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Róbert LENGYEL, DiS.

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**MUTUAL TRADE RELATIONS ANALYSIS
BETWEEN THE
SLOVAK REPUBLIC AND GERMANY**

(Bachelor Thesis)

**Author: LENGYEL Róbert, DiS.
Supervisor: Mgr. Tomáš ZEMKO**

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I. soukromá vysoká škola na Moravě
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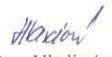
Cílem bakalářské práce je na základě příslušné literatury, oficiálních zdrojů, statistických, hospodářských a obchodních institucí zpracovat analýzu vzájemných obchodních vztahů Německé spolkové republiky a Slovenské republiky před rokem 1989 a po roku 1989. Analýza bude spočívat v charakteristikách jednotlivých krajín, vývoj zahraničního obchodu v bývalom Československu a Německu, výsledky těchto vzájemných obchodních vztahů, teritoriální a komoditná struktúra, vývoz a dovoz z těchto krajín, ekonomické ukazovatele a časové rady, vzájemné hospodárske vzťahy a prognózy.

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1. Analýza vzájemných obchodních vztahů mezi Slovenskou republikou a Německem do roku 1989 (časové rady, dovozu, vývozu, komoditná skladba)
2. Analýza vzájemných obchodních vztahů mezi Slovenskou republikou a Německem v letech 1989 – 2009
3. Vplyv globálnej krízy od roku 2008 na vývoj vzájemných obchodních vztahů
4. Prognóza ďalšieho vývoja

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Vedoucí bakalářské práce: **Mgr. Tomáš Zemko**
Datum zadání bakalářské práce: **Kunovice, 19. dubna 2010**


Ing. Vladimíra Hlaváčková
ředitelka Ústavu ekonomiky a řízení

Evropský polytechnický institut,
s. r. o.
Osvobození 699 -1-
686 04 KUNOVICE


Oldřich Kratochvíl
H. prof., Ing., Ph.D., Dr.h.c., MBA
rektor

I confirm that I am the sole author of this work under the supervision of Mgr. Tomáš Zemko and all sources are listed in the bibliography.

Kunovice, june 2010

I would like to thank Mgr. Tomáš Zemko for the very useful methodological assistance he gave me during the preparation of my thesis.

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Introduction

The aim of this bachelor thesis is to provide a picture of mutual trade relations between the Slovak Republic and the Federal Republic of Germany and to explore these relationships through official sources and statistical institutions.

The introduction of my bachelor thesis will feature these Member States of the European Union on the basis of their characteristics. This section will be the basic information and indicators that are important to any commercial companies doing business in these territories. Here are the history of these states, their location, economic and political situation. These characteristics are concerned with the first and second chapters.

In the next chapter I discuss the West German foreign trade in Czechoslovakia before 1989. Chapter will include the development, transport and political relations, and then-commodity structure.

In chapter four I analyse foreign trade between these two countries after 1989. This chapter will include the development of foreign trade in each period, the goods and territorial structure. In the subheads I devote to trade relations, economic relations, investments, exports and imports.

Finally, I devote attention to the impact of the financial and economic crisis on the economy of Slovakia, I indicate development forecast and evaluate information and knowledge from this bachelor work.

1 Characteristics of economy of Germany

Germany is one of the most developed world economies. It has large reserves of mineral resources (coal, rock salt, copper and magnesium ores, crude oil less bearings). Heavy industry, especially iron, processing imported ore, steel, aluminium factories and ferrous metals supplies especially mature domestic machinery production (manufacture of ships, both passenger and freight cars, buses, aircraft, light machinery, as well as fine mechanics). Other sectors are electricity, electronics, optics, and chemistry, in which Germany has prevail power. Despite the number of aquatic plants and advanced nuclear electronics, Germany is a major importer of energy, in particular for the industry. Intensive agriculture, which is mostly on family farms, produces forage crops, barley, rye, potatoes, wheat, sugar beet, hops, as well as grapes, fruits and vegetables, stabled cattle for milk and pigs. Domestic production covers the needs of the State to 90 %. [14]

Germany is one of the world's best and largest producers of steel, machinery, electronics, food and beverages, but also shipbuilding and textile products industry. Growth of the Germany one of the strongest economies in the euro area slowed in 2008. According to the Federal Statistical Office, real GDP growth in 2008 stood at 1,3 % compared with the 2007. The slowing pace of growth in the German economy is mainly due to decline in the global boom in global demand and the impact of global economic and financial crisis.

Federal Republic of Germany is the second largest exporter of goods and services in the world and, therefore, traditionally the strongest impetus for economic growth usually exports. That in 2008 only increased by 3,1 % compared to 2007 and their total value reached 994,9 billion Euro. Imports of goods and services to Germany in 2008 rose by 6,3 % and reached 818, 6 billion Euro. [14]

miera nezamestnanosti	8,6 %
miera zamestnanosti	65,3 %
výška HDP na obyvateľa (v USD)	28 700
výška HDP na obyvateľa v parite kúpnej sily (EU 15=100)	100,5
podiel na tvorbe HDP	2 % poľnohospodárstvo, 35 % priemysel 63 % služby

Tab. 1: Basic macroeconomic indicators of Germany

Source: [14]

Translation key:

miera nezamestnanosti - unemployment rate

miera zamestnanosti – employment rate

výška HDP na obyvateľa – GDP per capita

výška HDP na obyvateľa v parite kúpnej sily (EU 15=100) – GDP per capita in purchasing power parity

podiel na tvorbe HDP – share in GDP

poľnohospodárstvo – agriculture

priemysel – industry

služby - services

The German economy in the fourth quarter of last year (2009) stagnated, though weak private consumption and investment growth outweigh exports. Gross domestic product of the country remained in the fourth quarter versus the previous three months unchanged in comparison with the same period of 2008 declined by 1,7 percent. [29]

2 Characteristics of economy of Slovakia

Slovakia is dynamically growing postcommunist countries that have transformed the industry is facing difficult, especially on arms production and peripeteia privatization, which was also a political (party) background. Ending arms production and sales crisis led to a sharp increase in unemployment, which in recent years gradually declining. In recent years, Slovakia is gaining recognition abroad for the radical economic, fiscal and social reforms. These reforms and relatively cheap workforce with solid skills attracts foreign investors. Only for the first 9 months onwards 2004 came foreign investment of 321 billion into the country, more than for the whole year 2003. Among the biggest investors include the South Korean car maker KIA.

The highest growth in the Slovak economy experienced in 2007, when in real grew yearly by 10.4 %. Although the Slovak economy has been affected by the economic crisis in the second half of 2008, full-year real GDP growth reached 6.4 % in 2009. [28]

According making up GDP is the territory between Vienna and Bratislava placed on 15th place in the order of the richest regions in the EU. There is a project of the two cities called Twin City.

Country introduced the euro in January 1, 2009. Formerly developed engineering production rising again, this time by car production and the production of components for automobiles. This industry in Slovakia as well as in Europe and the U.S. got into crisis in 2009. Important are metallurgy, petrochemicals, chemicals, rubber, wood and food industry as well.

The lowlands cultivating cereals, oilseed rape, maize. Other important crops are fodder crops, sugar beet, potatoes, vegetables, fruit. The trade balance is passive, especially in trade with Russia, from which Slovakia imports oil and gas. Strong passive balance has in trade with China (mainly raw materials) and the Czech Republic. The largest surplus in trade with Germany, the USA and Austria.

miera nezamestnanosti	11,39 %
miera zamestnanosti	59,9 %
výška HDP na obyvateľa (v USD)	3 950
výška HDP na obyvateľa v parite kúpnej sily (EU 15=100)	44,7
podiel na tvorbe HDP	64,5 % služby, 25,8 % priemysel 5,3 % stavebníctvo 4,4 % poľnohospodárstvo, lesníctvo, rybolov

Tab. No. 2: Basic macroeconomic indicators of Slovakia

Source: [15]

Translation key:

miera nezamestnanosti - unemployment rate

miera zamestnanosti – employment rate

výška HDP na obyvateľa – GDP per capita

výška HDP na obyvateľa v parite kúpnej sily (EU 15=100) – GDP per capita in purchasing power parity

podiel na tvorbe HDP – share in GDP

služby - services

priemysel – industry

stavebníctvo - construction

poľnohospodárstvo – agriculture

lesníctvo – forestry

rybolov - fishery

Investments of foreign companies in Slovakia

Since 1st January, 2008 there is a law in Slovakia for investment assistance, under which the State provides regional investment aid and employment assistance for investment projects, or expansion of industrial production, technology centers, strategic services and comprehensive tourist resorts. The biggest Italian investor in Slovakia is a company Enel, which is the majority (66 %) owner of Slovenské elektrárne a.s. They invested 3.3 billion euros in 2009 in Slovakia. Most of the money will go to finish 3rd and 4 Block Mochovce nuclear power plants.

Slovakia is generally attractive for foreign investors, low production costs and wages and until recently, developed infrastructure, availability of virtually the entire European market and, finally with education and qualification of the population - potential employees. [15]

The area of foreign investment is very large but the largest share of gross domestic product of the Slovak Republic, however, generate automotive industry. The first foreign automobile factory started its operation even when the Czechoslovak Federal Republic is Volkswagen Slovakia, which operates in Slovakia since 1991. Another is PSA Peugeot Citroen, who began producing cars in Trnava in 2006. The third major automotive plant is Hyundai-Kia. Kia Motors Corporation have selected for its plant Žilina region for its transport infrastructure, highly skilled workforce, strategic proximity to the European market, the available network of automobile component suppliers in the region and the commitment of the Slovak Republic to provide the best conditions for a new plant. The plant at Zilina is also the first European plant of Kia Motors Corporation which has decided to build its first European plant for the continuous improvement of sales and increasing market share in Europe. The plant employs around 3,000 employees and production capacity is about 300 thousand cars per year. The bulk of investments coming to Slovakia from neighboring Austria, Cyprus, the Netherlands, France, Germany, Denmark, Belgium, Hungary and Luxembourg. [15]

3 Mutual trade relation analysis between the Slovak Republic and Germany until 1989

3.1 Czechoslovakia-West German trade and political relations in the period 1968 to 1989

In the second half of the 60s, after long and continuous negotiations was successfully concluded a treaty about establishing sales offices in Bonn and Prague, and the treaty about regulation of commodity and payment system. Economic relations and transport Czechoslovakia-West German relations were in the legal consolidation. This situation has heralded the establishment of diplomatic relations at the beginning of the 70s. Foreign Trade of Czechoslovakia with Germany substitute until 1973, respectively. 1974 partly, diplomatic and political relations. Promising strong economic and transport Czechoslovakia-West German relations have been disturbed by September occupation and entering the political normalization.

The Treaty of 1973

Since the beginning of the 70s West German diplomacy was very successful. Managed to conclude several important agreements: with USSR, 12 September 1970, 7th December 1970 in Poland, four-agreement on West Berlin in 1971, a transit agreement with the NDR, 17 December 1971 agreement, transport agreement 26th April 1972 and contract about base relations with the NDR on 21st December 1972. Positive from the international view has been preparation and negotiation at Helsinki conference.

On 11th December 1973 was signed a Treaty about mutual relations between Czechoslovakia and Germany after long negotiations in Prague. After signing on the 10th July 1974 in Bonn and on the 15 July 1974 in Prague, came on the 19th July 1974 the contract in force. The treaty expressed desire of both parties not to put their past relationships on view to the future young generation.

Munich Agreement marked as invalid. At the same time it did not interrupt the legal consequences arising against natural and legal persons from the period between 30th September 1938 and 9th May 1945. Furthermore, the parties renounce the use of force with reference to the UN Charter, confirmed the integrity of mutual borders and territorial integrity.

For economic and transport was V. Article of the treaty an important area. According to this treaty both parties stated that will make further steps towards broader development and their mutual relations and are at one by the fact that their neighborhood cooperation in economy, science, scientific-technical relations, culture, environmental protection, sport, transport and other relations are in the interests of both parties. Czechoslovak official evaluation has been very moderate. "Despite efforts to distract the wrong direction, it can be said that the Treaty on Mutual Relations between Czechoslovakia and the NSR is a balanced document, which forms solid foundation for the process of normalization of relations between the two countries. The contract is a victory of reason and realism. The contract was legally known as the most complicated of all eastern contracts. By Germany - Czechoslovakia treaty was concluded a row of bilateral eastern treaties of Federal Republic, which cleared the way for the release of policy in Europe. [5, s. 38]

The treaty of 1973, was evaluated different in west German policy public. While the government representatives were of the view that political considerations are mutually determining, felt some representatives of the CDU / CSU, that the German-Czechoslovak economic relations have greater value than political.

Prague agreement still preceded Czechoslovakia-West German long-term agreement on goods connections and cooperation in scientific and technological field of 17th December 1970, which applied to 31th December 1974. The contract was appended by the protocols of 28th June 1971 and 8th March 1972. In December 1974 EHS did not allow concluding bilateral trade agreements. However the contracts on economic cooperation and scientific and technical cooperation could be made. On 19th November of the same year the unlimited contract was in Bonn initialed and 22th in January 1975 signed. In the first half of the 70s came the two delegations in the review of the current development of bilateral trade volume to the conclusion that in this period was achieved considerable expansion of

the volume of mutual exchanges of goods and it is desirable that the exchange of goods between the two countries could further develop. Therefore, the dealerships of 1967 were appended by 1973 in Kolín nad Rýnom by the establishment of the Czechoslovak circle and a year later, in Prague the creation of the Germany section in the Czechoslovak Chamber of Commerce.

The second half of the 70s was marked by economic recovery and technical cooperation, whether it was a meeting of the Board of the Czechoslovak circle and Germany section in the Czechoslovak Chamber of Commerce, or the Czechoslovak Chamber of Commerce (1975 and 1976) and Industrial Chamber of Commerce in Augsburg (1976) or Industrial Action Week in Dusseldorf (1975) and Technical week in Prague (1975). Similarly, intensity of Hamburg-Czechoslovak relations in the 70's increased.

On the 9th November 1979 the cooperation agreement between the Czechoslovak Chamber of Commerce and Ost-Ausschuss der Deutschen Wirtschaft entered into force in order to promote economic, industrial and technical cooperation. Since the mid-70s regularly sat various commission established under a contract of cooperation. Economic relations were positively affected by the possibility to establish West German own company representations in Czechoslovakia on the 1st January 1976.

The development of bilateral economic relations was certainly strengthened by the staffing of economic service of Germany Embassy in Prague. In May 1980 came the opening of a trade promotion at the Embassy in Prague. With the development of trade relations on the personal and institutional level, however, came the stagnation in the volume of foreign trade. Even in 1977 it were decreased, probably due to the Czechoslovak attempt to reduce foreign trade deficit. On the 1st July 1980 a new law on Czechoslovak economic relations for abroad countries came into the force and on the 19th December 1980 was in Prague signed and on the 17th November 1983 entered into force the treaty about preclusion of double taxation in the area of taxes on income and assets.

At the end of the 70s came Czechoslovakia-West German contacts to the highest level. On the 10th and 13th April 1978 took place the first visit of Gustáv Husák in Germany. In addition, he visited Bonn and Hamburg. On the visit on the 11th April 1978 Husák was

conducted an interview with representatives of the German economy led by the chairman of German industry Otto Wolf von Amerongen. Von Amerongen of Germany stressed the continued growth of bilateral economic relations. In common czechoslovak-west germany declaration of 11th April 1978 it was stated that it is necessary to create conditions for further development of trade relations, cooperation of enterprises, especially for a better balance of payments and trade balance and to improve the structure of trade.

