

## The export trap



Everyone from the president, PM and CNB governor on down talks about how the CR is a small, open economy heavily dependent on exports. When we heard VP Radek Špicar of the Confederation of Industry say on [Rádio Česko](#) that exports account for 80% of GDP, we decided to look into it. According to Eurostat's estimates of [exports](#) and [GDP](#) in Europe, Czech exports of €113bn did indeed account for 74% of the €153bn in GDP last year. For the EU as a whole, exports were 44% of GDP in 2011, and for the EU's largest exporter, Germany, the figure was 50%. The CR is tremendously dependent on exports for its GDP, yet when exports fell in the crisis year 2009 by 15%, GDP slipped by only 8.3%. The difference was made up by more government borrowing. And herein lies the rub. The CR is drastically increasing its government debt on the back of strong exports, and it has to borrow even more money whenever exports don't keep pace. This is why the CR - which will soon probably face another export crisis - deserves a credit downgrade.

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