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978-0-521-07396-7 - An Economic Background to Munich: International Business
and Czechoslovakia 1918-1938

Alice Teichova

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INTERNATIONAL BUSINESS AND
CZECHOSLOVAKIA 1918-1938

ALICE TEICHOVA

Reader in Economic History

University of East Anglia

CAMBRIDGE UNIVERSITY PRESS

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Key to symbols used in tables

→ Direction of investment

--- Foreign investor in Czechoslovak company

— Czechoslovak company

=== Foreign company with Czechoslovak investment

Abbreviations used in tables

C. } Capital
Cap. }

Cz. Czechoslovak

ČSR Czechoslovak Republic

Kč Czechoslovak Crowns

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Introduction

Munich is regarded as a landmark in modern history. Many authors have enquired critically into the political and diplomatic events which led to the dismemberment of Czechoslovakia in 1938, and in rapid succession to her occupation by Germany and the outbreak of the Second World War. But in none of the published work so far has the economic background to Munich received the attention it deserves. This book helps to redress the imbalance by studying direct foreign investment, foreign longterm loans and the activities of international cartels in Czechoslovakia in the interwar period.

From her foundation on 28 October 1918 to her dismemberment after the Munich Agreement of 30 September 1938 the Czechoslovak Republic remained an independent state, neither owning colonies nor a colony herself. At the same time, her political and economic system was influenced by complex financial and diplomatic relations. The question which then arises and which is discussed in this book, is how the economy of a formally independent and industrially relatively advanced country not under the direct rule of the Great Powers found itself dependent not only on them but also on powerful business and financial groups operating in Central and Southeast Europe.

The book contains a detailed factual study of the presence of foreign capital and its business connections in the interwar economy of Czechoslovakia, which played a key role in Central and Southeast Europe. The extent of the financial links and the intricate relationships with foreign interests are traced far beyond Czechoslovakia and thus a considerable part of the international business network in Europe is revealed. The most important international cartels are studied and analysed and

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their influence on output, prices and the home and foreign trade of the Central and Southeast European countries is shown. In the process of this undertaking evidence is presented of the increasing severity of competitive struggles in this region, above all, between West European and German financial and business interests in the 1930s.

The book is divided into six chapters, with an introduction and a conclusion. The first chapter surveys the distribution of foreign investment in the inter-war world generally and pays particular attention to France's allies – Poland and the countries of the Little Entente. Thus Czechoslovakia's place in the chain of international investments is established. This is followed by a chapter surveying the presence of foreign capital in the Czechoslovak economy between the wars, and giving an outline of international cartels associated with Czechoslovak industry. It also contains a discussion of the sources and literature used in my research for the book. Separate chapters deal with foreign capital participation and business organization in the main growth sectors of the Czechoslovak economy – mining and metallurgy (chapter 3), mechanical and electrical engineering (chapter 4), the chemical industry (chapter 5). Chapter 6 is devoted to foreign participation in banking and to an assessment of foreign longterm loans.

The results of the study are summarized in the conclusion, where it clearly emerges that the operations of large economic units, such as Schneider–Creusot, Solvay, Imperial Chemical Industries and Unilever, as well as international cartels, have a history. In time their course of action led to the movement of considerable areas of production from a free market situation to an ever more administered production-, marketing- and price system. A substantial part of their international activities in Central and Southeastern Europe was based on and radiated from Czechoslovakia. In this area international political developments before Munich influenced and in turn were affected by economic factors and these relationships are analysed in this book.