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DEFENCE AND INDUSTRIAL POLICY IN SLOVAKIA AND THE CZECH REPUBLIC: Drivers, Stakeholders, Influence

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*The views expressed here are solely those of the authors.
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Policy Paper

Under Communism, Czechoslovakia was one of the main producers of armed equipment in the Soviet bloc and was a major supplier of arms to third world countries. After the collapse of the USSR, the defence industry went through a restructuring process, in parallel with demands from and connections to these traditional export markets. This phenomenon was aggravated by the fact that the dissolution of Czechoslovakia left the Czech Republic with the vast majority of value-added sectors, such as aviation and electronics, while Slovakia was a victim of the loss of heavier armament production capabilities. As a consequence, in Slovakia most jobs in the defence field were lost and the sector became marginal for both the national labour market and the economy, remaining relevant only on a local level. Despite this, the number of available jobs increased due to the success of several defence companies. When informing about new acquisitions, this positive effect on employment in the region is often highlighted by the government as a key policy driver.

The Czech Republic maintains a comparatively large defence industrial sector with the continued successful operations of long-standing defence companies and advanced expertise on areas such as radar technologies and aviation. Historically, the human rights-based foreign policy of first President Vaclav Havel impacted the value of the defence industry, particularly when civil conversion of military equipment became the desired norm. This policy was however rethought in the mid-1990s in order to favour privatisation, the transformation of many smaller, less strategic firms into civil or dual-use production, with only small interventions by the government in order to maintain certain capabilities that were deemed essential to national security. The larger, more competitive and technologically superior companies were preserved during what can be called an interim period between the dissolution of Czechoslovakia in 1993 and the early stages of strategies being developed in support of the industry in the late 2000s.

In Slovakia, after long years of decline, the defence industry has recently started to grow. This is illustrated by the increase of the number of employees, the average salaries in the sector, and its export volumes. The key players include MSM Group, DMD, Way Industries, VRM, Willing, SMS, and Kerametal. Slovakia is aware of its limited competences and role on the European defence market in regards to its technological and industrial interests. It therefore attempts to excel in several niche areas, such as simulation systems, research and development, production of ammunition, and the repairing and modernisation of armoured vehicles. The government and defence industry are interested in technology transfers that have nevertheless been very limited due to minimal modernisation in the last two decades. Still, this limitation might be overcome through the country's current procurement ambitions. Although offsets are not allowed due to EU legislation, the government considers the possibility of involving the national defence sector in the modernisation. Competencies such as maintenance and repairs are expected to develop as a result of the new types of equipment being acquired, and to provide more jobs.

Security of supply is an important element of Slovakia's defence industrial policy. It is seen as a priority since the crisis in Ukraine and the consequent European Union (EU) sanctions against Russia. The country aims at modernizing its armed forces with equipment operated by member countries of the North Atlantic Treaty Organization (NATO) who own a Standardization Agreement number. The preference goes to equipment from NATO and EU countries, but producers from other selected countries – such as Israel or Switzerland – are also accepted, the objective being to cut off any dependence on imports from Russia. Such signs of recovery allow for cautious optimism. Indeed, the White Book is about to be adopted and published, with a defence strategy to follow 2017 and the publication of sub-strategies having been advertised by the defence minister.

MAPPING DEFENCE INDUSTRIAL POLICY

Defence industrial policy in Slovakia

In Slovakia, the development of the armed forces – and thus the development of its national defence sector – has not been systematic, as illustrated by the lack (or outdatedness) of the fundamental strategic and planning documents. This shortfall has been already identified by the new defence minister, who is willing to improve the situation by swiftly adopting a new set of documents, including a defence strategy, a development plan and an acquisition plan.¹ The basic source of the national defence industry policy is the *Programme declaration of the government of the Slovak Republic* of 2016. It shortly outlines that the government will support the engagement of the defence industry of the Slovak Republic in the provision of the armaments, machinery and materiel for the armed forces and the success of its products abroad.²

