

CZECH REPUBLIC

*By Ing Arnošt Sýkora
Institute of Economic Research, Prague*

The principles of economic policy outlined by the Social Democratic government in its election campaign of 2002 will apparently remain unchanged down to the end of its term in 2006. Premier Vladimír Špidla is attempting to reform the Czech economy even at the price of a steep rise in the state debt.

The Czech Republic has long since yielded its place near the top of the list of post-Communist countries, and the weaknesses of its economy include particularly: a high budget deficit, a burgeoning state debt; low economic growth; low productivity; and an inflexible labour market.

The growth of Czech indebtedness is particularly alarming. During 2003, the budget deficit escalated from 6.4% of GDP to 12.9%. Meanwhile the state debt, which amounted to 25.2% of GDP in 2002, rose to 37.6% the following year.

Unemployment also increased from 7.3% in 2002 to 8.1% in 2003, while the regional differences in unemployment stand as a warning: in the worst affected areas, rates stand at over 25%. A particular problem is the relatively high rate of unemployment among young people, as the educational system fails to react to the changing needs of the economy, turning new graduates into clients of the employment offices.

A further sore spot in the Czech economy is low productivity. In 2003 it stood at 65% of the average among EU countries. Meanwhile, the rate of productivity growth of 2.1% stands as the lowest of all the new accession countries. Statistics made available by the Czech Statistical Agency and the European Commission indicate that the Czech Republic's per capita GDP stands at between 45% and 50% of that for older established EU members.

The Czech Republic is a small central European country with an area of 78,864 km². and is relatively densely populated, with 10.3 million inhabitants. The detailed knowledge of the geological structure of the land, together with a long history of intensive mining have placed the country among those dependent on imports of a number of raw materials. In this context the Czech Republic does not play a major role in the production of raw materials. Current estimates indicate that as far as raw materials are concerned, the country will never be in a position to satisfy the requirements of its generally advanced industrial base. Vital economic branches such as metallurgy, petrochemicals, etc, are either wholly or in great part dependent upon imports. As a landlocked country, the Czech Republic is dependent on rail transport, which in turn increases overall costs.

In terms of occurrence, mineral resources on Czech Republic territory can be categorised as follows:

1. Natural resources which cannot be obtained in the Czech Republic (chromium, platinum, sulphur, phosphates, potash salt).
2. Natural resources which exist in limited quantities (iron, manganese and copper ores, lead, nickel, zinc, cobalt, asbestos, tin, wolfram, silver, gold, pure limestone, lignite, bitumen, graphite, petroleum, natural gas).
3. Natural resources which may be developed to meet domestic needs (feldspar, siliceous materials).
4. Natural resources sufficiently abundant to meet domestic needs (radioactive ores, kaolin, fire resistant ceramic clays, bentonite, antimony, coal).

Coal

Most of the annual production of single-purpose energy brown coal produced by two biggest coal companies (Severočeské doly a.s. and Nástup Tušimice Mines) is sold to ČEZ a.s. Some 48 million m³ of overburden has been stripped. After closing down mining operations at the Merkur opencast mine in 1998, in full production remains the Libouš-East opencast mine, which advances northerly towards its mining claim boundary under the village of Černovice, which is protected against undesirable effects of the opencast mining operations by huge earth bulwarks. Stripped overburden is deposited in interior waste dumps. The most important one is the void left by the mined-out Merkur opencast mine, which is being gradually filled in with interior dumps to secure the stability of linear structures at the foothills of the Krušné Hory mountains.

The mine uses for stripping operations KU 800, SRs 1500 Series TC2 and SChRs excavators. The stripped soil is transported by long haul 1,800 mm wide conveyor belt to dumping machines of the same series. Coal in the opencast mine is extracted by KU 300 S and KU 800 N Series TC1 excavators. After having passed through crushers, the coal is transported by 1,200 and 1,600 mm wide conveyor belts to ČEZ - Tušimice Power Station, or to a loading container from where it is transported to its destination. In order to guarantee sustained quality of the coal products, a homogenising storage yard was put into operation in 2000. The coal is shipped via conveyor belts and rail.

The dominant client for the coal produced by the Nástup Tušimice mine are ecological power stations belonging to ČEZ a.s. Praha. Apart from coal, the company also mines and sells by-products and offers services of a non-coal nature.

Tables following page.

Extracted minerals	'000	2001*	2002*	2003
Bituminous coal	t	15,138	14,470	13,643
Brown coal and lignite	t	47,960	45,480	46,240
Crude oil	t	177	245	316
Natural gas	10 m ³	187	175	201
Radioactive materials	t	136	137	131
Kaolin	t	5,543	5,261	4,234
Building stone	m ³	10,445	10,505	12,892
Stone HaUKV	m ³	300	294	284
Gravel sand, sands	m ³	12,081	11,504	13,086
Glass and foundry sands	t	1,745	1,540	1,621
Limestones	t	10,523	10,146	10,149
Raw materials for bricks	m ³	1,879	1,706	2,163
Clays and bentonites	t	809	702	709
Other minerals	t	1,169	858	1,322

* Figures unsubstantiated due to calculation errors by Czech Bureau of Statistics.

Metallurgical production

Product	'000	2001	2002	2003
Steel	t	6,316	6,512	6,783
Pig iron	t	4,677	5,484	5,207
Rolled iron	t	5,755	6,019	6,262
Sinter	t	6,022	6,088	5,907
Blanks	t	6,202	5,800	6,128
Tubes	t	688	639	703
Coke	t	2,195	2,225	2,226

Mineral	Number of mining claims	Total claims area (km²)
Hard coal	31	441.07
Brown coal and lignite	36	305.76
Crude oil and natural gas	71	429.95
Ores	5	5.57
Radioactive raw materials	11	65.57
Kaolin	26	10.74
Building stone	270	56.56
Stone HaUKV	118	9.52
Gravel sand, sands	155	102.11
Glass and foundry sands	17	12.14
Limestones and dolomites	51	26.28
Brick raw materials	121	27.03
Clays and bentonites	48	33.96
Other minerals	39	17.75
TOTAL	999	1,544.02