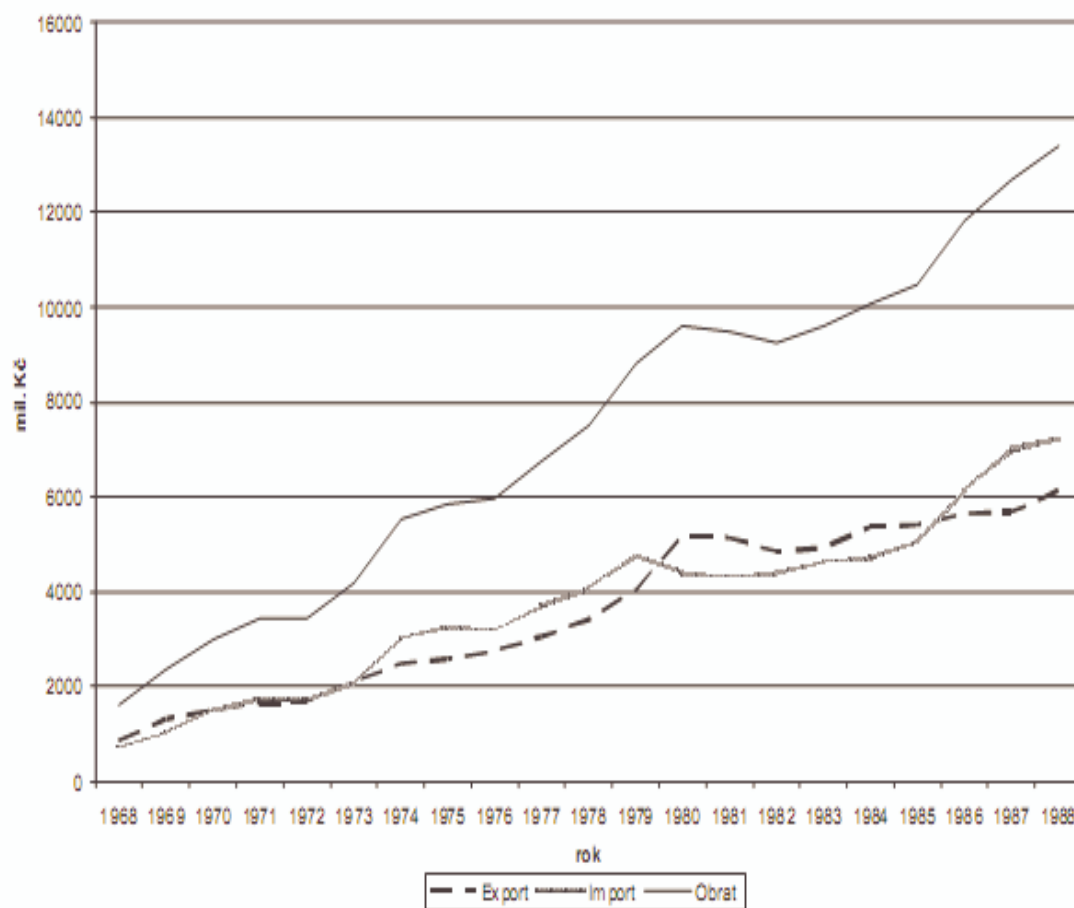
In return of state visit G. Husak, came Federal Foreign Minister Hans Dietrich Genscher to Czechoslovakia on 18th until December 20th. His visit was then repeated even on 1st and 2nd February 1983. After unsuccessful negotiations on medium-range missiles between the Warsaw Pact and NATO in the early 80's, came a transient worsening of mutual Czechoslovakia-West German relations. The situation changed after the warming of relations between Bonn and Moscow in the second half of the 80-ies. [5, s. 39-40]

3.1.1 Development of the Czechoslovak foreign trade with the Federal Republic of Germany

Czechoslovakia belonged to a smooth and most solid payer of its obligations to Germany. Since 1980, first came to the mutual balance of trade and in later years even in shift in favor of Czechoslovakia. In the 80s there was a decline in mutual business exchange, caused only course of world economic cycle (inflation, the situation of public funds, soaring commodity prices and energy conservation trends of EHS), but also autarkical measures of Czechoslovakia. In the period 1968-1988 Czechoslovakian export grew from 861 million. Kčs to 6 138 million. Kčs, more than 7 times. The most significant growth in volume of exports expressed in Kčs was associated with the years 1968-1969 (50 %).

Permanently Czechoslovakian export grew after 1973, except for the years 1981-1982. Expressed as a percentage of Czechoslovak exports are notable peaks in 1971 (6,2 %). After 1973, Germany reached the highest share in 1974, 6.9%. Then fluctuated between 6-4 %. Czechoslovakian import from Germany has undergone a similar development and except for years 1980-1985, however, prevailed over exports. Official Czechoslovak

statistics of Czechoslovak imports from Germany reported a significant increase in the years 1968-1969, by 45 %. The growth of volume continued in next years except the 1975-1976. Share of Czechoslovak imports from Germany as a percentage in the period 1969-1979 showed a roughly 6 %. Until 1988 there was a decline to 4,6 %.



Graph no. 1: Czechoslovakia-West German export, import and sales in the years 1968-1988 in mil. Kčs,
Source: [4]

Translation key:

mil. Kčs – milion Czechoslovak koruna

rok - year

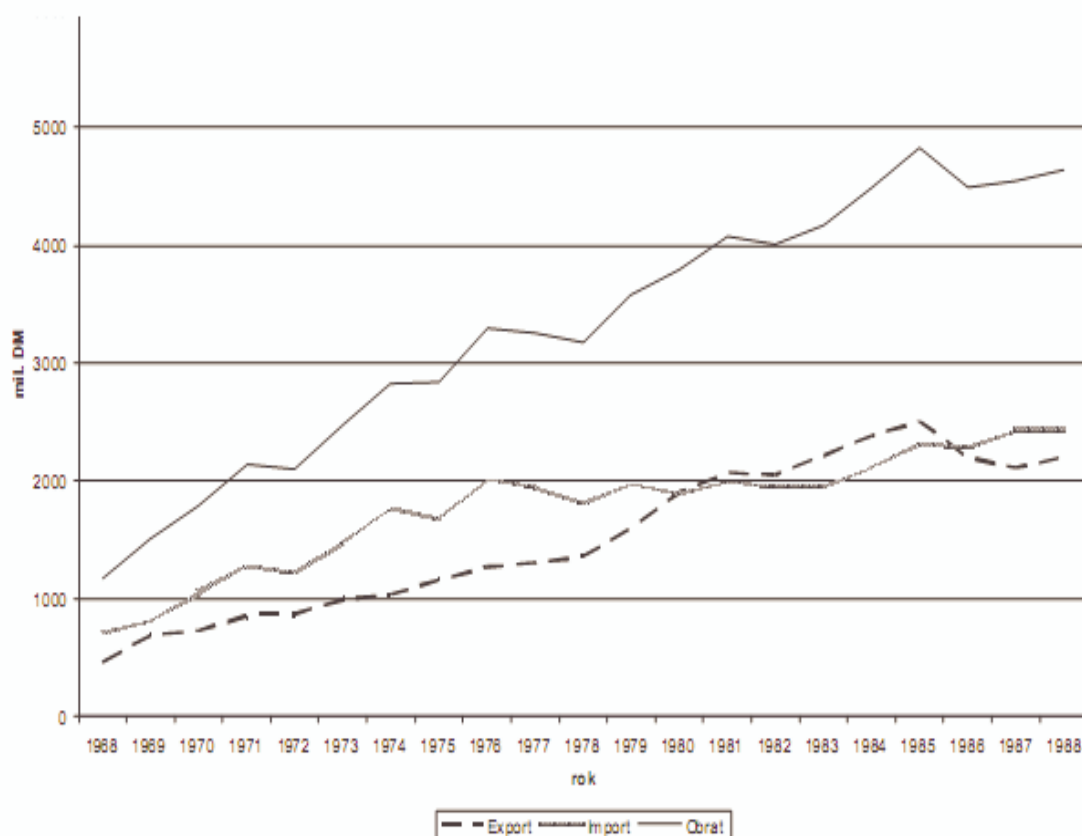
export – export

import – import

obrat - turnover

3.1.2 Development of West German foreign trade with Czechoslovakia

Between 1968-1988, the exchange of goods between states expanded. Export of Germany to Czechoslovakia increased from 460,8 million. DM (German Mark) to 2,198.9 million. DM, a 4,7 times. Exports grew continuously with little variation in the course in the 70s and the first half years of the 80's. It should be bear in mind however, that for Germany played exchange of goods from neighboring Czechoslovakia in a total trade no big role. The share of Czechoslovakia to western Germany export and import remained throughout the examined period very low. In the export or import trade with Czechoslovakia has not even gain one percent. The largest share of West German export recorded in 1971 (0,95 %) in the 80s, by contrast, stood only at 0,5 %. Development of the West Germany imports from Czechoslovakia slowly, but still showed a tendency of growth. Overall, it increased from 707,4 million DM to 2 438,6 million. DM, that is only 3,4 times between 1968-1988. West Germany import achieved the largest share in 1950 (0,93 %) in the 80s was only 0,5 %.



Graph no. 2: West German-Czechoslovak export, import and sales in the years 1968-1988 in mil. DM

Source: [4]

Translation key:

mil. DM – milion German marks

rok - year

export – export

import – import

obrat - turnover

3.1.3 Commodity structure of Czechoslovakia-West Germany foreign trade

In the period 1975-1980 Czechoslovak exports to Germany participated on average in fuels and raw materials (43,2 %), consumer goods (20,2 %), chemical products and fertilizers (11,7 %), food (9,9 %) and machinery, equipment and transport equipment (9,4 %). This structure, however, did not correspond to the possibilities of both partners. Export to Germany was as follows, metallurgical and chemical products, glass, fabrics, paper and raw materials.

Conversely, from Germany were imported machinery investment-intensive and equipment, with higher technical parameters, chemical products. To west Berlin were exported mainly fuels and chemical products, from west Berlin were imported chemical products, machinery, equipment and vehicles. In Czechoslovakia export was succesfully and gradually reduced the proportion of raw materials and intermediate goods.

The most represented items in Czechoslovakia export to Germany at the end of the 80's (1988) were industrial consumer goods (34 %), chemical products (14,8 %), raw materials and semi-free fuels (14 %), fuels (11,5 %), food (9,8 %), machinery, equipment and transport equipment (8,2 %) and agricultural raw materials (4,9 %). In Czechoslovakia import was handled about machinery, equipment and transport equipment (57,5 %), chemical products (17,8 %), industrial goods (12,3 %), raw materials and semi-free fuel and food (4,1 %) and agricultural raw materials (2,7 %). [5, s. 41-42]

3.1.4 Conveying and political relations

A very important step in the transport relations between East and West was the Helsinki Conference on security and cooperation in Europe in 1975. The Final Act No. 6, relating to transport, indicated the requirement of adapting administrative and technical provisions for traffic safety, and also inland voyage. Germany has maintained the position of the leading western Europe trading partner of Czechoslovakia and also the main transport partner.

Retained remained ferry and transit through Germany to Hamburg. Determining the rational considerations, dictated by their mutual economic interests and geographic proximity. The Elbe saved Czechoslovakia foreign exchanges, Hamburg has been a traditional Prague harbour respectively Czechoslovakia port. Germany used Czechoslovakia as a natural background of Hamburg, while it was a significant share. Showed that the cooperation of two geographically close countries and their interest in this cooperation are objectively more weight than political and ideological aspects of the declaration. Mutual contacts had to exist from the simple reason that, for example in transport infrastructure had to be maintained cross connection of european freight and passenger transport.

Tacitly was recognized the internationalization of the Elbe. The principal means of transport for mutual Czechoslovakia-West German freight was and remains railway. In 1986 it was transported to Germany a total of 8 657,7 million. t by railway, 5 796,0 million. t on the road and 1 226,8 million. t on the water. Other shipments were by air.

Completely unheard remained efforts to open additional rail and road crossing czechoslovakia-westgermany gate ways, but Czechoslovak party did not have interest from power-political reasons, then formally Czechoslovakia did have not enough funding and staff.

In West German transport literature at the beginning of the 70s appeared the views indicated that because of absence of diplomatic relations have Elbe voyage administrative acts no "legal binding" but it would be desirable to establish a new committee composed of States, operating on Elbe voyage mainly on technical and economic point of view.

West Germany party should be prepared to respect the rights of the old Czechoslovakia. For disadvantage of Hamburg, there was an Eastern bloc effort redirecting the load lines to seaports, the so-called People's State and promoting the importance of the Danube as "socialist" water artery and further, competition from Dutch and Belgian ports. Nevertheless Hamburg at all times maintained the position of the most important western-europe port for Czechoslovakia. [5, s. 42-43]



Graph no. 3: Goods destined to Czechoslovakia and Czechoslovakia through Hamburg between 1975-1985 in t. (General Trade)

Source: [4]

Translation key:

t – tons

rok – year

Hamburg-Československo – Hamburg-Czechoslovakia

Československo-Hamburg – Czechoslovakia-Hamburg

3.2 Conclusions

Importance of Czechoslovakia-German trade relations and transport links results not only from geopolitical position of Czechoslovakia and Germany in central Europe, but also from the intensity of their bilateral economic contacts and contacts with other partners.

Conclusion of the treaty on the establishment of trade agencies and regulation of commodity and the payment system in 1967 heralded the establishment of diplomatic relations in 1973, respectively 1974. This normalization of mutual political relations did not affect significantly the volume of foreign exchange. Dealership of 1967, respectively. 1968 was amended in 1973 by Czechoslovakia Circle of East Committee (Tschechoslowakischer Kreis des Ost-Auschuses) and in the 1974 Section of Germany in the Czechoslovak Chamber of Commerce (Sektion BRD in der Tschechoslowakischen Handelskammer). Promising commercial and transport Czechoslovakia-West German cooperation has been hampered, however, after the Prague Spring.

Throughout the postwar development we can record interest in developing political and commercial traffic and political relations on both sides. It can be explained by geographic location, economic structure and interests of trade of raw materials, intermediates and products. Yet, the Czechoslovakia-west Germany negotiations on the establishment of agencies, the long-term commercial contract for the normalization of mutual political relations took much longer than the rest of the eastern bloc.

As the main obstacles should be shown Czechoslovak demand nullification of the Munich Agreement of 1938, understanding of different positions of West Berlin and the small flexibility of the Czechoslovak foreign policy, on the one hand, and the intransigence of the BRD on the other side. Despite this long discussion, and establishing normal relations, external trade or traffic-political relations between Czechoslovakia and Germany were never interrupted.

Compared with the pre-war development was, however, the volume of trade in goods incommensurable small. The volume of mutual foreign trade surprisingly did not increase even after the establishment of diplomatic relations in 1973, actually 1974, a greater

influence on him was rather the signing the contract about the exchange dealerships in 1967, respectively. in 1968. The volume of mutual Czechoslovakia-West Germany trade continuously increased. While the share of Czechoslovak foreign trade on Germany trade did not show a percentage, share of West Germany trade on the trade with Czechoslovakia reached several times to increase 5-6 %.

However Germany has remained the most important west European partner of Czechoslovakia throughout the postwar period, which was given not only by location, but also by the structure of supply and demand, respectively by shortcomings in the goods market in Germany. On the other hand Czechoslovakia even in most favorable mutual trade relations between each other, was placed third to fourth place in the Germany market among all of the Eastern bloc, behind the USSR, China and Poland, which was given by the mutual interest, structure and size of the volume of trade in goods, in case of USSR and China even because of their power-political and military-strategic weight.