At sectoral level, the Statute of the Ministry of Economy of the Slovak Republic says this body shall “elaborate a *Concept of the development of the defence industry's production for securing defence capacity and security of the state*, including the coordination of the preparation and evaluation of the task of the research and development”.³ However, no such concept exists to this date. The same document mandates the Ministry to cooperate with the Ministry of Defence of the Slovak Republic on tasks related to the scientific and technological requirements for the defence industry, and on the outlooks for the development of specific sectors of the defence industry. In reality, the relationship between the state and the defence industry in Slovakia has been rather inefficient,

¹ http://www.rozhovory.sk/clanok-26_34_37-38608/Kiska-Modernizacia-armady-ma-byt-koncepcna-a-transparentna.html

² Programové vyhlásenie vlády Slovenskej republiky. Available online: http://www.vlada.gov.sk/data/files/6483_programove-vyhlasenie-vlady-slovenskej-republiky.pdf

³ Štatút Ministerstva hospodárstva Slovenskej republiky. Available online: <http://www.mhsr.sk/statut--pdf--149-kb-/129926s>

mainly due to the decrease of defence expenditures in the last two decades and the subsequent sectoral decline.

Finally, the statute envisions cooperation between the Economy and Defence ministries regarding the promotion of Slovak defence industry in foreign trade advocacy activities. In this respect, both institutions – together with the Ministry of Foreign Affairs and the Security and Defence Industry Association of the Slovak Republic – prepared a document entitled *The mechanism for the identification of economic opportunities for the Slovak defence industry abroad and for an active support of the government officials of the Slovak Republic to the Slovak defence industry in competing for foreign orders*.⁴ The document presented⁵ by the Defence Minister to the Security Council of the Slovak Republic in early 2008 sets out the goals, tools and measures of the country's export policy. In the area of research and development, a conceptual document was adopted in 2008. However, since it was planned to guide the activities of the Defence Ministry between 2008 and 2010, it is now fairly out-dated.

Some reference also comes from the – soon to be replaced – *Defence strategy of the Slovak Republic* from 2005. It states that economic mobilization is an important part of the defence preparations and that the material sources will be primarily secured by the domestic industrial and economic base. It declares that the Slovak Republic will also cooperate (mainly) with the defence industry of NATO and EU member countries.⁶ The *Security strategy of the Slovak Republic* from the same year (also undergoing a revision process) mentions that the Slovak Republic will support activities of the European Defence Agency and emphasises the involvement of the Slovak industrial and technological base in the building of the European defence market.⁷

As the modernisation has been almost non-existent since the Cold War, the armed forces are now to be provided with new 8x8 and 4x4 vehicles, tracked vehicles (perhaps through the modernisation of the existing BVP fleet), new 3D radar systems, helicopters (acquisition of the multipurpose helicopters ongoing, decision on attack helicopters yet to be made), transport aircraft (two Spartan aircraft for the Slovak armed forces are already being produced), combat aircraft (with a decision to be made shortly, as the announcement on the lease of Gripen is delayed due to difficult negotiations), and air defence (Kub and Igla systems need to be replaced, and the decision on the future of the S-300 system is yet to be made).

These procurements will be resource-heavy – and therefore depend on the government's ability to increase the defence budget or provide funds from outside of the planned budget. The small and specialized national defence industry might flourish if

⁴ Informácia o návrhu mechanizmu pre identifikáciu ekonomických príležitostí pre slovenský obranný priemysel v zahraničí a pre aktívnu podporu vládnych predstaviteľov SR slovenskému obrannému priemyslu pri súťažení o zahraničné zákazky. Available online: https://www.mosr.sk/data/att/8431_pdf.pdf

⁵ Záznam z 25. zasadnutia Bezpečnostnej rady SR zo dňa 27. februára 2008. Available online: <http://www.vlada.gov.sk/zaznam-z-25-zasadnutia-bezpecnostnej-rady-sr-zo-dna-27-februara-2008/>

⁶ Obranná stratégia SR. Available online: http://www.vlada.gov.sk/data/files/729_obranna-strategia-sr.rtf

⁷ Bezpečnostná stratégia SR. Available online: http://www.vlada.gov.sk/data/files/730_bezpecnostna-strategia-sr.rtf

sufficient funding is granted. For example, the Black Hawk simulation centre, which comes as an offset of the purchase of 9 units, will serve as a good example of the engagement of the domestic industry in large-scale projects.

