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December 22  
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CZECHOSLOVAKIA  
SWEDEN

TRADE /3300/  
Foreign Legal /3305/  
Western Countries /3305/

CZECHS SUSPEND ALL EXPORT LICENSES TO SWEDEN.

SOURCE STOCKHOLM : Swedish press, Swedish officials and our own reporting via long-standing contacts.

DATE OF OBSERVATION : December 9 1954.

CORR. COMMENT : The bulk of this story was phoned through to Central News on December 9. We are sending it along as an item in order that this information is on hand at the Evaluation Section. We do not foresee its being re-edited at this late date.

Eval. COMMENT : It is confirmed here that there are chronic difficulties between the CSR and Sweden as far as the trade relations are concerned. These differences are mainly due to CSR's irregular payments of its debts to Sweden and to Swedish insistence on compensation payment for Swedish property nationalized by the Communist CSR. The CSR also demands quality goods /e.g. ore/ and offers its inferior products in return. For further details of these problems, see STOCKHOLM RFE Item Nos. 10848, 10426, 10622/53; 9211/54 etc./ This report should be very useful to the Economic Editor.

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STOCKHOLM - December 9. -- Czechoslovakia suddenly and without warning stopped the issuance of export licenses to Sweden, a fact made known to the general public in a small article this morning in the Stockholm liberal newspaper "Dagens Nyheter."

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The Swedish Foreign Office issued a communique a short time later, suggesting that the whole thing was a "misunderstanding." It explained that apparently the Czechs thought the Swedes had stopped issuing export licenses to Czechoslovakia, and that their move was one of retaliation. Two Swedish trade experts were dispatched to PRAGUE immediately for discussions, which, the Swedish Foreign Ministry felt, would soon result in a satisfactory solution to the "misunderstanding."

There appears to be more beneath the surface, however, than a simple misunderstanding. Several well-informed businessmen here have contributed other explanations, and while it is impossible to know exactly which one is final and correct, each of them throws some light on the subject.

"In order to know the true facts of this latest action, it is necessary to know the background of the affair," said one Swedish agent for Czech commodities. "The Swedish-Czech formal trade agreement ended in February 1954 /this year,/ with exchange of goods since that time continuing on a loose, pay-as-you-get basis. Sweden paid the CSR for its goods and vice versa.

"One feature of this continued exchange of goods was the fact that 50 per cent of all Czech deliveries were used to pay off the Czech debt to Sweden of approximately seven million Swedish Kroner. /This debt was once 27 million Swedish kroner, but was down to seven million sometime during this past year./ This debt had been incurred by the CSR in its two years of trade with Sweden prior to February 1954. There was a further clause stating that if the Czechs did not pay off their debt by February 1955, what remained of it would have to be paid to Sweden in gold."

Even with this February 1954 to February 1955 year of informal exchange of goods between the two countries, efforts to conclude a new trade agreement were continuously under way. These talks began as early as last January and went on until this past September. By September, however, talks had come to little, mainly because the Czechs were demanding first class goods from Sweden -- iron ore, steel, sulphate and sulphite  
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cellulose -- in return for their "second class" deliveries of such items as glassware, ceramics, kaolin, etc.

The Swedes became impatient with these Czech exports and got no reaction from the Czechs to their requests for an item much dearer to their hearts and necessary for their industrial progress -- namely, special machinery from the Skoda plant.

A game of cat-and-mouse ensued, with the Swedes then taking over the role of the cat. Covertly, the Swedes began to make it more and more difficult for the Czechs to get the essential iron ore, steel, etc. they wanted. Licenses were never outwardly withdrawn, but the Czechs found Swedish paperwork for such items suddenly taking longer. Faced with this procrastination on the part of the Swedes, the Czechs suddenly put on the embargo of all export to Sweden.

Thus, in a sense, the "misunderstanding" referred to by the Swedish Foreign Office has some basis in fact.

When asked to comment on the Czech embargo, officials at the Czech Legation in STOCKHOLM expressed surprise that the move had taken place. "We knew nothing about it until we read the newspapers this morning," said a Legation official over the telephone.

But the CSR Legation could hardly have been<sup>2</sup> surprised as it made out. It is known that the telegram from PRAGUE ordering the export license embargo was sent directly to the Czech Legation in STOCKHOLM! All trade to Sweden is managed through the Legation and its trade attachés and commercial representatives.

The deadline for the PRAGUE talks now underway between Czech and Swedish trade officials is December 15.

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