Under these circumstances, it is not wonder that Hamburg was left the most important western european seaport (except Yugoslav Rijeka) for Czechoslovakia and became equivalent to the transport business competitors Štetína and Gdynie, regardless of their preference for political reasons. The volume of transit and export and import via Hamburg continued and gradually grew. Czechoslovak rent zone in Hamburg retained.

The importance of Hamburg for the Czechoslovak transit consist in geographical proximity on one hand and quality services and a wide commercial offer connections with the world and in foreign exchange savings as well. On the other hand, transit through Hamburg presented as important factor not only from economic but also from political and commercial view. Germany had interest about connections between Hamburg and Prague, since it guarantees a reliable base in terms of solvency.

All changes and problems after World War II. which occurred by the shaping of the main traffic load currents in central Europe, is necessary to look up primarily at a different power-political and ideological development of the two blocks. The reality, however, ultimately forced both sides to seek compromise. [5, s. 47-48]

4 Mutual trade relations analysis between the Slovak Republic and the Federal Republic of Germany after 1989

4.1 Development of foreign trade of SR and NSR in the period 1993-2007

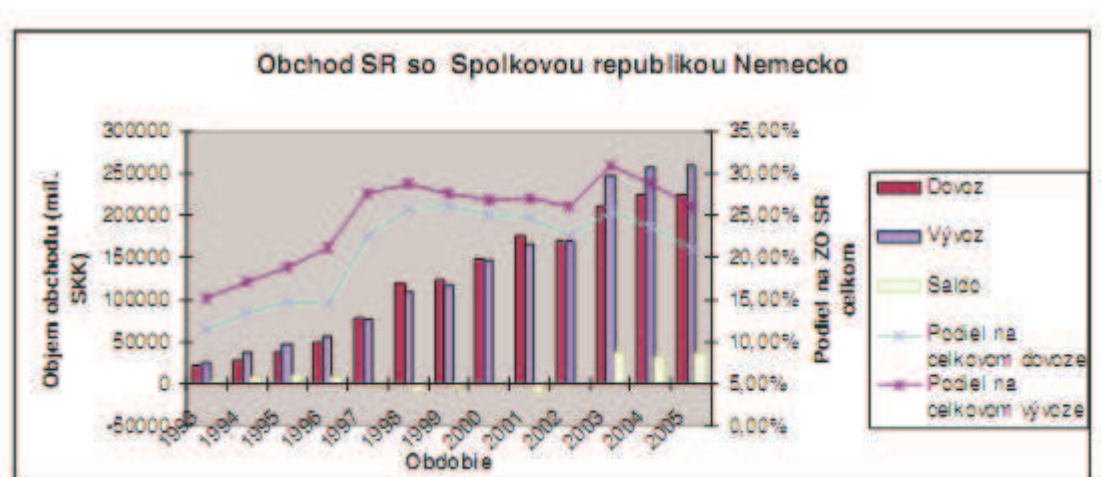
Federal Republic of Germany is the most important trading partner of the Slovak Republic and since 1998 refer to number one from trading partners of Slovakia. Import from the NSR to the total import of the SR participated in 2005 by 20,97 %, while in 1993 it was only 11,42 %. The highest growth German export to Slovakia was recorded between 1996 and 1998. This was connected with a significant increase in purchasing power of domestic demand in Slovakia in that period and this spurt growth was due to the continuing trade barriers removal between EU countries and Slovakia.

Within each classification SITC has NSR the highest share of total imports in group 7 - Machinery, equipment and transport equipment (29,94 %), 4 - Animal and vegetable oils, fats and waxes (23,11%) and the number 8 - Miscellaneous manufactured articles (22,96 %). From insight into the German imports we see, that the most prominent goods are cars, trucks and equipment, transport equipment and parts of electronic industry products.

On Slovakia's total export the Germany were involved in 2007 by 21,50 %, while in 1993 it was only 15,18 %. The most significant increase in export was recorded (as was the case for import) between 1996 to 1998 (33,87 % respectively. 41,73 %). Between 2002 and 2003 was recorded even 46,4 % increase, which was mainly due to the commencement of production (and export) more expensive models of car group Volkswagen in Bratislava, DNV. The largest share of export had NSR under SITC classification in classes 7, 8 and 4.

According to MHSR (Ministry of Economy) in 2007 there were to the NSR exported the most the cars, bodywork of motor vehicles, parts and accessories for motor vehicles (30 %). Based on the above data it can be concluded that in the Slovak export to Germany has automotive and engineering products traditionally dominant place. Other major export commodities are electrical products, iron and steel, plastics and rubber, paper, paperboard,

mineral oils, textiles and shoes. The most important exporters to the NSR are mostly multinational international firms have established production facilities in Slovakia. The structure of import is similar to yet stronger focus on products of engineering and electrical engineering. [13, s. 59]



Graph no. 4 : Trade with Germany, 2003-2005

Source: [13]

Translation key:

objem obchodu (mil. SKK) – trade volume (million Slovak koruna)

obdobie – period

podiel na ZO SR celkom – share on the Foreign Trade of the Slovak Republic summary

dovoz – import

vývoz – export

saldo – balance

podiel na celkovom dovoze – share on the total import

podiel na celkovom vývoze – share on the total export

4.1.1 Trade relations between Germany and Slovakia

In the area of trade cooperation belong Germany traditionally among the most important partners of Slovakia, while mutual foreign trade turnover has consistently upward trend.

Federal Republic of Germany transferred in 1998 to 1. place in foreign trade of the Slovak Republic and since then has maintained this leadership position with a significant distance. In 2008, from Slovakia to Germany were exported goods worth over 9 billion. EUR and import from NSR was 9.5 billion. EUR. The mutual trade turnover amounted to 19.1 billion. EUR. In 2008 compared with 2007 export decreased by 1.3% and import rose by 4.1%. Slovak Republic is situated on 22nd place within the NSR import and 21st place from the view of German export. [21]

"Foreign trade policy is a set of principles, tools and means by which the state consciously stimulate received development trends in foreign trade for its own economy" [10, s. 177]

	2001	2002	2003	2004	2005	2006	2007	2008	1 - 6 2009
dovoz	176 206	169 195	210 577	220 282	223 813	272 720	286 614	298.394	90.171
vývoz	165 168	169 528	247 560	255 628	259 277	292 221	305 471	301.443	112.139
obrat	341 374	338 724	458 138	475 910	483 090	564 941	592 085	599.837	202.310
saldo	-11 037	333	36 984	35 345	35 465	19 501	18 857	3.049	21.968

Tab. No. 3: Development of foreign trade between Slovakia and Germany in 2001-2008 (million. SKK)

Source: [19]

Translation key:

dovoz - import

vývoz – export

obrat – turnover

saldo – balance

Komodita SITC2	Dovoz 2008 v tis. eur	Index 08/07	Podiel na celkovom importe v %
Cestné vozidlá	2 496 427	124	26,02
Elektrické zariadenie, prístroje a spotrebiče	791 385	104	8,3
Stroje a zariadenia všeobecne používané v priemysle	655 914	112	6,9
Stroje a zariadenia na výrobu energie	629 329	179	6,6
Odborné, vedecké a riadiace prístroje a zariadenia	603 706	63	6,3
Kovové výrobky	575 135	112	6,0
Zariadenie na telekomunikáciu a záznam a reprodukciu zvuku	439 899	245	4,6
Železo a oceľ	301 761	96	3,2
Strojné zariadenia pre určité odvetvia priemyslu	268 741	124	2,8
Rôzne výrobky	261 605	113	2,7
Výrobky z gumeny	238 731	105	2,5
Liečivá a farmaceutické výrobky	197 632	109	2,1
Textilná priadza, tkaniny, trhové výrobky z nich	183 022	95	1,9
Plasty v prvotnej forme	171 349	120	1,8
Kovoobrábacie stroje	159 544	114	1,7
Plastické hmoty v neprvotných formách	129 503	112	1,4
Papier, lepenka a výrobky z nich	127 116	109	1,3
Neželezné kovy	113 950	98	1,2
Chemické prostriedky a výrobky	104 274	99	1,1
Výrobky z nekovových nerastov	93 277	125	1,0

Tab. No. 4: The most important commodities of Slovak imports from Germany in 2008

Source:[20]

Translation key:

Komodita SITC2 – commodity SITC2 (Standard International Trade Classification)

Dovoz 2008, tis. eur – Import 2008, thousand Euro

Index – index

Podiel na celkovom importe – share on the total import

Cestné vozidlá – road vehicles

Elektrické zariadenie, prístroje a spotrebiče – electrical equipment, apparatus and appliances

Stroje a zariadenia všeobecne používané v priemysle – machinery and equipment commonly used in industry

Stroje a zariadenia na výrobu energie – machinery and equipment for energy production

Odborné, vedecké a riadiace prístroje a zariadenia – professional, scientific and controlling instruments and equipment

Kovové výrobky – metal products

Zariadenia na telekomunikáciu a záznam a reprod. zvuku – telecommunication equipment and sound recording and reproducing

Železo a oceľ – iron and steel

Strojné zariadenia pre určité odvetvia priemyslu – machinery for particular industries

Rôzne výrobky – various products

Výrobky z gumy – rubber products

Liečivá a farmaceutické výrobky – medicinal and pharmaceutical products

Textilná priadza, tkaniny, trhové výrobky z nich - textile yarn, fabrics, and market products from them

Plasty v prvotnej forme - plastics in primary form

Kovoobrábacie stroje – metalworking machines

Plastické hmoty v neprvotných formách – plastics in secondary forms

Papier, lepenka a výrobky z nich - paper, paperboard and articles thereof

Neželezné kovy – non-ferrous metal

Chemické prostriedky a výrobky – chemical substances and products

Výrobky z nekovových nerastov – non-metallic mineral products

Komodita SITC2	Vývoz 2008 v tis. eur	Index 08/07	Podiel na celkom exporte v %
Cestné vozidlá	2 545 228	94	26,4
Elektrické zariadenia, prístroje a spotrebiče	1 001 611	104	10,4
Stroje a zariadenia všeobecne používané v priemysle	880 056	124	9,1
Zariadenia na telekomunikáciu a záznam a reprodukciu zvuku	705 650	116	7,3
Výrobky z gumy	479 447	115	5,0
Železo a oceľ	459 823	115	4,8
Kovové výrobky	392 903	115	4,1
Obuv	301 372	156	3,1
Nábytok a jeho diely	277 418	114	2,9
Odevné výrobky a doplnky	251 242	92	2,6
Stroje a zariadenia na výrobu energie	244 088	109	2,5
Rôzne výrobky	231 041	111	2,4
Strojné zariadenia pre určité odvetvia priemyslu	214 279	118	2,2
Textilná priadza, tkaniny, trhové výrobky z nich	178 168	111	1,8
Prefabrikované budovy, výrobky zdravotníckej, inšt.	173 049	121	1,8
Papier, lepenka a výrobky z nich	147 205	93	1,5
Ostatné dopravné a prepravné prostriedky	119 232	215	1,2
Ropa, ropné výrobky a príbuzné materiály	100 669	95	1,0

Tab. No. 5: The most important commodity of Slovak exports to Germany in 2008

Source: [20]

Translation key:

Komodita SITC2 – commodity SITC2 (Standard International Trade Classification)

Vývoz 2008, tis. eur – export 2008, thousand Euro

Index – index

Podiel na celkovom exporte – share on the total export

Cestné vozidlá – road vehicles

Elektrické zariadenie, prístroje a spotrebiče – electrical equipment, apparatus and appliances

Stroje a zariadenia všeobecne používané v priemysle – machinery and equipment commonly used in industry

Zariadenia na telekomunikáciu a záznam a reprod. zvuku – telecommunication equipment and sound recording and reproducing

Výrobky z gumy – rubber products

Železo a oceľ – iron and steel

Kovové výrobky – metal products

Obuv – shoes

Nábytok a jeho diely – furniture and its parts

Odevné výrobky a doplnky – apparel and clothing accesories

Stroje a zariadenia na výrobu energie – machinery and equipment for energy production

Rôzne výrobky – various products

Strojné zariadenia pre určité odvetvia priemyslu – machinery for particular industries

Textilná priadza, tkaniny, trhové výrobky z nich - textile yarn, fabrics, and market products from them

Prefabrikované budovy, výrobky zdravotníckej, inštal. - prefabricated buildings, medical products, installation

Papier, lepenka a výrobky z nich - paper, paperboard and articles thereof

Ostatné dopravné a prepravné prostriedky – other freight and transport equipment

Ropa, ropné výrobky a príbuzné materiály - petroleum, petroleum products and related materials

Obdobie	Import z NSR				Export do NSR				Saldo
	Poradie	Mil. Eur	Podiel na ZO NSR %	Medziročná zmena %	Poradie	Mil. Eur	Podiel na ZO NSR %	Medziročná zmena %	Mil. Eur
2002	31	4 077,8	0,6	+3,9	23	5 080,2	1,0	+19,2	+1 002,4
2003	23	5 179,9	0,8	+27,0	20	7 334,9	1,4	+44,4	+2 155,1
2004	24	5 524,1	0,8	+6,6	22	7 364,7	1,3	+0,4	+1 840,1
2005	24	5 956,2	0,8	+7,8	23	6 875,3	1,1	-6,6	+919,2
2006	21	7 321,7	0,8	+22,9	23	7 845,3	1,0	+14,1	+523,6
2007	21	8 484,5	0,9	+15,9	22	9 042,7	1,2	+15,3	+558,2
2008	23	8 587,1	0,8	+4,4	20	8 883,8	1,8	-1,75	+26,7

Tab. No. 6: Development of foreign trade between SR and NSR in the years 2002-2008

Source: [20]

Translation key:

Obdobie – period

Poradie – order

Import z NSR – import from Germany

Export z NSR – export to Germany

Saldo – balance

Podiel na ZO NSR % - share on the Foreign Trade of Germany in %

Medziročná zmena % - year-on-year change in %

Slovak Investment Companies in Germany

German market is particularly important for Slovakia. Germany is the largest economy in the eurozone and has traditionally been among the most important economic partners of Slovakia. It is the second largest foreign investor in Slovakia (NBS).

Investments of German companies in Slovakia

The biggest German investors in Bratislava is Volkswagen Slovakia. In Slovakia, the Volkswagen group operates through its subsidiary, Volkswagen Slovakia, which is manufacturing and assembling enterprises. The Slovak factory produces the German carmaker Volkswagen Touareg, Audi Q7, Porsche Cayenne vehicle part, and since March of this year, Skoda Octavia. In addition to carmaking in Bratislava, the German carmaker also operates in Martin, where has the factory to produce transmissions and components for transmissions and in Košice, where it has operation in preparing cars for export to Russia.

Among German investors (Bavaria), established in Slovakia belong major industrial companies, Siemens, Osram, BSH Drives and Pumps, SAS Automotive, INA Schäffler, EON Energie, Leoni, Infineon Technologies, Meggle, Mannesmann Sachs, a financial company Allianz and Hypovereinsbank. They are ranking to most important operators in Slovakia and also the most important German investments in Slovakia. Only the Bavarian investments reached the value of 660 million EUR in Slovakia.

The last reported investment of Bavaria is an investment company Mühlbauer AG, which invests 500 million. SK in Nitra in the construction of the plant for the production of technological equipment for smart chip cards.

"The results of foreign trade affect the proportionality of economic development, its efficiency and level of qualifying parameters, status and prospects of the country in the world economy, of course, in comparison with other countries." [7, s. 61]

Exports from Slovakia to Germany

Slovak Republic export goods to the Land of Lower Saxony, where Volkswagen is based and currently cars and their components are the largest export item from SR to NSR. To the most important federal regions in terms of Slovak export are: Bavaria, North Rhine-Westphalia, Hessen and Baden-Württemberg.