Defence industrial policy in the Czech Republic

National industrial policy documents in the Czech Republic are split between the Ministry of Foreign Affairs and the Ministry of Defence. The CSDP department of the former drafted the *Strategy for the relationship between the Government and the defence and security industry of the Czech Republic*, which was adopted by the government in 2013. This document represented the first strategy, adopted at such level, dealing specifically with the support of the defence industry, filling a gap that had been identified in 2004 when the National Armament Strategy was approved. The strategy takes stock of the historical factors underpinning the development and current state of the defence industrial sector in the Czech Republic and of the current and future political factors that (may) affect it, in order to draw some key conclusions regarding state political support. Stating that regulation in private businesses should be minimal except to ensure essential interests of the Armed Forces, the document outlines that the role of the “power ministries” is to work on the “harmonization of required defence capabilities in NATO and the EU” while attempting to create the conditions for economic growth by sponsoring “research and development, fostering innovation and ensuring access to international markets.” The document, while stating the “high potential” of the industry, also recognizes that limited national budgets cannot ensure its viability and that the pressures of internationalisation and consolidation of defence industries represent a threat that should be countered by support for the development of export markets. It also assigns the Defence and Security Industry Association a special role in ensuring the participation of the Czech industry in European and global supply chains and fostering regional interconnection and coordinating R&D activities.⁸

The conceptual and political documents of the Ministry of Defence (Security Strategy, the Defence Strategy, White Paper on Defence, Long Term Defence Perspectives, Concept of Equipment of Forces) all strongly emphasize the role of the Ministry of Defence in supporting research and development, as well as an interest in participation in joint multinational (NATO and EU), regional (especially the Visegrad 4) and bilateral (mainly the U.S., Israel and France) programs.⁹ While these documents do not directly deal with the key notion of security of supply, the Ministry of Defence is closing in on the interministerial process of drafting a strategy for the promotion of the defence industry, with a planned adoption by end 2016, where security of supply and the concept of

⁸ Strategie vztahu státu a obranného a bezpečnostního průmyslu České republiky. Available online: http://www.mzv.cz/file/1163948/Strategie_vztahu_statu_a_obranneho_a_bezpecnostniho_prumyslu_CR.pdf

⁹ See bibliography for full references to these documents.

“strategic companies” will be enshrined. The document will highlight the tools that the Ministry of Defence will use in maintaining and enhancing the competitiveness of the industry, but will also clarify the economic and job-creation role of the industry.

Czech modernization needs are less acute than its Slovak neighbour’s, but do however represent large investments which are currently being approached very cautiously due to previous misgivings on procurement processes and management of funds, if not corruption allegations which have been the subject of trials for the officials involved. Past the leasing procurement of 14 J39-Gripen from Saab until 2029, future needs revolve around the necessity to replace a vast majority of the ageing fleet of Soviet helicopters, for which tenders had been received in 2015. However, the process has been delayed due to the readjustment of needs, and the process will likely continue of a G2G basis from now on, with larger orders (an estimate of 40, of different types) being considered. The second large-scale programme will be the 3D mobile air defence radar system, which was originally considered to be done in cooperation with Slovakia, and which will require for the chosen company to cooperate with local industries, which maintain expertise in this field. A variety of land vehicles is planned to be procured, including Armoured Repair and Recovery and Mine-Resistant, Ambush-Protected vehicles, as well as Command and Control platforms. Finally, the main challenge for the Ministry of Defense will be to support the development of the ambitious active reserves program, announced in 2016; in parallel, the personnel needs of the Armed Forces will significantly increase in the years to come, signalling not only potential difficulties in recruitment and training, but also a need to provide the troops with high-quality, modern, usable kit. The government has approved, and the Parliament signed off on, a spending plan at the 2022 horizon that would allow for these major procurements to go through without major complications: future possible political trends in the Czech Republic do not signal that these plans may be questioned.

