

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Bachelor Thesis

**Foreign trade of the Czech Republic – Case study
of export of cars**

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1 Introduction

We can define the foreign trade as exchange of goods, capital or services between countries. It consists of two components export and import. Theoretically it should enable each country to produce just goods which they are able to make efficiently and import all other goods. This means that open economy offers to its citizens more products than countries with close economy. It brings up also many positive aspects including development of industrialization, or globalization.

Due to quite complicated political history of the Czech Republic I think it is very interesting to see the development of relationship between Czech crowns and Euro. Based on this relationship I analyzed the impact of foreign currency on very significant producer and exporter of the Czech Republic called ŠKODA.

I have tried to analyze all aspects which can influence production and therefore also sales of ŠKODA. This allowed me to see the relationship between Euro development to Czech currency and sales of ŠKODA. I also wanted to detect the strategy and wanted to find out how ŠKODA tries to eliminate the impact of foreign currency on its sales.

2 Keywords

Foreign trade, globalization, gross domestic product, exchange rate, openness of economy, the Czech Republic, trade policies, automotive industry, ŠKODA

3 Objectives

The objective of this thesis is to see the impact of foreign trade on the Czech economy and to analyze the relationship between Czech - Euro currency and the sales of ŠKODA. After these findings I have analyzed the main weapons of ŠKODA against this negative effect.

4 Methodology

For this type of work I decided to make the methodological approach as extensive as I could and I established this thesis on descriptive and comparative analyses supported by the use of prognosis on base of trend. As the time period I have chosen years 1999 – 2014. I took the advantage of this period and we were able to compare the development of Czech

economy before entering the European Union and after this procedure. Of course there quite big differences caused by it. We could also see the advancement of Euro currency as I used it to see its impact non just on ŠKODA's sales but also on the whole economy. Thanks to using theoretical findings in my second part we can see how beneficial or desctructional Euro can be for exporters but also for a country's economy.

5 Main findings

We all supposed that foreign trade is very beneficial for such an open economy as the Czech Republic is. But after we got into more details I realized how much it affects our country where we live. It is important to use all resources effectively and use all potential and thanks to economic theories we know how much and what to produce and export to be as efficient as possible. This development model was also supported by the entrance to the European Union which even simplified and supported the possibilities of export.

The main aim was to analyze the relationship between foreign currency (Euro) and its influence on ŠKODA's sales. It is clear that strong Czech currency just makes the advancement of sales more difficult and ŠKODA needs to compensate these losses. I think ŠKODA realized how hard it is to attract new customers. Even though ŠKODA invents new types of cars and increases the numbers of customers, this company knows how the brand loyalty of customers is important. According to statistics results we know that about 60% of people who once owned a ŠKODA car will stay faithful to this brand while buying a new car. This way they are able to increase sales despite of negative situation in Euro – Czech crown relationship. I think ŠKODA applied a great strategy by investing money into developing centers and on expanding in new markets such as Russia or China. These huge decisions and their willingness to satisfy all customers by modern technology and safe cars help them to boost their sales each year. This attitude made possible for this company to compete and be known in foreign markets all over the world.

6 Conclusion

We can see the evident impact of foreign currency for such a big exporters as ŠKODA. But surprisingly this company is able to increase its sales even though the foreign currency does not support it in a positive way. For this industry it is very crucial to keep their current customers and also expand in different markets across the world. Also the

technological development is a big advantage for this company which is capable of introducing new types of cars thanks to its newly built developing center.

7 References

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