Slovak export to Germany in 2007 compared to 2006 registered an increase of 15,3 % and amounted to 9 042,7 million EUR. Imports from Germany rose against the 2006 about 15,9 % and reached 8 484,5 million EUR.

The total trade exchange turnover accounted for 17 527 mil. EUR in 2007 compared to 2006 grew by 15,6 %. Surplus on the Slovak side reached the volume of 558,2 million EUR in 2007 and was compared with the same period of 2006 up by 6,6 %. For the first half of 2008 was from Slovakia to Germany exported goods amounting to 5031,7 million. EUR and import value of goods amounted to 5 158,2 million EUR indicating a nearly balanced account of the Slovak foreign trade with Germany.

The main commodities of Slovak export to NSR include: road vehicles (30%), electrical equipment and appliances (10,7 %), industrial machinery (7,9 %), iron and steel (4,4 %), rubber products (4,6 %), telecommunications equipment and reproducing apparatus (6,7 %), metal products (3,8 %), clothing (3 %), machinery and power generation equipment (2,5 %), furniture (2,7%), footwear (2,1%), paper and paperboard (1,8 %), petroleum products (1,1 %), non-ferrous metals (1 %)

Import of German products to Slovakia

The major items of Slovak import from Germany in 2008 were parts and accessories for motor vehicles (26,4 %), industrial machinery (17,8 %), electrical machinery and equipment (13,9 %), optical instruments and equipment (6,6 %), plastics and articles thereof (5,2 %), iron and steel (4 %), rubber and articles thereof (2,7 %), iron and steel (2,5 %), pharmaceuticals (2 %), paper and articles thereof (1,4 %).

International Fairs

Germany is considered the world's top trade fair, held here annually up to 140 trade fairs. German fairs and exhibitions are of high quality, international participation and significant interest in professional and lay public. Participation in international fairs not only allows companies to penetrate the German market, but usually contracts are closed in these fairs respectively, establishing contacts at the European and global companies.

The most important trade fairs take place in the cities of Hanover, Munich, Berlin, Dusseldorf, Frankfurt, Cologne.

Other major exhibition cities are Stuttgart, Leipzig, Nuremberg, Hamburg and Essen. Information and an overview of trade fairs can be obtained from the German organization AUMA (Ausstellungs Messe und Ausschuss der Deutschen Wirtschaft eV). Internet Portal AUMA www.auma.de provides detailed information on all exhibitions in Germany. [14]

Territorial structure of Slovakia's foreign trade in 2003-2008

	Dovoz v mil. Sk	v %	Vývoz v mil. Sk	v %	Bilancia v mil. Sk
SR Celkom	827,603	100.00	803,238	100.00	-24,365
EÚ	615,648	74,37	679,426	84,59	63,946
Nemecko	210,632	25,45	247,680	30,84	37,048
Taliansko	50,995	6,16	60,132	7,49	9,137
Rakúsko	36,206	4,37	59,726	7,44	23,519
Francúzsko	35,068	4,24	28,196	3,51	-6,872
Británia	17,627	2,13	16,960	2,11	-667

Tab. No. 7: Territorial structure of Slovakia's foreign trade in 2003

Source: [16]

Translation key:

Dovoz v mil. Sk – import in million Slovak koruna

v % - in %

Vývoz v mil Sk – export in million Slovak koruna

Bilancia v mil. Sk – balance in million Slovak koruna

SR celkom – Slovak Republic in total

EU – European Union

Nemecko – Germany

Taliansko – Italy

Rakúsko – Austria

Francúzsko – France

Británia – Great Britain

	Dovoz v mil. Sk	v %	Vývoz v mil. Sk	v %	Bilancia v mil. Sk
SR Celkom	942,160	100,00	895,205	100,00	-46,955
EÚ	693,530	73,21	762,499	85,18	68,969
Nemecko	224,397	23,82	256,791	28,69	32,394
Taliansko	52,645	5,59	57,051	6,37	4,406
Rakúsko	40,258	4,27	70,230	7,85	29,972
Francúzsko	34,485	3,66	32,340	3,61	-2,145
Británia	17,132	1,82	25,759	2,88	8,627

Tab. No. 8: Territorial structure of Slovakia's foreign trade in 2004

Source: [16]

Translation key:

Dovoz v mil. Sk – import in million Slovak koruna

v % - in %

Vývoz v mil Sk – export in million Slovak koruna

Bilancia v mil. Sk – balance in million Slovak koruna

SR celkom – Slovak Republic in total

EU – European Union

Nemecko – Germany

Taliansko – Italy

Rakúsko – Austria

Francúzsko – France

Británia – Great Britain

	Dovoz v mil. Sk	v %	Vývoz v mil. Sk	v %	Bilancia v mil. Sk
SR Celkom	1,070,893	100,00	994,571	100,00	-76,322
EÚ25	763,237	71,27	849,536	85,42	86,299
Nemecko	223,813	20,90	259,227	26,07	35,465
Taliansko	50,958	4,76	65,776	6,61	14,819
Rakúsko	40,662	3,80	70,383	70,07	29,621
Francúzsko	34,761	3,25	38,811	3,90	4,050
Británia	19,458	1,82	30,902	3,11	11,444

Tab. No. 9: Territorial structure of Slovakia's foreign trade in 2005

Source: [17]

Translation key:

Dovoz v mil. Sk – import in million Slovak koruna

v % - in %

Vývoz v mil Sk – export in million Slovak koruna

Bilancia v mil. Sk – balance in million Slovak koruna

SR celkom – Slovak Republic in total

EU – European Union

Nemecko – Germany

Taliansko – Italy

Rakúsko – Austria

Francúzsko – France

Británia – Great Britain

	Dovoz v mil. Sk	v %	Vývoz v mil. Sk	v %	Bilancia v mil. Sk
SR Celkom	1,330,986	100,00	1,239,359	100,00	-91,627
EÚ25	905,688	68,05	1,055,009	85,13	149,321
Nemecko	272,720	20,49	292,222	23,58	19,502
Taliansko	60,248	4,53	80,232	6,47	19,984
Rakúsko	44,891	3,37	74,441	6,01	29,550
Francúzsko	43,114	3,24	53,408	4,31	10,294
Británia	19,697	1,48	48,278	3,90	28,581

Tab. No. 10: Territorial structure of Slovakia's foreign trade in 2006

Source: [17]

Translation key:

Dovoz v mil. Sk – import in million Slovak koruna

v % - in %

Vývoz v mil Sk – export in million Slovak koruna

Bilancia v mil. Sk – balance in million Slovak koruna

SR celkom – Slovak Republic in total

EU – European Union

Nemecko – Germany

Taliansko – Italy

Rakúsko – Austria

Francúzsko – France

Británia – Great Britain

	Dovoz v mil. EUR	v %	Vývoz v mil. EUR	v %	Bilancia v mil. EUR
SR Celkom	43,884	100,00	43,559	100,00	-325
EÚ25	30,404	69,28	37,843	86,88	7,438
Nemecko	8,08	20,07	9,420	21,63	612
Taliansko	1,784	4,06	2,81	6,43	1,017
Rakúsko	1,379	3,14	2,519	5,78	1,139
Francúzsko	1,752	3,99	2,987	6,86	1,235
Británia	600	1,37	2,085	4,79	1,485

Tab. No. 11: Territorial structure of Slovakia's foreign trade in 2007

Source: [18]

Translation key:

Dovoz v mil. Sk – import in million Slovak koruna

v % - in %

Vývoz v mil Sk – export in million Slovak koruna

Bilancia v mil. Sk – balance in million Slovak koruna

SR celkom – Slovak Republic in total

EU – European Union

Nemecko – Germany

Taliansko – Italy

Rakúsko – Austria

Francúzsko – France

Británia – Great Britain

	Dovoz v mil. EUR	v %	Vývoz v mil. EUR	v %	Bilancia v mil. EUR
SR Celkom	46,925	100,00	46,627	100,00	-298
EÚ25	31,549	67,23	39,768	85,29	8,29
Nemecko	9,429	20,09	9,485	20,34	56
Taliansko	1,747	3,72	2,757	5,91	1,010
Rakúsko	1,365	2,91	2,676	5,74	1,311
Francúzsko	1,896	4,04	3,181	6,82	1,285
Británia	633	1,35	2,191	4,70	1,557

Tab. 12: Territorial structure of Slovakia's foreign trade in 2008

Source: [18]

Translation key:

Dovoz v mil. Sk – import in million Slovak koruna

v % - in %

Vývoz v mil Sk – export in million Slovak koruna

Bilancia v mil. Sk – balance in million Slovak koruna

SR celkom – Slovak Republic in total

EU – European Union

Nemecko – Germany

Taliansko – Italy

Rakúsko – Austria

Francúzsko – France

Británia – Great Britain

4.1.2 Slovakia-German economic relations

Transparent and simple tax system is the biggest attraction for foreign investors in Slovakia. In addition, for the benefit of the skilled workforce and lower wage levels compared with surrounding states. With EU membership, Slovakia is part of the European internal market. In addition, public infrastructure especially in the west country is well-built. This potential used in recent years many German companies.

Meanwhile, Slovakia has over 400 active companies with the participation of German capital. Among these belong reputable groups as Allianz, Deutsche Telekom, E. ON, RWE, Siemens and Volkswagen, as well as numerous small and medium enterprises.

Effects of German companies, however, shows a sectoral focus, dominated by automotive and metalworking industries. This development can be explained by large number of suppliers who follow the big companies in Slovakia, where there was no transfer of their seat. Companies meanwhile discovered Slovakia as an attractive sales market.

This was reflected by the high share of Germany and foreign direct investments: one fifth of foreign investments come from Germany. Especially in 2000 and 2002, the share of Germany in direct investment is at around 50 percent. Total volume of investments of German companies is now over two billion euros. Through the inflow of foreign capital new technologies were transferred this increased the competitiveness of the Slovak economy. German investors contributed to securing jobs and to the infrastructure development in the region.

Reliable economic relations between Germany and the Slovak reflecting lively in foreign trade of both countries. Germany is traditional customer of Slovak export commodities, as well as the most important foreign market. Slovak import from Germany in the period from January 2003 to October 2006 rose by 61 percent, while the volume of exports in the same period rose by as much as 72 percent. Business focuses almost 60 percent on the automobile, engineering and electronics industries, which are traditional in both countries and major economic sectors. In addition, bilateral trade - already at a smaller scale – also

focuses on textiles and chemical products. In this positive atmosphere in the summer of 2005 followed the establishment of Slovakia-German Chamber of industry and commerce (SNOPK). Found interest in bilateral trade and business cooperation was inspired to create institutions that would support trade and economic relations between Germany and Slovak. The chamber is the first point of contact for German companies planning to engage in the Slovak market. Represents the interests of German economy in Slovakia and supports up Slovak companies to enter the German market. Prospects for German companies in Slovakia regarding the future are promising. The Slovakia belongs to the fastest growing economies of the EU - only in Estonia and Latvia higher growth in gross domestic product (GDP) is expected.

In particular, the creation of stable economic and legal frameworks and transparent allocation of public contracts, as well as fighting corruption and bureaucracy behind the progress made is still behind expectations. Need for additional reforms, Slovakia has continued in the areas of labor market, health and education, as well as research and development. [24]

"The trade balance can skew from the balance even if the country does not change the tendency to import. This tendency depends on the inclination to consume and on the competitiveness of domestic goods in world markets. The tendency of imports also increased, if competitiveness of the country decrease in the world market. Such a change may occur as a result of innovation and technological backwardness of the country to the rest of the world or due to increased inflation." [6, s. 64]

4.2 Main sector of German economy

Automotive

For the first nine months of 2009 more than 3 million new passenger cars were sold in Germany, an increase of 600 000 (+26 %) car from last year. This enormous increase in demand for cars in the domestic market was associated with the introduction of so-called

šrotovné (Umweltprämie) and change the motor vehicle tax. While German car export fell by 26 % to September 2009 and production recorded a decrease of 18 %, perhaps it can be believed that the 4th quarter of 2009 will be positive for the German automotive industry because of steady state foreign markets and the existing large state contracts. Sales of commercial vehicles has been weakened throughout the year. There was recorded decrease in demand for commercial vehicles by 30 % and exports fell by 63 % on domestic market since the beginning of 2009. In regard of weakened upswing on the domestic market as well as in foreign markets has been manufacturing cars in the Germany decreased by 58 %. Production of commercial vehicles declined in 2009 to 67 %.

Engineering

In the period from January to August 2009 there was a significant decrease in production in German engineering industry for more than 26 %. Federation of German engineering industry foresees a fall in production at the end of this year with more than one fifth compared to 2008. Germany engineering industry employed in the third quarter of approximately 928 000 workers representing a decline from 2008 to 26 000 jobs.

By the end of 2009, experts expect a further decline of more than 44 000 jobs. Given the fact that the German engineering industry reached its minimum for orders in 2009, officials of that sectors do not expect their next fall in 2010, In contrast, in the second half of 2010 they calculate with a slight increase in production.

Construction

Although the economic recession did not overpass German construction, a decrease of production and turnover of this sector was significantly lower than in other industrial areas. A significant decrease has seen this year in the three areas of the German construction sector (housing construction, economic construction, public building), mainly due to the economic construction investment restraint. The more positive appears the situation in housing construction, resulting from upswing action taken by the Federal Government. Significant increases are expected in public construction. From April 2009 was in this area

a significant increase in orders, thanks to government support measures. The nominal decline of the industry's turnover amounts to 3 % in real terms of about 4,5 %. The German construction industry employs approximately 688 000 workers representing a decrease from last year by 2,5 %.

Chemical Industry

After the fall in production of the industry at the turn of 2008/2009 slight increase in the meantime occurred. Production of the industry in 2009 decreased by 15,5 % and the turnover of both domestic and export markets declined by 18 % compared to 2008. Representatives of the chemical industry in Germany expecting improve of the situation in the sector in 2010.

Electrical Industry

Electrical industry is in Germany's second largest industry. Given its wide range of production has German electronics industry greatly suffered from financial and economic crisis. Between the January and August last year, sales fell from 27 % (2008: 184 billion Eur), orders decreased by 34 % and manufacture recorded a decrease of more than 25 %.

Of 827 000 employees in this industry has undergone this year over 156 000 employees in the so-called short-time working. In 2010 decrease in electrical production industry by about 20 % is expected.

Steel and metal industry

The boom of German steel and metals industry has recorded a significant decline. Production of steel and metals industries fell by more than 30 % and exports by almost 7% compared to last year period. The aim of the representatives of the industry is given the decline in production to a maximum 20 % limit. In the steel and metal-working industry was now of more than 5 % of jobs cleared and nearly 90 % of businesses were forced to move to a shortened working hours.

Information and Communication Technologies

High-tech industry in the Federal Republic of Germany is one of the sectors that were least affected by financial and economic crisis. Under the current prognosis turnover of products and services, information and communication technology in 2009 decreased only 2,5 % to 142 billion. Eur. Turnover in the information technology declined by 2.6% to 65.4 billion.

Euro area and telecommunications by 2,4 % to 64.3 billion. Eur. After several years of growth in the domestic market the area of digital entertainment declined last year about nearly 3%, representing 12.3 billion. Eur. Despite the relatively positive developments in the industry, many ITK companies have financing difficulties. More than 30 % of German ITK companies points restrictive granting of credits by banks respectively the difficulties in the situation to refinance on the capital markets. [20]

4.3 Development of Germany foreign trade

For the most European countries has trade exchanges with the Federal Republic of Germany a key role. From the view of goods exchange, mostly finished products, intermediates and raw materials are imported into the Germany. Among the most important goods are chemicals and pharmaceuticals, automobiles and components, engineering products, oil and gas, mineral oils, electrical products, iron and steel, textiles, agricultural products, plastics and rubber products.