DEFENCE INDUSTRIAL STAKEHOLDERS

Slovakia

Robert Fico has been Slovakia’s Prime Minister for now eight years out of the last ten, forming his current government in March 2016. Thus, his SMER party has been a decisive stakeholder of the country’s defence policy, including even the industrial side. Despite the fact that the current coalition partner, SNS (Slovak National Party), nominated the Defence Minister (Peter Gajdos, a former general of the Land Forces), the SMER party remains highly influential: First, it shapes the policy through its State Secretary (deputy minister) at the Defence Ministry. Second, the party exerts de facto control through its budgetary oversight, since every major acquisition needs blessing by the Prime Minister and the Finance Minister. This is due to the fact that the Defence

Ministry's regular budget has been cut drastically and is therefore insufficient to carry out the large-scale modernisation the armed forces desperately need.

At the Defence Ministry level, the acquisition process that inherently shapes the defence industry begins at the military level. The military requirements are defined by the Armed Forces and are passed on to the Chief of the Defence Staff. The request then goes on to the National Armaments Director, who is tasked with proposing procurement options, except for the IT domain where the requests come from the ICT Department. The National Armaments Director then requests from the Political Director an evaluation of the consistency of a solution with the country's international interests and commitments (especially within NATO). He also asks the Chief of Defence to plan resources and the Director of the Economy Section to provide the resources. In the final stage, the National Armaments Director provides the dossier to the Minister of Defence who decides and thus opens the doors for the industry to seek a contract.

A certain amount of think-tanks are active in the foreign and security policy field, including GLOBSEC, the Centre for European and North Atlantic Affairs (CENAA), the Slovak Foreign Policy Association (SFPA), and the Euro-Atlantic Center. However, issues related to defence policy (and defence industrial policy) of Slovakia are now covered mainly by the Slovak Security Policy Institute (SSPI), founded by a former political director of the Defence Ministry, who also enjoy extensive coverage in the local media. From amongst the academic institutions, the Academy of the Armed Forces based in Liptovský Mikuláš weighs in on the debates on defence policies.

The think-tanks and defence industry continuously advocate for the increase of the defence budget and greater state support to the domestic defence industry. Although a major increase in defence expenditures was pledged at the NATO Wales Summit in 2014 (1.6% of the GDP by 2020), the budget grows only slowly and is expected to stagnate more or less above 1.1% of the GDP this year and the following.¹⁰

The biggest Slovakian company in the field is the private-owned MSM Group. A former state-owned company employing roughly 1200 people, it specializes in ammunition and explosive ordnance disposal (EOD), although it also produces handguns and repairs armoured vehicles. The private-owned company Way Industries produces turrets for military vehicles, realizes upgrades, repairs and maintenance of military vehicles, but is best known for its Božena mine clearance systems. Virtual Reality Media (VRM) is a simulator producer experienced in land vehicle, rocket launcher and flight simulations. It is expected that its portfolio will be expanded by a Black Hawk helicopter simulator in course of the Slovak multipurpose helicopter modernization. The companies Konštrukta – Defence, ZTS Špeciál, ZVS Holding belong to the state-owned DMD Group, and produce artillery systems, howitzers, rocket launchers, mortars, medium and light combat turrets, gun barrels, mine clearing vehicle and ammunition. The DMD Group is also part

¹⁰ Takto budú hospodáriť ministerstvá SR v roku 2017. Teraz.sk, 5 October 2016. Available online: <http://www.teraz.sk/ekonomika/takto-budu-hospodarit-ministerstva-s/221133-clanok.html>

of the NATO Alliance Ground Surveillance (AGS) programme. Other companies include Willing (import and export operations, focusing on Russian equipment and modernisation of MiG29s), SMS (repairs of Mi17 helicopters), Kerametal (production of armoured vehicles), and LOTN (state-owned, also focusing on Mi17 modernisation, among others).

