechoslovak documentation.

120. Messrs Eric de Mexico have been for many years representatives of Messrs Strojimport, Praha, for the Mexican market in the field of machine tools.

Rodamex, S.A., Mexico City

121. This mixed firm was founded in co-operation with the Czechoslovak company Strojimport Praha, with the aim of manufacturing on the basis of Czechoslovak documentation ball bearings and roller bearings.

122. The mechanical equipment to the factory was imported from Czechoslovakia.

Venezuela

BTROMAC, S.A., Caracas

123. The Czechoslovak company Strojexport, Praha and Messrs Maquinarias Oriente, Caracas, started a mixed company dealing mainly with machines and equipment for civil engineering.

INVESTA VENEZOLANA, S.R.L., Caracas

124. Founded jointly by Messrs Investa, Praha, and local partners, Investa Venezolana deals mainly in textile and leather machinery.

IMPRE C.A., Caracas

125. Started on the basis of a mutual agreement between Messrs Kovo, Praha, Messrs Merkuria, Praha, on one side and Messrs Impre, Caracas, on the other side, in view of increasing the turn-over of Czechoslovak machinery and equipment on the local market, namely measuring instruments, electronic valves, tape recorders, telephonic equipment, medical instruments and laboratory equipment, printing machines, bureau equipment.

Columbia

INKO, S.R.L., Bogota

126. Messrs Investa, Praha and Messrs Kovo, Praha founded this mixed company for encouraging supplies of shoe making machinery, textile machines, hospital equipment and medical instruments on the local market with the necessary servicing.

127. The common character of the mentioned mixed companies may be expressed as a result of commercial, economic and technical considerations of the Czechoslovak foreign trade organizations and the respective Czechoslovak industries in view of finding a formula of a suitable participation on foreign markets by realization of various industrial projects and in this form to promote supplies of Czechoslovak equipment as well as local industrial production by means of starting new mixed industrial companies.

128. As already mentioned, the turnover of these companies and the duration of their activities are until now not considerable. Notwithstanding this, the new companies represent a promising feature in the sphere of Czechoslovak external economic relations.

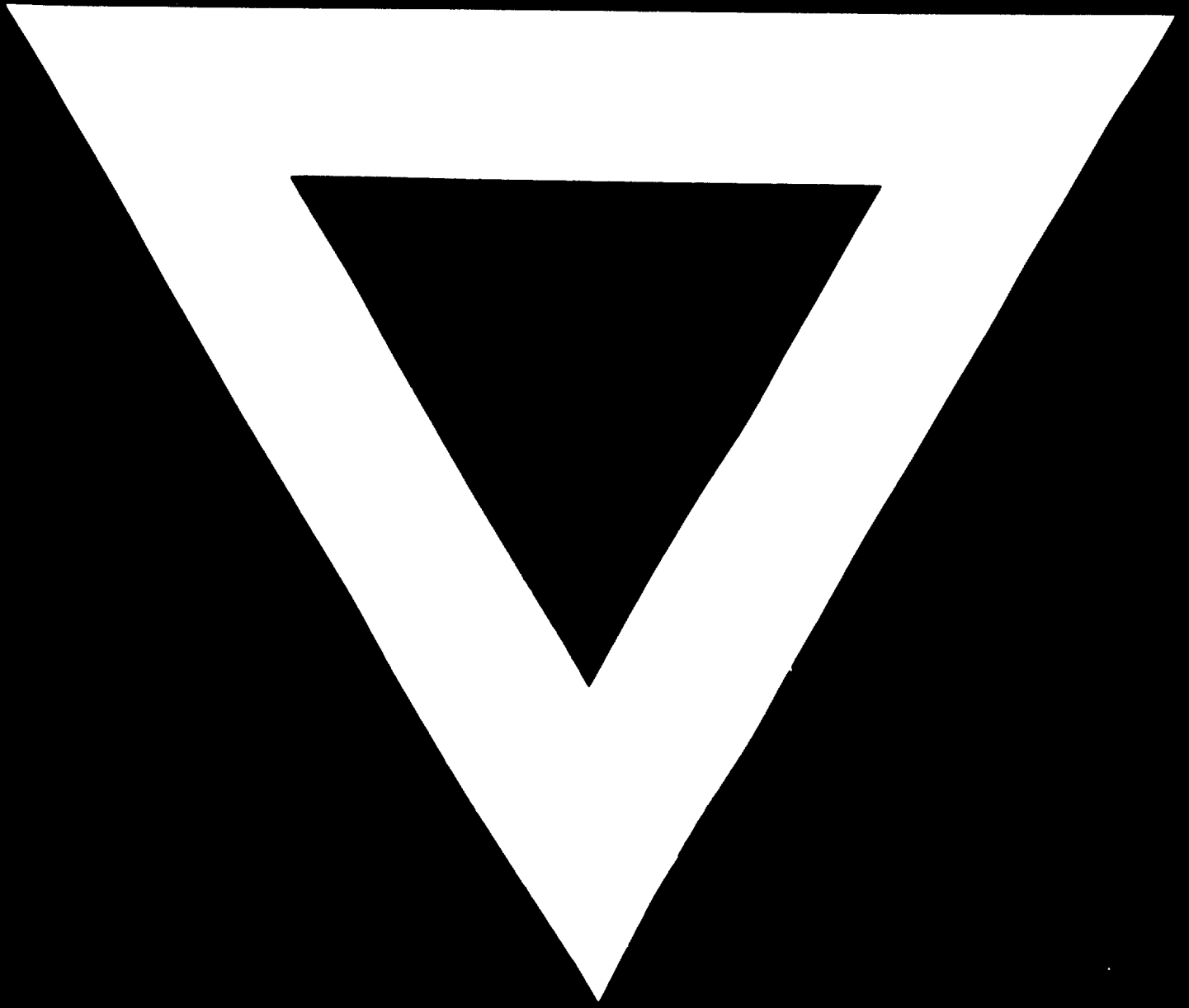
R e s u m é

129. The result of our enquiries proves that the decisive part of the total volume of the Czechoslovak commercial, economic and technical activities vis-à-vis the developing countries is realised by the exportation of capital investment goods, machinery and equipment, technical and scientific assistance in the framework of credit agreements granted either by the government or by foreign trade organizations.
130. Current commercial supplies of machinery contribute equally to a significant extent to the promotion of industries of developing countries. This case is very special for the Czechoslovak industry and for the structure of its exportation, because Czechoslovakia exports large series of individual types of machinery like machine tools, diesel and electrical motors, textile looms, shoe making machinery. Even a small number of exported textile looms can constitute an industrial unit without any necessity of further capital investment.
131. A particular importance is attributed to a global conception of technical assistance in all its forms.
132. In compliance with the economic agreements and agreements on technical and scientific co-operation many Czechoslovak experts are active in developing countries in various professions and hundreds of other experts work in factories erected with the assistance of Czechoslovak foreign trade organizations.
133. The existence of mixed enterprises is far from being new in the practice of Czechoslovak external economic relations, although the number of such companies increased substantially only in recent years.

134. The object of their activities is partly the commercialization of Czechoslovak engineering products and gradually more frequently industrial production with the Czechoslovak technical assistance.

135. The rather limited volume, until now, of this form of activity, is compensated by the dynamic aspect of this form which certainly will be applied in the future.





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