From the food products the most important import goods are vegetables and fruits, meat products, vegetable products, cheese, milk, wine and tobacco. From a territorial point of view are the largest exporters to Germany as follows: Netherlands, France, China, USA, GBR, Italy.

According to the results cleaned from the seasonal influence, German export fell in January 2010 by 6,3 % to 67,9 billion euros. Import rose by 6 % to 59,2 billion euros. [30]

„The trade policy is extremely complex. For example, the EU has preferential trade agreements with all 148 WTO members, except for 9 states. In addition, each contract about free trade can contain hundreds of pages of exceptions and technical principles and the EU has usually with each of their trading partners more than one such contract“

[2, s. 304]

Dovoz zo zahraničia do SRN				Vývoz do zahraničia zo SRN			
Por.	Číslo klasifikácie	Pomenovanie tovaru	mil. EUR	Por.	Číslo klasifikácie	Pomenovanie tovaru	mil.EUR
1.	24	Chemické výrobky	94 837	1.	34	Automobily a ich súčasti	174 140
2.	11	Ropa a zemný plyn	82 255	2.	29	stroje	146 926
3.	34	Automobily a ich súčasti	74 014	3.	24	Chemické výrobky	137 954
4.	27	Výrobky zo železa a ocele	63 376	4.	27	Výrobky zo železa a ocele	62 650
5.	29	stroje	58 330	5.	31	Zariadenia na výrobu a prenos elektriny	52 030
6.	15	Výrobky potravinárskeho priemyslu	37 866	6.	33	Meracie, regulačné, medicínske a optické výrobky, hodiny	39 868
7.	31	Zariadenia na výrobu a proces elektriny	32 679	7.	15	Výrobky potravinárskeho priemyslu	39 854
8.	35	Ostatné dopravné prostriedky	31 129	8.	35	Ostatné dopravné prostriedky	34 220
9.	30	Kancelárske stroje, zariadenia na prenos dát	28 637	9.	28	Výrobky z kovov	33 284
10.	23	Ťažba uhlia a minerálnych olejov	23 388	10.	32	Zariadenia na prenos správ, rádiové a televízne prijímače	32 523

Tab. No. 13: The goods structure of foreign trade for the NSR 2008

Source: [20]

Translation key:

Por. – order

Číslo klasifikácie – classification number

Pomenovanie tovaru – the name of the goods

Dovoz zo zahraničia do SRN – import from abroad to Germany

Vývoz do zahraničia zo SRN – export to abroad from Germany

Chemické výrobky – chemical products

Ropa a zemný plyn – oil and gas

Automobily a ich súčasti – automobiles and parts

Výrobky zo železa a ocele – iron and steel products

Stroje – machinery

Výrobky potravinárskeho priemyslu – products of food industry

Zariadenia na výrobu a proces elektriny - equipment for the production of electricity and process

Ostatné dopravné prostriedky – other vehicles

Kancelárske stroje, zariadenia na prenos dát - office machines, data communication equipment

Ťažba uhlia a minerálnych olejov - Mining of coal and mineral oils

Meracie, regulačné, medicínske a optické výrobky, hodiny - Measuring, regulatory, medical and optical goods, watches

Výrobky z kovov – metal products

Zariadenia na prenos správ, rádiové a televízne prijímače - messages transmission equipment, radio and television receivers

Rok	Dovoz	Medziročná zmena %	Vývoz	Medziročná zmena %	Saldo
2002	518 532	- 4,5	651 320	+ 2,0	+ 132 788
2003	534 534	+ 3,1	664 455	+ 2,0	+ 129 921
2004	577 375	+ 8,0	733 456	+ 10,4	+ 156 081
2005	625 632	+ 8,3	786 186	+ 7,1	+ 160 554
2006	730 798	+ 16,8	894 461	+ 13,8	+ 163 663
2007	772 511	+ 5,7	969 049	+ 8,3	+ 196 538
2008	818 621	+ 6,3	994 870	+ 3,1	+ 176 249
1. polrok					
2009	333 473	-17,6	391241	-23,2	+ 577 068

Tab. No. 14: Development of Germany foreign trade in million EUR

Source: [19]

Translation key:

Rok – year

Dovoz – import

Medziročná zmena % – year-on-year change in %

Vývoz – export

Saldo – balance

1. polrok – 1. half-year

Poradie	Krajina	Mil. Eur	Poradie	Krajina	Mil. Eur
1	Holandsko	72 083,2	1	Francúzsko	96 858,9
2	Francúzsko	66 710,3	2	USA	71 466,8
3	Čína	59 377,9	3	Veľká Británia	66 787,7
4	USA	46 060,3	4	Holandsko	65 643,9
5	Taliansko	45 962,3	5	Taliansko	64 002,8
6	Veľká Británia	44 261,1	6	Rakúsko	53 840,7
7	Belgicko	39 775,2	7	Belgicko	51 635,2
8	Rusko	35 908,9	8	Španielsko	43 704,3
9	Rakúsko	33 148,8	9	Poľsko	40 148,6
10	Švajčiarsko	31 160,8	10	Švajčiarsko	38 990,2
11	Česká republika	28 331,1	11	Čína	34 096,0
12	Poľsko	26 228,1	12	Rusko	32 341,1
13	Japonsko	23 086,8	13	Česká republika	27 801,4
14	Nórsko	22 251,2	14	Švédsko	20 647,8
15	Španielsko	21 631,0	15	Maďarsko	17 616,7
22	Slovensko	8 857,1	21	Slovensko	8 883,8

Tab. No. 15: Territorial structure of Germany foreign trade in 2008

Source: [20]

Translation key:

Poradie – order

Krajina – country

Dovoz z krajiny do SRN – Import from country to Germany

Vývoz z NSR do krajiny – Export from Germany to country

Holandsko – Holland

Francúzsko – France

Čína – China

Taliansko – Italy

Veľká Británia – Great Britain

Belgicko – Belgium

Rusko – Russia

Rakúsko – Austria

Švajčiarsko – Switzerland

Česká republika – Czech republic

Poľsko – Poland
Japonsko – Japan
Nórsko – Norway
Španielsko – Spain
Slovensko – Slovakia
Švédsko – Sweden
Maďarsko - Hungary

4.4 Foreign Trade according to German federal regions.

North Rhine-Westphalia

For the year 2008, GDP growth in North Rhine-Westphalia (NRW) was 540 billion Euro what represented a value of +1.5 %, it is about 0.2 percentage point more than in all of Germany (+1.3 %)

Foreign trade: Export represented 172 billion. Eur (the largest exporter in Germany)

Import: 189 billion. Eur (the largest importer in Germany)

Corporate structure: 25 of the 50 largest companies in Germany are located in North Rhine-Westphalia. In North Rhine-Westphalia small and medium-sized enterprises are strongly represented.

Zahraničný obchod Nemecka podľa spolkových krajín (v mil. Eur)		
	Dovoz	Vývoz
Schleswig-Holstein	21 581	18 403
Hamburg	61 966	32 379
Niedersachsen	74 795	76 729
Bremen	12 830	13 553
Norhein-Westfalen	189 589	172 087
Hessen	70 762	51 352
Rheinland-Pfalz	26 835	45 034
Baden-Württemberg	130 323	151 229
Bayern	129 934	155 730
Saarland	11 511	14 191
Berlin	8 466	11 484
Brandenburg	14 099	11 877
Mecklenburg-Vorpommern	4 385	5 973
Sachsen	15 351	23 205
Sachsen-Anhalt	11 804	12 810
Thuringer	7 199	11 076

Tab. No. 16: Foreign trade of the Germany according to the federal regions in 2008

Source: [20]

Translation key:

Dovoz – import

Vývoz - export

Schleswig-Holstein - Schleswig-Holstein

Hamburg - Hamburg

Niedersachsen - Lower Saxony

Bremen - Bremen

Nordrhein-Westfalen - North Rhine - Westphalia

Hessen - Hessen

Rheinland-Pfalz - Rhineland-Palatinate

Baden-Württemberg - Baden-Württemberg

Bayern - Bavaria

Saarland - Saxony

Berlin - Berlin

Brandenburg - Brandenburg

Mecklenburg-Vorpommern - Mecklenburg-Vorpommern

Sachsen – Saarland

Sachsen-Anhalt - Saxony-Anhalt

Thüringer - Thuringia

Land of North Rhine-Westphalia, the industrial center of Germany has traditionally focused on coal and steel production. That is why was also the share of secondary sector in GDP in 1970 of 52 % (national average was only 48 %). In the late 90s, the ratio changed. Secondary industry accounted for 36 % of GDP and tertiary to 62 %. The share of primary sector is now only about 2 % of GDP. In the current industry of North Rhine-Westphalia, the most important sectors are the chemical industry (sales for 2008 amounted to 56,2 billion Euro), engineering (54,3 billion Euro), manufacturing and metal processing (48,3 billion Euro), automotive Industry (35,8 billion Euro), electronics (28.2 billion Euro) and the food industry 34,7 billion Euro). Significant status is the automotive industry with great potential subcontractors for the sector.

There has been recorded rapid development in the area of telecommunications and technology for environment. NRW facing to economy structural changes in recent period. In 2008 industry accounted for only 30 % of total GDP, with 70 % the service sector coming to forefront.

According to statistical data, 25 of the 50 largest German companies have now established in North Rhine-Westphalia. Among them are such companies as: Deutsche Telekom, E.ON, Metro, RWE, DHL, Deutsche Post, Thyssen-Krupp, Bayer, Bertelsmann. Several of these groups is well established in Slovakia, Deutsche Telekom, E.on, RWE, Metro. Critical commodities in the export of North Rhine-Westphalia are chemical products, automobiles and parts, engineering products, iron, steel and nonferrous metals, as well as communication technology products, including component base for electronics. Prevailing commodities in import are iron, steel and nonferrous metals, chemical products, automobiles and parts, oil and gas, communications technology, including components for electronics and engineering products.

A vital role in export play the European Union (66 %), followed by the countries of Central and Eastern Europe, the integration grouping of NAFTA (U.S., Canada, Mexico) and EFTA countries.

North Rhine-Westphalia export most of the goods to the Netherlands, France, Greece and Great Britain. Of the countries of Central and Eastern Europe are critical customers Austria, Russia, Czech republic and Hungary. [20]

4.4.1 Trade relations of the Slovak Republic with North Rhine-Westphalia

Slovakia is among the smallest exporters of the V4 countries into of North Rhine-Westphalia (NRW). In 2008, Slovakia exported goods in NRW worth of 1.181 billion Euro (About 4 times less than the Czech Republik and Poland, and 2 times less than the Hungary). The share of Slovak export to the Land of North Rhine-Westphalia represents 12.2% of total exports of Slovakia to Germany. Slovakia is on 28th place in total import to North Rhine-Westphalia and on 24th place in export. Prevailing exported commodities into the Land of North Rhine-Westphalia from the Slovak Republic in 2008 were metals and semi-metal products, machinery for power generation and transmission of electricity, machinery, metal products and textiles.

Rok	Import zo Severného Porýnia Vestfálska				Export do Severného Porýnia Vestfálska			
	Poradie	Mil. Eur	Podiel na ZO NSR %	Zmena %	Poradie	Mil. Eur	Podiel na ZO NSR %	Zmena %
2002	34	613	15,0	+6,8	32	6345	12,5	+0,6
2003	25	822	15,9	+34,2	30	697	9,5	+10,1
2004	30	847	15,3	+3,0	33	645	8,7	-7,5
2005	31	926	15,5	+9,4	30	752	11,0	+16,6
2006	26	1 156	15,2	+24,8	26	1014	13,5	+34,9
2007	22	1 424	16,6	+23,2	27	1204	13,3	+18,6
2008	28	1 721	18,0	+20,8	24	1896	19,6	+57
1-8 2009	27	900			24	964		

Tab. No. 17: Foreign Trade with North-Rhine Westphalia (2002-2009)

Source: [20]

Translation key:

Rok – year

Poradie – order

Podiel na ZO NSR % - share on the Foreign Trade of Germany in %

Zmena – change

Import do Severného Porýnia Vestfálska – Import from North Rhein – Westfalia

Export zo Severného Porýnia Vestfálska – Export from North Rhein – Westfalia

Hlavné tovarové skupiny vývozu do Severného Porýnia-Vestfálska	2008	2007	2006	2005
Zariadenia na výrobu a prenos elektriny	164,6	175,5	157,2	143,6
Kovy a polovýrobky z kovov	185,0	167,1	187,9	77,2
Výrobky z kovu	117,9	128,4	124,7	85,0
Nábytok	101,0	87,2	71,4	78,8
Osobné automobily a ich časti	49,8	89,4	64,9	40,0
Stroje	121,3	81,3	63,9	50,8
Textil	64,7	96,9	56,1	58,1
Výrobky z umelej hmoty a gummy	30,1	43,8	41,8	33,7
Chemické výrobky	28,6	26,9	22,2	17,1
Spolu	1896	1204	1014	752

Tab. No. 18: Major commodity groups of exports from North Rhine-Westphalia (2008-2005) million. EUR

Source: [20]

Translation key:

Zariadenia na výrobu a proces elektriny – equipment for electricity production and proces

Kovy a polovýrobky z kovov – metals and metal semi-products

Výrobky z kovu – metal products

Nábytok – furniture

Osobné automobily a súčasti – automobiles and parts

Stroje – machinery

Textil – textile

Výrobky z umelej hmoty a gummy – plastic and rubber products

Chemické výrobky – chemical products

Spolu – in total

Bavaria

According to data from 2008, Bavaria is:

- the second strongest economically in terms of the formation of GDP after North Rhine-Westphalia (444.8 billion EUR);
- Germany's second largest exporter of all regions (155.73 billion. Euro) after North Rhine-Westphalia (headquarters of Deutsche Telekom)
- Slovakia's largest trading partner of all Germany regions (in 2008 even ahead of Lower Saxony);
- a land, representing the largest Slovakia's trade surplus among all the federal states (850 million. Euro);
- the third largest investor in Slovakia after Lower Saxony (seat of Volkswagen) and North Rhine Westphalia (headquarters of Deutsche Telekom).

GDP in Bavaria reached the value of +1,6 % in 2008, which is about 0,3 perc. point more than in all of Germany (+1,3 %). Bavaria share for the entire GDP of Germany is 17,8 %, GDP per capita (35 530 Euro) exceeds both nationwide as well as the west german average. On creating GDP share in agriculture by 1,0%, manufacturing sector by 31,5% and tertiary sector by 67,5 %. GDP is pulled by strong foreign demand, particularly those associated with investments in expansion of production capacity.

Bavaria also benefits from its high-tech orientation, where belongs among the forefront lands together with Baden-Württemberg. The impact of global economic and financial crisis in Bavaria fully reflected in the first half of 2009, when this land has seen a significant downturn of -6,6 % (national average was -6,8 %). Bavarian companies are strongly export-oriented, export quota of industrial sector in 2008 accounted for 47,9 % share. Well represented among the exporters are small and medium businesses. Consumer prices rose in Bavaria to +2,7 % in 2008. In the first half of 2009 due to the impact of the deepening world economic crisis on the economy of Bavaria prices were kept relatively stable and grew on average by only +0,9 %. Unemployment in Bavaria in 2008 reached a value of 4 %. In the first half of 2009 the level increased slightly to 4,7 %. Bavaria is a country with the second lowest unemployment rate in Germany, after the Baden-Württemberg.

4.4.2 Commercial exchange between Slovak Republik and Bavaria

According to 2008, Bavaria is one of the most important trading partners of Slovakia from all Germany lands (exchange trading 4,230 billion Euro). Bavaria is followed by Lower Saxony (2,81 billion Euro), North Rhine-Westphalia (2,574 billion Euro) and Baden-Württemberg (1,901 billion Euro).