The companies favour international cooperation for the modernisation of the armed forces, and being involved in major defence procurement programmes as subcontractors (such as producers of automated gun turrets for armoured vehicles). The creation of a Black Hawk helicopter simulation centre in Slovakia would represent a milestone achievement if it comes true, given its attractiveness for other users.

The defence industry would also welcome greater coordination of the defence-planning and legislative process, with the expectation that plans for modernization processes could be shared early on in order for the industry to take as strong a part as possible in it. The lack of basic documents guiding Slovakia's defence policy is also seen as a major problem by both the defence industry and the think tank community. It is expected that these strategies and sub-strategies will be adopted soon by the current government, with some of them already in the pipeline.

To sum up, the lack of cooperation between the country's defence industry and the state, the overall low level of modernisation of the armed forces in the last two decades, and the limited ability of the think tanks and defence companies to influence change, creates a rather frustrating picture. However, the latest wave of modernisation, the ongoing strategic review processes, and the continuous growth of the sector, create some positive expectations to build on.

The Czech Republic

The most important and influential stakeholders are the Ministry of Defence and the representatives of the industry itself. The channels of communication between these two have vastly improved in the past few years, especially since the signature of a Memorandum of Understanding in 2010 between the Ministry of Defence and the Defence and Security Industry Association (DSIA), signalling the first step of confidence-building measures between the two sides.

The Ministry of Defence exerts the biggest influence on defence industrial policy. The arrival of the new government in the spring of 2014 coincided with the creation of a "department for defence industrial cooperation, management and organization", composed of about 40 officials, which took over the nominal responsibilities of the

previous department for procurement and acquisitions.¹¹ Among other items, the department is tasked with completing the strategy for the promotion of the defence industry and building up the Czech Defence Industry and Technology Base (DTIB), and now serves as a ‘one-stop shop’ for the needs of Czech and foreign defence industries. It does the promotion of the Czech industry especially by organizing the “Supply Chain Forum”, in an attempt to find avenues for the integration of Czech industries in the supply chains of European and/or global primes. The department also is tasked with liaising between DSIA and other relevant actors at the Ministry of Defence, as one of the main requests expressed by the industry concerns the political support offered by leaders on foreign trips, the G2G business being very important for the markets where Czech products are competitive. The Ministry of Foreign Affairs also provides valuable support on this front, but there is a feeling that interests may sometimes be at odds as concerns potential markets where exist real concerns about human rights records or other concerns linked to the traditional “Havelian” foreign policy of the Czech Republic. Similarly, defence attachés stationed at foreign representations of the Czech Republic may not feel a strong role in promoting the Czech industry, while discussions are still ongoing between the Ministry of Foreign Affairs and the Ministry of Defence on the creation of a position of “defence industry attaché” in key partner countries. Finally, the Ministry of Industry and Trade maintains the main licensing office, even if their role is not political; more importantly, the Ministry of Education maintains authority for funding of defence-related research.

The industry is represented by DSIA (founded in 1997), with the aerospace side also maintaining two professional associations. DSIA is organized around clusters of industries and serves as a real facilitator for dealing with national authorities but also serves as a contact point for foreign institutions looking for Czech partners. In parallel, the companies themselves also maintain relations with the Ministry of Defence and Ministry of Foreign Affairs, with a certain level of personal relationships coming in play to facilitate business development and exchange of information. The research departments of some universities are involved in research and development processes (CVUT), but think tanks and media rarely, if ever, engage a larger audience on the importance of the national defence industry, except for limited economic and societal purposes.

