The Globalisation Effects on the Trade Flows: Czech Experience

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The Czech Republic is a small open economy, which is vitally dependent on its export performance. In the period after EU accession the intensity of international cooperation grew rapidly in all the Central European countries, which is mostly the result of the huge FDI inflow at the beginning of the decade. In this context one significant problem for the Czech Republic and some other countries of the region appeared: the valuation of the trade flows based on the cross-border measuring overestimates the country's trade balance in comparison with its value added created. This is the case of trade declared by non-resident units, which is more and more common within the European Union. This phenomenon is even enhanced by the strategic geographical location of the Czech Republic, which is important factor why a lot of this "quasi-transit" trade is being operated. The overvaluation of the trade balance is divided into exports (which are over-valuated) and imports (which are under-valuated). It is concentrated in several commodity groups, among them especially computers and electric equipment are significant. The revision of the foreign trade data, which aim is to follow more consistently the ownership approach, significantly changed the picture of the Czech economy, specifically the role of external demand to the economic growth. It had also impact on the structure of the input-output tables, especially the division of the domestic and foreign part of the supply and use matrices.