Slovakia has made though the highest trade surplus (+850 million. Million), with Bavaria in r. 2008 by which took turns with Lower Saxony (+683 million) on the first place.

On the total turnover of the SR with Germany Bavaria was involved with a major amount of 22 %. This proportion is increasing annually, in 2008 e.g. by +1,6%. Slovakia is making active trade balance in foreign trade with Bavaria, excluding the recent year, only 2006 (-54 million. Million). In 2008 the trade surplus peaked at a historically high level of 850 million Euro. In 2008, volume of export from Slovakia to Bavaria increased dynamically by +23,5% to 2540 million Euro, while import from Bavaria rose only slightly, by 6,02 % to 1690 million. EUR. [20]

Bavarian Investment Companies in Slovakia

Bavarian investment in Slovakia reached a value around 660 million Euro. Among German investors established in Slovakia, who come merely from the Bavaria belong major industrial companies like Siemens, Osram, BSH Drives and Pumps, SAS Automotive, INA Schäffler, EON Energie, Leoni, Infineon Technologies, Meggle, Mannesmann Sachs, and the financial companies Allianz and Hypovereinsbank. They are all the companies which rank among the most important businesses in Slovakia and also the most important German investments in Slovakia. The last known investment in Bavaria has been the investment of Mühlbauer AG in 2007-2008 who invested 20 million Euro in the construction of the plant for the production of technological equipment for smart chip cards in Nitra.

Balance for 8 months in 2009

As a result of the crisis and a severe decline in orders from abroad, Slovakia exported to Bavaria during 8 months of 2009 only 28 %, about a quarter of the value of goods export volume in 2008. Bavarian side was more successful and during the period exported to Slovakia 66 % of its exports in 2008. The trade balance in Slovakia has come to the liabilities of the reporting period and reached a cumulative value of 395 million euros. Compared with the same period in 2008 Slovakia export to Bavaria fell by 58 % and imports from Bavaria fell by 25 %.

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	1-8/2009
Vývoz	436	474	485	614	728	667	788	933	1094	1231	2056	2540	721
Dovoz	377	454	346	392	526	590	771	820	896	1285	1594	1690	1116
Obrat	813	929	831	1005	1254	1258	559	1753	1990	2516	3650	4230	1837
Obchodná bilancia	58	20	139	222	202	77	17	113	198	-54	462	850	-395

Tab. No. 19: Foreign Trade of Bavaria - Slovakia in the years 1997-2009 in mill. EUR

Source: [20]

Translation key:

Vývoz – export

Dovoz – import

Obrat – turnover

Obchodná bilancia – trade balance

Poradie	Komodita	Objem 1000 Eur 2008	objem 1000 Eur 2007	Zmena 08/07 %	Podiel %
1.	Osobné motorové vozidlá a obytné vozidlá	406 658	284 315	43,03	16,01
2.	Zariadenia na výrobu a distribúciu elektriny	256 645	250 013	2,65	10,10
3.	Ložiská, prevodovky, ozubené kolesá	268 577	191 388	40,33	10,57
4.	Výrobky z kaučuku	161 127	158 605	1,59	6,34
5.	Podvozky, karosérie, motory a ich časti	127 792	83 375	53,27	5,03
6.	Papier	92 177	91 316	0,94	3,63
7.	Výrobky z minerálnych olejov	88 516	81 935	8,03	3,48
8.	Elektrické lampy a svetlá	72 635	65 112	11,55	2,86
9.	Hnojivá	66 573	28 711	131,87	2,62
10.	Elektrotechnické výrobky	59 076	67 056	-11,90	2,33
Suma		2 540 442	2 056 577	25,53	

Tab. No. 20: Exports of the Slovak Republic in Bavaria in 2007-2008

Source: [20]

Translation key:

Poradie – order

Komodita – commodity

Objem – volume

zmena – change

Podiel – share

Osobné motorové vozidlá a obytné vozidlá – automobiles and housing vehicles

Zariadenia na výrobu a distribúciu elektriny - equipment for production and distribution of electricity

Ložiská, prevodovky, ozubené kolesá – bearings, gears, gearwheels

Výrobky z kaučuku – rubber products

Podvozky, karosérie, motory a ich časti – chassis, body, engines and parts

Papier – paper

Výrobky z minerálnych olejov – mineral oil products

Elektrické lampy a svetlá - electric lamps and lighting

Hnojivá – fertilizers

Elektrotechnické výrobky – electrotechnical products

suma - summary

4.4.3 Exports from Slovakia to the individual Germany lands

The most goods in 2008 were exported to Bavaria, and Lower Saxony, where Volkswagen is based and specially cars and their components are the largest export item from Slovakia to Germany. Among the most important federal lands in terms of Slovak exports are as follows: North Rhine-Westphalia, Hessen and Baden-Württemberg.

„EU sets tariffs for each of about ten thousand products. If we want to get a feel for the EU customs policy, we need to generalize. The average rate of the general customs tariff of the EU is 6,5 %, but it conceals large differences. Approximately one quarter of tariffs on all products is set to zero (these are mostly manufactured goods, including electronics) and the average rate for industrial goods is at 4.1%. Average tariff on agricultural imports is about quadruple, at 16,5“ [2, s. 308]

Spolková krajina	Vývoz zo SR		
	rok 2006	rok 2007	rok 2008
Schleswig-Holstein	100.012	214.709	103.632
Hamburg	60.392	118.143	59.275
Niedersachsen	2.522.768	2.377.753	1.747.099
Bremen	22.988	39.929	63.593
Norhein-Westfalen	985.190	1.185.358	1.118.669
Hessen	778.375	964.315	1.095.540
Rheinland-Pfalz	109.936	122.446	197.025
Baden-Württemberg	679.201	809.498	871.739
Bayern	1.231.169	1.982.809	2.540.614
Saarland	386.235	269.449	226.647
Berlin	54.304	76.076	72.020
Brandenburg	87.893	91.607	103.208
Mecklenburg-Vorpommern	9.483	20.853	5.071
Sachsen	154.983	185.295	177.198
Sachsen-Anhalt	91.778	109.681	125.255
Thüringer	84.154	134.922	136.475
neklasifikované	147.005	240.382	278.969

Tab. No. 21: Exports from Slovakia to federal regions

Source: [20]

Translation key:

Rok – year

Vývoz zo SR – export from Slovak Republic

Spolková krajina – federal country

Schleswig-Holstein - Schleswig-Holstein

Hamburg - Hamburg

Niedersachsen - Lower Saxony

Bremen - Bremen

Nordrhein-Westfalen - North Rhine - Westphalia

Hessen - Hessen

Rheinland-Pfalz - Rhineland-Palatinate

Baden-Württemberg - Baden-Württemberg

Bayern - Bavaria

Saarland - Saxony

Berlin - Berlin

Brandenburg - Brandenburg

Mecklenburg-Vorpommern - Mecklenburg-Vorpommern

Sachsen - Saarland

Sachsen-Anhalt - Saxony-Anhalt

Thüringer - Thuringia

4.5 Business practices at German territory

"The form of personal discussions in commercial practice is of utmost importance. It is the most effective communication of all types and experience confirms that the commercial relations reach a more successful those companies that keep their partners systematic personal contacts. " [7, s. 599]

Germany is the member of the European Union and cooperation with German companies is generally good, German companies are mostly reliable, meet their obligations, but on the other hand, are strict to comply with contract terms, quality and compliance with agreed terms. Business practices in Germany does not differ from the usual habits of the

developed EU markets. We recommend to follow the following principles:

- adhere to the terms of contracts - to comply with the agreed price, the unconditional observance of the delivery date and in particular the quality of goods ordered. Precision, accuracy, simplicity, efficiency and flexibility in responding to queries is taken for granted
- the necessity of written form of contract - not to carry out supplies on the basis of oral orders, the contract include all possible risks and precisely determine the rights and obligations of both parties. Avoiding such problems that may arise from failure of the contract, if the complaint of the goods and services. We recommend to prepare contracts that by the law offices of international experience, respectively by experience with the German market.
- establish fair prices - the German market is a buyer's market, where there is offer pressure and high competition. Succeed in this market can only be made by highly competitive prices, sometimes with minimal margins. No one should enter the German market at dumped prices, since this is not at the long term, economically feasible and in particular an increase in prices in the future would likely result in cancellation of the contract and the client undermining trust between the parties.
- business contact and presentation materials - personal contact is the preferred form of contract haggling, we recommend address the company with well-developed offer with attached corporate profile and a covering letter. All documents should be drafted in German and with good layout. Business letters must be sent only with company header, which must be designed to contact a responsible person who should be able to communicate in German. Contacts should be updated, e-mail contact is preferred in the early days. Following the offer sent by mail we to recommend your company to establish telephone contact with the app. 2 weeks.
- Company website - this form of presentation is considered the obvious, we recommend high-quality graphic design web sites. Bilingual version of it in international trade almost a necessity, multilingual versions are welcome.

By presentation of the products on the site we recommend to inform about the certificates, test results and certificates and awards received, and evaluations. We recommend placing references of international customers. Content web sites should focus on presenting the company's manufacturing program with a visual preview of some products and a brief description. Presentation of the company should be focused on the disclosure of certain economic indicators (turnover, profit, number of employees, export). Contacts should be updated. [20]

4.5.1 Classification of goods and quality requirements

In accordance with the rules and principles of functioning of the single internal market of the European Community, may be goods that are marketed in one member state, placed on the market in other member States without further administrative requirements of the European Community. Slovak exporters, however, may meet the requirements of German customers for goods certification in german testing labs in order to remove a certain distrust of German consumers to "eastern" goods.

In general, all products must meet high quality requirements (compliance with DIN standards). Some German companies in quality management issuing so-called werknorms for individual components, materials and products.

Packaging and transport

Package goods: packaging of goods is in line with normal standards in international trade. Powder and soft commodities are delivered in different bags and weights (up to 50kg), large volumes are supplied in big bags. Building materials are generally supplied as free loaded . Larger structures (eg, welded steel structures and components, chassis, arms, and others) are supplied on steel pallets, which may be the requirement of providing free pallet suppliers within the framework contracts.

Transport: the customer usually requires pricing EXW parity basis and delivered to the destination DDU, primarily because of dividing net unit price of goods and services from the cost of transport.

Type of transportation is not usually required to German customers, it is a question of price and transportation capacity. Goods with a high proportion of the total price of transport costs are transported mainly by rail and shipping.

Coding

Selected commodity:

Footwear: European Parliament and Council directives no. 94/11/EC of March 23, 1994 on the approximation of the laws of the Member States relating to the labeling of footwear and footwear parts

Textiles: European Parliament and Council directives no. 96/74/EC of December 16, 1996 on marking textiles

Hazardous substances: European Parliament and Council directive no. 67/548/EC on the approximation of laws of the Member States relating to the labeling of hazardous substances

Food: European Parliament and Council directives no. 2000/13/EC of March 20, 2000 on the approximation of laws of the Member States relating to the labeling, presentation and advertising of foodstuffs. Under Article 17 and 18 of this directive, member states of the European Union must not require conditions beyond the conditions laid down in Art. 3 to 13 of this directive and must not prohibit or restrict the sale of foods that are in accordance with this directive, by applying non-harmonized rules.

In principle, the basic conditions for the labeling of goods considered:

- Description of goods, type marking
- Name and address of company - manufacturer and packager, or the name of the vendor (subject to the sales within the European Economic Area)
- Net weight
- Lot, date of manufacture

- Best before mark
- Storage conditions, if required by type of product for compliance of minimum durability
- Composition of the product
- Instructions for use, if required by product type

4.5.2 Promotion and support actions

Marketing and sales promotion can be considered as well as to other developed markets, a natural part of the sale of goods and services on the German market. Advertising in print or electronic media is expensive and it is therefore necessary to take into account the significant cost. Just for illustration, full page advertisement in the German economic newspaper Handelsblatt is 38-55 000 EUR excluding VAT. ¼ page from 13-19 000 EUR excluding VAT. In general, however, it shows that the effect the single, not repeated campaigns of new products in print media of advertising is very low and advertising in reputable print media can be considered rather as a matter of prestige. List of professional periodicals and journals can be found at <http://www.zeitschrift-abc.de>. List of almost all the periodicals can be found at <http://www.zeitungen.de>.

„Marketing research consists in the specification, collection, analysis and interpretation of the information requested which company needs to make an qualified decision“ [3 s. 42]

Cooperation and Internet B2B exchange:

Industrial Chamber of Commerce portal in Germany: www.ihk.de

Federal Agency for foreign trade: www.bfai.de

E-Trade Center: www.e-trade-center.com

Intec-Net: www.intec-online.net

Mailing - distribution of mail with company offer to the addresses obtained from databases in Germany is relatively successful tool. In percentage terms, the proportion of responses received to supply approx. 5-10 %. Of course because of the anti-spam filter settings and security levels in company servers, not all offers will come the addressee.

Emails from the so-called. free hosting address (not your own domain) recipients usually do not read. We recommend setting up an email with your domain and setting up own web pages. Documents sent by mail should be brief and clear, and their size should not exceed 1 megabyte.

Grüner Punkt: In the case that the Slovak business supplying goods directly to end customers in Germany, it is obliged, in the case that the goods supplied subject to the Regulation on Packaging - Verpackungsverordnung 1998 of 28.8.1998, ensure collection and disposal of the distributing packages distributed through the green point - Grüner Punkt (<http://www.gruener-punkt.de>). In the case of goods supplied by the German distribution and wholesale businesses, this is usually subject to agreement of both parties and implemented by the German company.

Intrastat: As customs controls to monitor the movement of goods between Slovakia and EU countries were abolished in the unified market there is a using the intracommunity INTRASTAT statistical system. To reduce the burden on small and medium enterprises, it is designates a reporting obligation and its volume range according to total annual value of receive and send shipments made by the company. For this purpose, the Statistical Office of Slovakia annually determine separately the thresholds for exemption for the received and dispatched of goods and thresholds for simplification. These thresholds are calculated to meet the criteria set by EU legislation (Commission Regulation (EC). 1982/2004 implementing the Regulation of the European Parliament and Council Regulation (EC). 638/2004 on Community statistics on trade with goods between Member States). Within the sector of foreign trade activities we include all business entities, legal entities and individuals implementing export and import of goods through trade.

Foreign trade statistics generally involves the movement of goods between the Slovak Republic and the rest of the world. Total imports include goods entering the Slovak Republic for domestic consumption and for processing with follow-up to re-export. In the total export we include goods permanently leaving the territory of the Slovak Republic or goods leaving the territory for processing and then imported back. [25]

4.5.3 Marketing strategy for export to the territory of Germany

By the focus on the German market there are offers of several alternatives of which except the traditional export goods include exports of services and creation of new cooperative relations, especially in subcontracting for automotive, mechanical engineering, electrical engineering and IT. Enforce on the very demanding German market can be only products of comparable quality level, and these should be more cost efficient than competing products. Self export activities can Slovak firms practice in Germany by several ways:

- commission based sales through an exclusive agent or broker
- direct sales to end users, wholesalers and chain stores
- sales through its own producer organizations formed under German law with all the financial implications arising from it.

In Germany there are no special laws and regulations which would dictate to foreign suppliers specific marketing methods, so the supplier may choose a way of distributing their products, which is optimal for him. Given the relatively high costs associated with enforcing the German market, especially with regard to consumer goods, the path chosen by most exporters is by import companies, wholesalers, chain stores or brokers.