The largest companies in the Czech field correspond to the ones that are successful in export markets and host, as subcontractors, part of major contracts led by prime companies. In the aviation field, Aero Vodochody, which employs about 1900, making it the largest aerospace manufacturer in the CEE region, is the leading company, and has known great success in exporting the L-159 light trainer/combat aircraft (most recently to the Iraqi Air Force), the L-39 Albatros jet trainer which counts 45 military operators, and the Skylander ultra-light aircraft. The company has acted as an international partner

¹¹ Private interview of author, August 2016. More information about the department can be found on its webpage: <http://spsp.army.cz/>

alongside Embraer, Sikorsky, Bombardier, Boeing, Saab or Alenia, and more recently on the civilian Airbus A350 program. Smaller companies include GE Aviation Czech and Honeywell Czech, PRAGA-Export and LOM Praha, which have acted as subcontractors for Aero Vodochody or other international players, in a sector that employs about 10 000 people. The other major player in the Czech Republic is the Tatra Trucks company, part of the larger Czechoslovak Holding Group of (Czech and Slovak) defence companies, which accounts for over 3000 jobs in the two countries. The Tatra 4X4, 6X6 and 8X8 military transport trucks are successful in export markets and their technology has been integrated into designs by Nexter Systems. Other companies, such as Excalibur Army, have focused on the repairs, upgrades and reselling of Soviet-era systems but also cooperates with General Dynamics on the Pandur 2 8X8 armoured vehicle program. The third renown player is Ceska Zbrojovka, which employs 1800, and is the leading national company in the production of rifles and small arms; other companies such as ZVI, Sellier & Bellot and Explosia specialize in ammunition, anti-tank mines, explosives, or grenade launchers. Finally, the country's maintains strong capabilities in military surveillance and radar systems, as symbolized by the fact that ERA's solution was chosen in 2014 by NATO for its enhanced Air Command and Control Surveillance and Identification, and in chemical, biological, radiological and nuclear warfare, supported by the country hosting NATO's Center of Excellence and regularly deploying its capabilities in international missions abroad. In total, the Czech defence industry employs more than 15 000 people for an annual turnover of more than a billions euros.¹²

Discussions about the defence industry are generally uncontroversial. Political forces from all spectrums, and especially the representatives of regions where the industry operates, support the development of the industry, and no controversy has arisen from the planned increase of the defence budgets, neither do there exist strong claims to protect the local industry beyond the application of Article 346 of the Treaty on the Functioning of the European Union (TFEU). A report published by Ernst & Young in 2016 for the Czechoslovak Group showed that one crown invested by the company brings 2.8 crowns to the national economy, and that one job created leads to an additional 3,7 jobs created in other sectors. Extrapolated to other companies, the report encourages discussions about the future avenues for the development of the industry.

Traditional competences in small arms, aerospace, armoured light vehicles and passive radar systems shall be complemented by developing further markets in the field of high-tech, IT and logistical systems and solutions, radars, composite components for aerospace and cyber defence solutions. These areas are identified by all stakeholders as clear priorities, while at the same time some companies desire to enter the burgeoning UAV market, due in great part to the excellent cooperation with the Israeli industry, a

¹² Multiplikační efekty vybraných podniků CZECHOSLOVAK GROUP pro českou ekonomiku. Parlamentnilisty.cz, 18 October 2016. Available online : <http://www.parlamentnilisty.cz/zpravy/tiskovezpravy/Multiplikacni-efekty-vybranych-podniku-CZECHOSLOVAK-GROUP-pro-ceskou-ekonomiku-458763>

desire not fully shared at the official level. The development of these sectors goes hand-in-hand with the thinking at the official level about security of supply. The introduction of the concept of “strategic companies” – four of them are to be named (VOP, VTU, LOM Praha, UVU) - in the upcoming strategy for the promotion of the defence industry is tied with the recognition of the importance of security of supply and of ensuring a full life-cycle management for the capabilities that are needed by the Armed Forces. The industry is generally comprehensive towards the state’s need to classify suppliers based on their reliability, highlighting also that the companies are highly flexible and derive string revenue from dual-use equipment, thereby diminishing their reliance on state support and foreign military markets.

