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## CZECHOSLOVAKIA'S ECONOMIC OUTLOOK AFTER BRATISLAVA

Czechoslovakia came out of the Cierna and Bratislava confrontations apparently without sacrificing its limited ability to trade more widely in order to retain internal political freedom. The difficult economic problems which existed before the political crisis still remain.

The Czechs remain uncertain about how much Soviet economic support they can count on. They can probably take for granted that Soviet deliveries of essential raw materials--crude oil, ores and metals, and wheat for human consumption--will continue. The USSR, however, has been pressing for higher prices for the raw materials it delivers and lower prices on the machinery it receives in payment. The Soviet Union also wants more consumer goods which not only are in short supply in Czechoslovakia but also are salable in the West.

Prague's main economic need is money to develop efficient export industries. A \$550-million hard currency loan has been requested from the USSR to purchase Western machinery. The Soviets are not likely to agree to more than a small fraction of the request, which represents a substantial share of Soviet reserves. If the full loan were granted, Czechoslovakia could reorient its trade, in part, away from the Communist world, thus reducing Moscow's economic leverage on Prague.

This year Czechoslovakia and the other Eastern European Communist nations, partially in response to the Bratislava agreements, will study what can be worked out under CEMA auspices to improve manufacturing specialization and trade among this group of countries. The prospects are not bright, but it is part of the necessary review of possibilities within the "socialist camp" to provide Prague with the justification for turning to the West.

The Czechoslovaks have become more cautious in their approaches to the West, primarily to avoid direct political involvement, particularly with West Germany. Last spring they sounded out Western European sources on the availability of credits. Initially, only small deals may be made, including joint ventures with Yugoslavia. Serious consideration is also being given, however, to establishing a plant in Czechoslovakia to build Japanese trucks.

A further consideration in limiting Western credits now was Czech economic leader Ota Sik's admission that his country would not be able to make good use of large credits until economic plans had been firmed up. This will be done in the fall of 1968 at the earliest. At best, it will take many years to erase the impact of past economic mistakes and bring about a significant level of economic improvement.

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