„Price and its determination is very important and complex adjustment variable of the overall marketing strategy. It affects the revenue and hence the profitability of business. In addition to fundamental factors such as the amount of cost, size and strength of competition, demand and its development, it involved various environmental influences. Consumer behavior, the habits, attitudes, motivation, social status and purchasing power, and especially the perception of price and value of goods leads to a firm decision as to adjust the price in selected foreign markets and for different customer groups“ [12, s. 95]

In furtherance of consumer goods is an important rigorous implementation of tools in marketing and money should be spent to support product sales. German partners require a proactive approach from supply companies. A good example is food products and beverages, which due to the relatively high prices and intense competition require

a consistent marketing. Slovak brands are not known to German consumers and to promote them cost a lot of financial resources. On the German market has the question of appropriate marketing and advertising a key role. Advertising and promotion for small and medium-sized businesses in Slovakia is almost unaffordable.

In this context, the German consumer market should be entered through an intermediary. Effective marketing is sale under another brand. In this case is particularly important the product quality, price and compliance with contract and time of delivery. On the industrial market is appropriate to enter directly and make contact directly with customers of intermediate goods, components, parts and industrial commodities, which are not intended directly for the consumer market and for which there is no need to spend on advertising and product promotion. If the Slovak company chooses to sell through importers, trading companies, agents and brokers, here can be found your potential partners through the following institutions:

- a. Federal Association of German export trade - BDEx (Bundesverband des Deutschen Exporthandels eV) www.bdexport.de
- b. Federal Association of German Wholesale and Foreign Trade (Bundesverband des Deutschen Groß-und Außenhandels eV) (www.bga.de)
- c. Central Association of German economic union on trade and marketing (Centralvereinigung Deutscher Wirtschaftsverbände für Vertrieb und Handelsvermittlung e.V.) www.cdh.de
- d. Chamber of Commerce and Industry (Industrie und Handelskammer) www.dihk.de
- e. Federal Association of German Industry (Bundesverband der deutschen Industrie eV) www.bdi.de Handicraft Chamber (Handwerkskammer) www.handwerk.de

4.6 The import and export regimes in the EU

Slovak Republic became a member of the European Union on May 1, 2004 and since it is obliged to follow the rules of the common commercial policy. Since Germany is a member of the European Union there exists no significant tariff and non tariff barriers in the field of trade and movement of goods, and both countries are binded and governed by EU regulations. From May 1, 2004 in the trade within the EU can not be implemented protective measures. All measures applied between candidate countries and EU candidate countries as well as among them expired.

By entering the Slovak Republic to the European Union we are binded by regulations in customs policy, in particular the EU Customs Code and other related regulations of the Council of the European Union. These rules are binding in its entirety and directly applicable, and in all EU Member States. Throughout the current EU member states it is in terms of tariff policy possible free movement of goods and to third countries member countries apply a common tariff policy. [20]

Federal Office for Economics and Export Control (Bundesamt für Wirtschaft und Ausfuhrkontrolle www.bafa.de) in the Federal Republic of Germany fulfills the safety role of different sectors of domestic industry against uncontrolled movement of industrial goods from third countries. The relevant authority shall issue an import permit as well as documents on the control of origin of goods from third countries. Priority areas for issuing permits for imports from third countries are mainly textile products, shoes, ceramics, porcelain, iron and steel. The list of products subject to control can be found at the office.

In the area of food and agricultural commodity inspection authority is the Federal Office for Agriculture and Food (Bundesanstalt für Landwirtschaft und Ernährung www.ble.de)

German foreign trade is governed by regulations of the European Union, the Law on Foreign Trade (Außenwirtschaftsgesetz AWG), directive about the application of the law on Foreign Trade (Außenwirtschaftsverordnung-AWV). Internal movement of goods within the EU unified market simplified and the tax does not take place at the border customs border control. Goods are exported without the levying of value added tax in the

exporting country, but the tax rate in the country of destination. For these purposes corporate tax identification number (Ust-IdNr.) were allocated and the firms are required to send messages (Zusammenfassend Meldungen - ZM). More information on the application of VAT in the Germany will provide the tax office (Finanzamt) or the Federal Central Tax Office www.bzst.de. Customs issues are dealt with Federal customs administration (Bundes-zollverwaltung) and on the website www.zoll.de, the current issues regarding tariff policy can be found. The issues relating to VAT refunds and VAT registration for foreign entrepreneurs can turn to the Federal Central Tax Office www.bzst.bund.de. Relevant legal norms, regulations, standards can be found at: <http://bundesrecht.juris.de>

5 Impact of financial and economic crisis on the economy of the Slovak Republic

"Today's financial crisis is not only a reflection of problems of the so-called mortgage crisis, but it is coming to basic fundamentals shocks of entire economic system. From this point of view we can agree more with the views which state that the main starter of current financial crisis is a huge credit expansion over the past 40 years, since the crucial part is of loans is covered by issued money without real value of coverage." [4, s. 13]

Current situation

Slovakia as a small open economy, is directly dependent on the economic developments in other countries, can not certainly avoid the impact of the global economic crisis. So as the other crucial european economies will evolve, particularly the german economy, (as our most important trading partner), so will economic situation in Slovakia evolve in the coming period.

Economy of the Slovakia actually declined in the first quarter of 2009 by 5,6 %, what represent compared to 2008 a fall in the first quarter (growth of 9,3 %) and so the whole year, 2008 (growth of 6,4 %). The development reflects the impact of economic crisis, which brought a substantial weakening of foreign demand, causing a downward dynamics of Slovak export, production site, labor and overall domestic demand. Economic development is far from its potential level, but also the potential growth has slowed.

According to the demand structure of economy, domestic and foreign demand has been the reason. In real each component of GDP fell except the government final consumption (growth of 1,2 %). Final consumption of households fell by 1,2 %, due to worsening labor market conditions and the decline in consumer confidence. Production of gross fixed capital formation fell by 4,1 %. Exports and imports of goods and services decreased by approximately by the same rate, 24,3 % and 22,6 %, what is a significant difference compared with double-digit growth in first quarter of 2008.

Trade balance (in current prices) was negative, and less than 1st quarter of 2008. In terms of sectoral structure, export-oriented industries have contributed the most to GDP decline in 1. quarter of 2009, which traditionally generated high growth. This is particularly the manufacture of machinery, electrical equipment and vehicles. Composite indicator of revenue growth in selected sectors to which largely contributes manufacture of transport equipment and wholesale, also shows fall.

The deterioration of real economic development and fall of foreign demand, started to show with delay on the Slovak labor market. The economy in the first quarter of 2009 has lost the same number of jobs created in the previous four quarters. According to ESA95 (European system of accounts) methodics employment decreased in the first quarter of 2009 by 0,4 % and according to VZPS (Selected detection of work force) by 0,1 %. To the overall decline in employment has contributed the fall in employment in the private sector. The number of entrepreneurs without employees has increased and the number of employees in the public sector is decreasing. According to the VZPS methodology the number of unemployed in the first quarter 2009 increased and yearly increased by 500 persons. Unemployment rate remained unchanged compared with first quarter 2008 at 10,5 %. The negative trend in the labor market continued in the second quarter of 2009, and the available rate of registered unemployment continued to grow and further expand the overall decline in employment. Average nominal monthly wage in the national economy grew in 1st quarter year on year by 4,7 % and reached 710.45 Euros. Inter-annual wage growth reached 1.6% and exceeded labor productivity growth -5,3 %, but it was somewhat influenced by wage developments in public administration (11 % nominal growth).

The decline in demand of our major trading partners had to be necessarily reflected in the development of foreign trade. Reducing the volume of goods export have already been recorded in the last quarter of 2008. While for the first half of 2008 reached the nominal export growth between years of 13,5 %, in the second half of 2008, it was a drop by 2,8 % between years and in the first 5 months of 2009, the export decline at 28,5 %. The most significant declines experienced field of automotive and metallurgical industry. The data were fully reflected by the two week outage production in January 2009 due to gas crisis. Trade balance was in the first five months of 2009 activ of 387 million Euros, due to a faster decline in imports compared to exports.

Behind the better balance there was lower imports of industrial supplies and accessories for transport equipment, which may indicate further negative developments on the export side.

In the first quarter of 2009 came to a deterioration of inter-annual balance of payments current account balance of 145, 9 million Euro, while the deficit achieved at 576,4 million Euro. Deterioration of trade balance was mainly due to negative developments in the services balance.

Introducing "šrotovné" (especially in Germany, France and Italy) partially helped to alleviate the adverse situation in the automotive industry thanks to the high interdependence Slovakian production with external markets. "šrotovné" in European countries help restart the smooth production for two of the three major producers of automotive industry in Slovakia, while the positive effect was achieved in various subcontractors.

It can be noted that despite the quantitative decline in the value of export has crisis period paradoxically positive impact on the competitiveness of those goods in the market which remained, as the share of goods competing with quality rose in the first quarter of 2009 compared to analogous period of 2006 from 33,6 % to 42,6 %, which is fairly significant difference. It concerns the goods competing with quality, whose export value is greater than the import value and unit export price is higher than the unit import price. On the other hand, it is noticeable drop in price competition in the segment (the value of export is higher than the value of import and export unit price is lower than the unit price of import).

The action taken

From the export-oriented nature of the Slovak economy it shows that the Slovak government has only limited possibilities to influence the current economic situation and overall economic recovery is greatly determined by improvement in the critical external markets. Despite this fact the government of Slovakia has adopted and implemented measures aimed at an immediate increase in aggregate demand and thereby for boost of the consumption and production.

To such measures include in particular the acceleration of spending EU funds and implementation of large investment projects (PPP projects). The impact of these measures is contained in the Stability Program of Slovakia for the years 2008 to 2012.

The second major group of measures are implemented measures, which had already made their goal during 2009 and their aim was to improve the business environment in particular and increased aggregate demand. This group may include measures such as increasing non-taxable part of the tax base for taxes on personal income and increased employment premiums, adjustment of input price for tangible and intangible assets for income tax, reducing the period for repayment of VAT refund as well as positive changes in the business environment (measures 41 to 44).

In terms of business environment, particularly in terms of access of entrepreneurs to available financial resources are the most important measures to increase the capital of both state-owned banks. Effects of these measures, however, can be reflected only after a certain time and it is therefore impossible to assess their effectiveness now.

Increasing capital of SZRB a.s. (Slovak guarantee a development bank), in 2009 will provide guarantees of up to 332 million Euro (10 billion. Sk). From early 2009 until May 31 2009, SZRB avals were in number 372 quaranteed new loans totaling approximately 80 million Euro (EUR 2.4 billion. Sk) provided by commercial banks to small and middle entrepreneurs, with almost 50% of this amount are fast guarantees.

As for lending activities, during the first five months of 2009 377 new loans were granted totaling 55 million. Euro (1,65 billion. Sk) for small and medium enterprises. Compared with the same period last year, occurred in 2009 an increase in loan volume by almost 20 %. The average loan amount is around 140 thousand. euros, which confirms that SZRB, a. s. supports small businesses - sole traders and small companies.

From the perspective of business activities will SZRB a.s, focus on promoting and developing business activities of clients of all sectors of the economy (the production sphere, services and tourism, agriculture, local municipalities).

Increased resources will be in future periods used mainly to provide new specialist so called 'contracrisis' products, fast guarantees within the existing products for loans provision (eg products: direct loans, agriculture loans, loan Land, loan for housing rehabilitation fund for community owners of housing, loan for housing inovation for owners of apartments and business premises represented the housing fund managers, direct loans municipalities, lending for projects financed from structural funds, loans to support the regional operational plan, microcredit, entrepreneur, business loan for young) and the provision of standard guarantees (bank guarantees for loans - generally guarantees, guarantees for bank loans to owners of apartments and business premises and owners of apartments and business premises represented the administrator).

SZRB a.s, yet in December 2008 asked the EIB (European Investment Bank) about credit line on the EIB Global Loans of 30 to 50 million Euro. EIB approved request on 22. 4. 2009 of 50 million Euro. At present a draught of the credit documentation. Sources of this line are intended to finance projects of that meet the definition of small and medium enterprises (SME) under EU rules, with emphasis on finance and service sector industries.

By strengthening the funds of EXIMBANKA, SR sufficient capacity was created to ensure increased demand of its clients (exporters) as well as clients of commercial banks, who by their export contracts financed by commercial banks require a higher degree of security tools.

Increased capacity of insurance funds and guarantee funds will be used largely for export-projects of Slovak producers with a major impact on employment in the region and to reduce the decline of rate of gross domestic exports by promoting exports. A significant proportion of the funds will be used for for small and medium enterprises (SMEs) projects while by the SME financing in the form of direct loans and purchased receivables bills and guarantee schemes and insurance will be actively used. The funds derived solely from the resultant increase in capital (11,4 million Euro) will be used to fund clients through the loan products (direct financing, refinancing and financing export credit).

Most of the government's of Slovakia anti-crisis measures has no impact on general government budget, since there is no need of financial resources for its fulfilling and the

measures for which financial resources were allocated to, it handles about in terms of ESA 95 methodology, funding the operation, or the measures financed from the Fund EBRD (European Bank for Reconstruction and Development), BIDSF (International Decommissioning Support Fund) are funded under the specific approved titles of chapters state budget spending.

Among the significant steps outside the social with impact on the balance of public administration in the ESA 95 methodology belongs measures number from 41 to 44 (in particular the increase in non-taxable part of the tax base, increase employee premiums, shortening the period for repayment of VAT refund) and provide subsidies to purchase a new car conditions of disposal of old vehicles (šrotovné)

For the micro-measures performance was approved 26,1 million Euro. Low level of spending allocated funds is due to protracted administrative preparation implementation of individual programs, which was mainly due to the need for harmonization of existing state aid rules with EU rules. Significant improvement is expected in the third quarter, and especially in the fourth quarter of 2009. [26]

6 Economy forecast of Germany

Slovakia-German cooperation is going to further deepen in the energy field. There were currently interviews with German energy group E.ON and RWE in order to investing in conventional and renewable energies. Germany as a major foreign investor and trading market for Slovakia is a key foreign policy partner.

The German economy is currently in recession. Dive fall of world economy, together with the unexpected drop in international trade, has led to a significant decrease was recorded in last winter in economic performance of Germany. During 2009, the downward pressure on the German economy has decreased, but significant recovery is not expected in the near future. This is clear from current projection by the German central bank.

Nationwide production

With the gradual release of the international financial markets, improved expectation, and supported by huge fiscal and monetary impulses could the German economy acquire stability again in the end of 2009. For the year 2010 from today's perspective, invariably low economic activity is expected despite a slight recovery during the year.

Labor Market

The labor market responds slightly to a noticeable limitation of activities throughout the economy. Important here is the fact, because of reduction of working hours has been adjustment of working force to downward manufacturing. In subsequent quarters, however, it should be counted with an increased reduction of jobs. Unemployment may be by mid-2010 to increased by 1 million - to 4.4 million. It would respond to the unemployment rate of 10.5 percent.

