

**CZECH UNIVERSITY OF LIFE SCIENCES
PRAGUE**

Faculty of Economics and Management

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Bachelor thesis abstract

**Economic analysis of export and import of military
systems in the Czech Republic**

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Summary

This bachelor thesis is concerned with the defence and security industry and export and import of military equipment in the Czech Republic. First part of this thesis is literature review, where the military equipment, export and import of military equipment and their conditions and not least the history and tradition are described. Subsequently, the SWOT and regression analyses are performed for 10 selected countries with the largest import from the Czech Republic for the period from 2005 to 2015. The goal is to determine which country is, in terms of exports from the Czech Republic, the most important and favourable. As a final point, the assessment of the analysis outputs and the overall conclusion are made.

Keywords

Military equipment, export and import of military equipment, Defence and Security Industry

Introduction

The Czech Republic is a small, open economy which has no other alternative at present than to export in order to secure long-lasting and sustainable prosperity and economic development. Most of the local production including the military equipment is determined for export, on the contrary the decisive part of entries to our economy comes from abroad. Czech Republic in the world comparison belongs to the countries with highest rate of export of goods and services towards GDP and this rate is still increasing. The Czech foreign trade is highly dependent on the changes of the global markets and reacts to those changes quite dramatically. First rate task of the Czech Government should be the support to the Czech Companies in a fight for orders from the global markets by using the foreign net of our Ministries (Ministry of Trade and Industry, Ministry of Foreign Affairs), new services for the exporters, export financing and insurance with state participation, investments and innovation etc. The Import and export of defence equipment which, apart from the substantial political importance, from un-separable part of the economy have to be thoroughly analysed in order to use the available sources most effectively without any compromise on the security (in subject of the following thesis).

The goal and methodology

The underlying objective of the thesis is to analyse the export and import in the Czech Republic and to determine, with the help of SWOT analysis, the strong and weak points including the opportunities and threats of the Czech import and export of military equipment.

Also, the aim of this thesis is to determine the priority countries for Czech export of military equipment through analysis of real data.

This bachelor thesis is separated into practical and theoretical part. For the latter one, the data was collected from literature provided in electronic form and was also gathered via personal interviews with the vice-president for Cooperation and Trade of Defence and Security Industry Association of the CR. With regard to the practical part, various statistics, i.e. the military spending, exchange rate, GDP growth rate and military spending as % of GDP, were processed in a spreadsheet through regression analysis. Also, the SWOT analysis was performed in the practical part.

Conclusion

For the Czech Republic as the export oriented country on one side and as the member of NATO alliance and EU community on the other side the foreign trade with the high added value military equipment and services plays very important role in its economy policy. From the regression analysis, the following results have been inferred. Only USA and Saudi Arabia have influence on export from CR. Main factors are military spending and military spending as % of GDP. As it was already mentioned, USA's statistical verification of military spending as % of GDP seems to be nonsense, i.e. if military spending as % of GDP decreases, the export from CR decreases. One of the possible explanations can be found in the fact that USA military spending will increase but they will not purchase military equipment from abroad (including CR) and will rather procure more military equipment from big local manufacturers (Lockheed Martin, Boeing, General Dynamics etc.). The Kingdom of Saudi Arabia has a positive sign for all coefficients, which means the Kingdom of Saudi Arabia verifies the model but it is important to remark that merely military spending and military spending as % GDP are important for export. Germany has a small share of influence on the export and in Austria, the increase in exchange rate between EUR and CZK has an adverse effect on export of military goods from CR, which is counterintuitive, indeed. It is caused by the vigorous difference of export from CR in the years 2009 – 2014. In the year 2014, Austria did not purchase military goods from Czech Republic, although they have had the best course for this trade. Other analysed countries do not have any significant effects on export. The outcome of the regression analysis is, therefore, the Kingdom of Saudi Arabia has the most important role for Czech Republic as one of the biggest importers of military equipment and services.

List of resources

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