Price developments

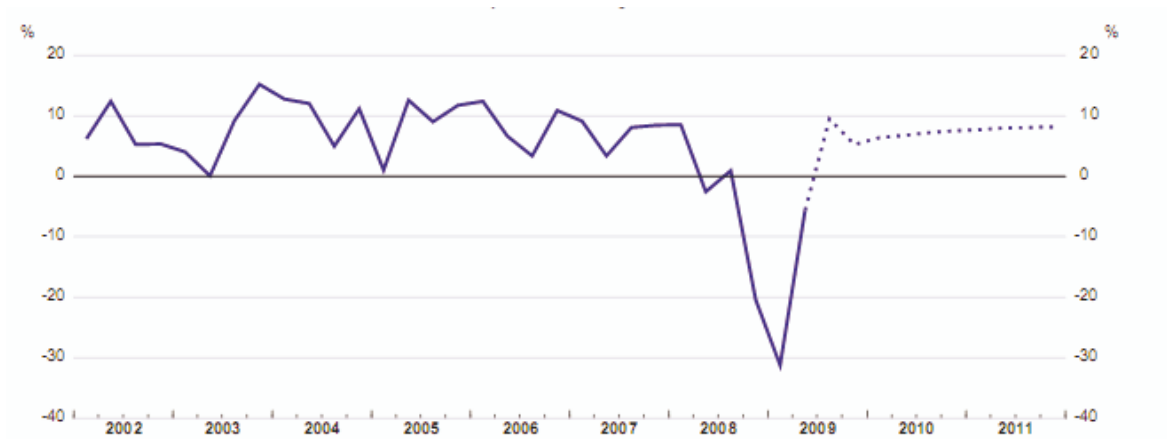
Growth in consumer prices from the last year temporarily record a negative development. The medium-term trend in prices will remain in positive values. In the annual perspective on the 2009, price level will remain stable, but in 2010 may be increased by 0,5 %.

6.1 Economic forecast by OECD

Actions taken so far should prevent a recurrence of the Great Depression of the 30s of the last century. The global economy should return to growth in 2010. However, there are major risks of a further reduction in vision, so some governments and central banks should use the space that have, to implement more aggressive monetary and economic policy. The volume of world trade will due to the deepest recession in more than 50 years reduce by over 13 percent and global economic activity will fall by 2,7 percent.

The global economy is in the middle of the deepest and most synchronized recession in our lives caused by the global financial crisis and deepened the collapse of world trade, says the OECD forecast. We assume that the current decline in economic activity this year will worsen, before during the year 2010 build up growth impulses thanks to policy measures.

The growth of world trade is now beginning to be renewed, due to the increased volume of business in countries outside the OECD (Asian economies). [27] However, the report notes that there are significant risks of further cooling the economy, which could further undermine the health of financial institutions, leading to a reduction of credit flows below the expected level. OECD argues that the risks of pessimistic scenario are greater than the chances of faster recovery. A recession will cause a sharp increase in unemployment, which should peak in late 2010 or early in the 2011. In many countries the unemployment rate jumps to two-digit level for the first time since the early 90th of the last century. Sharp reduction in economic activity do not avoid any of the three major economic regions - the U.S., Japan and Europe.



Graph no. 5 : Quarterly annualised growth rate

Source: [27]

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U.S. economy will experience a fall in the short term view. The country, however, could begin to recover from the recession at the beginning of 2010. The prerequisite is that extensive incentive packages will be effective and the financial and property markets will stabilize. Country's GDP would decline this year by four percent, and stagnate next year. Consumer prices forecast this year fall by 0.4 percent and next year will increase by 0,5 percent. The unemployment rate should jump to 9.1 percent this year in 2010 to 10,3 percent.

There will be a several factors with significant negative impact on the euro zone economy over the next 6 months, such as weak export markets, decline in investment and continuing credit crisis. The recovery could occur until the middle of 2010. GDP in the euro area this year will fall by 4,1 % and 0,3 % next. The inflation rate this year reached 0,6 % and will

reach 0,7 % next year. There will be an increase in unemployment, the rate this year will rise to 10,1 % in 2010 to 11,7 % versus 7.5 % last year. For example, in Germany, according to the OECD forecast, the unemployment rate should jump in 2010 to 11,6 %, in France to 10,9 %, in Italy to 10,5 %.

Economic activity in Japan fall this year by 6,6 % since the fall in export markets significantly outweigh the incentives for domestic demand. The economy of the country again fall into deflation, this year is expected decline in consumer prices by 1,2 % and next year and by 1,3 %. Unemployment rises to 4,9 % and 5,6 % next year.

The large emerging economies can expect slowdown because of difficult access to international loans, a decline in commodity prices, reducing demand on export markets. Brazil's GDP decline this year by 0,3 % and russian by 5,6 %. The growth of the Indian economy will slow to 4,3 % and Chinese to 6,3 %.

Conclusion

Germany has always been among the most important trading partners of Slovakia and mutual foreign trade turnover between our countries has consistently increasing trend. Since the year 1960 the trade between the former Czechoslovakia and Germany developed positively, which was affected by the treaties about establishing sales offices in Bonn and Prague, and later by Treaty about the relations between Czechoslovakia and Germany. In the period 1968-1988 Czechoslovakian export grew from 861 million Kčs (Czechoslovak koruna) to 6 138 million Kčs., more than 7 times. Czechoslovak import from Germany has undergone a similar development and except for years 1980-1985, however, prevailed over exports. Between the years 1968-1988, the exchange of goods between the two countries expanding permanently. Export from Czechoslovakia to Germany rose from 460,8 million DM (German marks) to 2 198,9 million DM. thus 4,7 times. Exports grew continuously with little variation during the 70's and the first years of the mid-80's. However it should be born in mind, that neighboring Czechoslovakia has played no major role in Germany's total trade exchange of goods. The share of Czechoslovakia on west Germany exports and imports remained throughout the examined period very low. Nor in the export or import trade with Czechoslovakia has not even reached one percent.

After the fall of communist regime in 1989 and after German unification in 1990, has mutual trade started to rise after these events. In 1993 foreign trade turnover has reached already 50 billion SKK (Slovak koruna), the share of imports from Germany's total imports amounted to 11,42 % in 2005 and represented 20,97 %. The active trade balance was recorded in 1997 when German exports the Slovak Republic began to increase, and later on, from 1998 to 2003 there was a passive balance recorded. The total export from the Slovak Republic to Germany in 1993, Germany accounted for 15,18 %, in 2007 it was 21,57 %. Since 2001, foreign trade gradually increasing with turnover of around 341 billion. SKK (Slovak koruna) up to 599 billion SKK. in 2008. There were exported goods from Slovakia to Germany in 2008 worth over 9 billion EUR, import from West Germany was about 9.5 billion EUR. Mutual trade turnover amounted to 19,1 billion EUR. In foreign trade is Slovak Republic placed on 23. position of German import and in terms of German export represent 20. position.

In 1998, Germany has transferred to 1. place in Slovakia's foreign trade and since then maintain this position. Since 2002, the Slovak Republic has active trade balance with Germany. Slovak exports to Germany in 2008 compared to 2007 registered an increase of 6,5 % and amounted to 9 633,5 million Euro value. Import from Germany increased in 2007 compared to 12,3 % and reached 9 536 million Euro. The total trade turnover amounted 19 169,5 million Euro for the year 2008, compared to 2007 grew by 9,3 %. Surplus on the Slovak side reached in 2008 volume of only 97,5 million Euro and was lower compared with the same period in 2007 by 82,5 %.

The major items of Slovak imports from Germany for 2008 were: road vehicles, electrical equipment, apparatus and appliances, machines and equipment commonly used in industry, machinery and power generation equipment and professional, scientific and controlling instruments and devices. The main export commodities according to Slovak SITC2 (Standard International Trade Classification) to Germany for 2008 include: road vehicles (26,4 %), electrical equipment, apparatus and appliances (10,4 %), industrial machinery (9,1 %), telecommunications equipment and reproducing apparatus (7,3 %), rubber products (5%), iron and steel (4,8 %), metal products (4,1 %), footwear (3,1 %), furniture (2,9 %) and clothing (2,6 %).

Slovak Republic is on the 23. position in foreign trade according to import to Germany and on the 20. position in German export. According to Germany statistics, Slovakia exported goods worth of 8857,1 million Euro in 2008, which is less than the Czech Republic, Poland and Hungary exported last year, Central region composed of countries Czech Republic, Poland, Hungary and the Slovak Republic plays in the foreign trade of Germany a major role. Together, these countries in 2008 exported goods worth of 81,17 billion Euro what is more than the export of Germany's biggest trading partner the Netherlands (72,08 billion Euro). According to statistics from Germany, foreign trade between Germany and Slovakia is developing as positive in recent years. However export from Slovakia to Germany declined by 1,75 % in 2008, and import from Germany increased by 4,4 %. Slovakia share to foreign trade of Germany by 1 %. Variation between Slovak and German statistics is relatively small. In 2009, there is recorded downfall in mutual economic activity because of the economic crisis

Abstract

LENGYEL, R. Analysis of bilateral trade relations between the Slovak Republic and Germany. Piestany 2010. Bachelor thesis. European Polytechnic Institute, Ltd.

Thesis supervisor: Mgr. Tomáš Zemko

Key terms: economy, foreign trade, foreign trade balance, commodity structure, territorial structure

The aim of the bachelor thesis was to analyze the trade relationships between the Slovak Republic and Germany. The introduction defines the characteristics of individual European Union countries, their political systems, economy and history details. With these characteristics dealing first and second chapter.

Further work discusses issues of economic relations of the former Czechoslovakia and Germany before 1989, the development of Czechoslovak and West German foreign trade commodity structure, traffic and political relations.

Core of the bachelor thesis is the fourth chapter, which consists of individual parts gradually concerning about the development of foreign trade after the independent Slovak Republic to the present. Emphasis is placed on the commodity and territorial structure and trade balance.

German market is particularly important for Slovakia. Germany is the largest Eurozone economy and has traditionally been among the most important economic partners of Slovakia. It is the second largest foreign investor in Slovakia.

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List of Annexes

Annex No. 1: List of basic commodity groups according to SITC classification

Annex No. 2: Comparison of state support for medium and long-term export credits in the OECD countries through export credit insurance, direct loans provided by export agencies and support in the area of the interest rates

Annex No. 1. : List of basic commodity groups to SITC classification

0 - Food and live animals

00 - Live animals other than animals of Division 03

01 - Meat and meat preparations

02 - Dairy products and birds eggs

03 - Fish (not marine mammals), crustaceans, molluscs and aquatic invertebrates and preparations thereof

04 - Cereals and cereal preparations

05 - vegetables and fruits

06 - Sugars, sugar preparations and honey

07 - Coffee, tea, cocoa, spices and manufactures thereof

08 - Animal feed

09 - Miscellaneous edible products and preparations

1 - Beverages and Tobacco

11 - Beverages

12 - Tobacco and tobacco products

2 - raw materials unfit for human consumption, except fuels

21 - Leather and fur

22 - Oil seeds and oleaginous fruits

23 - Crude rubber (including synthetic and recovered)

24 - Cork and wood

25 - grit and waste paper

26 - Textile fibers (except wool and combed wool) and their wastes (not manufactured in the yarn or fabric)

27 - Crude fertilizers, other than those of division 56, and crude minerals (excluding coal, petroleum and precious stones)

28 - Metal ores and scrap

29 - Crude animal and vegetable materials

3 - Mineral fuels, lubricants and related materials

32 - coal, coke and briquettes

33 - Petroleum, petroleum products and related materials

34 - Gas, natural and manufactured

35 - Electric current

4 - Animal and vegetable oils, fats and waxes

41 - Animal oils and fats

42 - Fixed vegetable fats and oils

43 - Animal or vegetable fats and oils, processed, waxes of animal or vegetable origin, inedible mixtures or preparations of animal or vegetable fats or oils

5 - Chemicals and related products

51 - Organic chemicals

52 - Inorganic chemicals

53 - Dyeing, tanning and coloring materials

54 - Medicinal and pharmaceutical products

55 - Essential oils and resins and scented materials, toilet. polishing and cleaning preparations

56 - Fertilizers (other than a group of 272)

57 - Plastics in primary forms

58 - Plastics in non primary forms

59 - Chemical materials and products

6 - Manufactured goods classified chiefly by material

61 - Leather, leather products, and dressed furskins

62 - Rubber Products

63 - Cork and wood (except furniture)

64 - Paper, paperboard and articles of paper or paperboard

65 - Textile yarn, fabrics, finished goods and related products in

66 - Non-metallic mineral products

67 - Iron & Steel

68 - Nefarebné metals

69 - Manufacture of basic metals

7 - Machinery and transport equipment

71 - Machinery and equipment producing power

72 - Machinery for particular industries

73 - metal machining

74 - General industrial machinery and machine parts

- 75 - Office machines and automatic data processing
- 76 - Telecommunications, sound recording and reproducing apparatus
- 77 - Electrical machinery, apparatus and appliances, nec, and electrical parts (including non-electrical counterparts of electrical domestic equipment)
- 78 - Road vehicles (including air cushion vehicles)
- 79 - Other transport equipment
- 8 - Miscellaneous manufactured articles
- 81 - Prefabricated buildings, sanitary, plumbing fixtures and appliances, heating and lighting
- 82 - Furniture, and parts thereof, bedding, mattresses, pillows and upholstered products
- 83 - travel goods, handbags and similar receptacles
- 84 - Articles of apparel and clothing accessories
- 85 - Footwear
- 87 - Professional, scientific and controlling instruments and equipment
- 88 - Photographic apparatus, equipment and supplies and optical goods, watches and clocks
- 89 - Miscellaneous manufactured articles
- 9 - Commodities and transactions not classified elsewhere in SITC
- 91 - Postal packages not classified according to type
- 93 - Special transactions and commodities not classified according to type
- 96 - Coin (other than gold coin), which are not legal tender
- 97 - Gold, non monetary (excluding gold ores and concentrates)
- I-gold, cash
- II-Gold coin and current coin

Tab. No. 22: List of basic commodity groups according to SITC classification

Source: [19]

Annex No. 2: Comparison of state support for medium and long-term export credits in the OECD countries through export credit insurance, direct loans provided by export agencies and the support in the area of interest rates

		Podporované úvery v USD na 1 obyvateľa		Podporované úvery v USD na tis. USD HDP		Podporované úvery v USD na tis. USD exportu
1	Rakúsko	282	Rakúsko	7,4	Francúzsko	21,9
2	Švédsko	259	Švédsko	6,3	Rakúsko	19,3
3	Fínsko	194	Kanada	5,5	Kanada	17,1
4	Kanada	190	SRN	5,3	Švédsko	16,6
5	SRN	181	Fínsko	5,2	Fínsko	15,5
6	Francúzsko	160	Francúzsko	5,0	Taliansko	15,2
7	Dánsko	110	Česká republika	3,3	SRN	15,2
8	Taliansko	91	Taliansko	3,2	Japonsko	10,0
9	Luxembursko	88	Kórejská republika	2,8	Kórejská republika	8,0
10	Holandsko	76	Dánsko	2,4	Dánsko	7,1
11	Švajčiarsko	66	Holandsko	2,0	USA	6,7
12	Veľká Británia	47	Japonsko	1,3	Španielsko	5,4
13	Kórejská republika	47	Veľká Británia	1,3	Česká republika	5,1
14	Japonsko	46	Švajčiarsko	1,2	Veľká Británia	4,8
15	Česká republika	40	Luxembursko	1,1	Švajčiarsko	3,7
16	Belgicko	35	Belgicko	1,0	Holandsko	3,5
17	USA	29	Španielsko	0,9	Luxembursko	3,2
18	Nórsko	24	USA	0,7	Poľsko	1,8
19	Španielsko	24	Slovensko	0,7	Belgicko	1,1
20	Slovensko	6	Poľsko	0,5	Nórsko	1,1
21	Austrália	4	Nórsko	0,4	Slovensko	1,0
22	Poľsko	4	Maďarsko	0,2	Austrália	0,9
23	Portugalsko	2	Portugalsko	0,1	Portugalsko	0,6
24	Maďarsko	2	Austrália	0,1	Maďarsko	0,4
25	Turecko	0	Turecko	0,0	Turecko	0,0

Tab. No. 23: Comparison of state support for medium and long-term export credits in the OECD countries through export credit insurance, direct loans provided by export agencies and the support in the area of interest rates, Source: [20]