The Ministry of Defence and the industry recognize that further efforts are needed to foster integration in European and global supply chains, despite renewed activity of the Ministry of Defence being recognized, after a long period without governmental support. This is especially true for small and medium-sized enterprises (SMEs), which are highlighted by industry representatives as being left out due to the lack of a proper regulatory framework, problematic administrative and language hurdles for small companies, and the dominant position of and market integration in Western Europe¹³.

Larger companies are able to cooperate in a satisfactory fashion, in part due to the political support they receive from the government, but they rarely if ever act as primes for tenders in NATO and EU country tenders. The competition of China is viewed as potentially problematic on the markets where Czech companies have found success. In general, participation in further cooperative programs is seen as the avenue to complete the national Defence Industry and Technology Base and raise awareness about the industry in European and global markets.¹⁴

The close cooperation between the Ministry of Defence (and to a lesser extent the Ministry of Foreign Affairs) and the industry (and DSIA), coupled with the personal connections that exist between officials and industry executives mean that they are the main drivers of the country’s industrial policies, which also explains why representatives of SMEs may feel less represented in ensuring a level playing field. The upcoming strategy is elaborated in close partnership between the Ministry of Defence and the industry, and will reflect in a clear way the expectations of the armed forces towards the development of the industry and improve its reliability.

However, there still are concerns at the industry level about the fact that the 2013 strategy has not been fully implemented, and that the planned major procurements (light and medium helicopters, air surveillance radars, various vehicle platforms) leave a reduced space for participation for the local industry outside of Article 346 TFEU situations. This is why the government, along with the industry, is attempting to reinforce its relationship with the U.S. and reinforce links with Israel, South Korea and

¹³ Private interview of the author, August 2016.

¹⁴ Private interview of the author, August 2016.

France in order to foster innovation and open the door for inward investments and integration in the supply chains of the global primes. Engagement with Visegrad 4 partners for joint projects will also continue to be pursued. The upcoming strategy should provide, for the long term, a unifying document aligning expectations and attempting to successfully drive the future of industrial policies in the Czech Republic and offering a stronger framework for the industry's European and global competitiveness.

The relative convergence of interests between the stakeholders draws a clear picture for the future of the Czech Republic's defence industrial policy. The main goals will be to reinforce the relevance of the industry as an important supplier to major European allies, while at the same time working on the completion of its own DTIB, a priority that the upcoming strategy will draw the plans for. This will allow for the Czech Republic to weigh more strongly in any future discussions about the European DTIB and protect its national interests. At the same time, an intent focus will be put on preserving and opening markets for Czech companies outside of Europe, mostly in Africa, Latin America and Southeast Asia, against Chinese competition but also of other countries who have experience in upgrading and maintaining legacy equipment.

Perspectives for SMEs will be linked to the evolution of the regulatory framework, and it is likely that there will be a push towards consolidation in order to make sectors more competitive, especially once the national procurement projects in the context of the modernization of the Czech armed forces will be fully underway. Moving research and development processes away from the Ministry of Education and hosting them under the Ministry of Defence roof will also allow for a more direct and efficient communication with companies and reinforce the role of the Ministry of Defence itself. Another issue will be ensuring proper quality control for Czech-manufactured products, as the example of jamming Czech-made rifles supplied by Ceska Zbrojovka to the Czech troops in Afghanistan still resounds. The Czech Republic is putting on its side all the tools needed to fulfill the potential that was perceived in the 2013 state support strategy, and it seems clear that the Ministry of Defence will be the main driver of defence industrial policies in the foreseeable future. ■

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ARES GROUP

The Armament Industry European Research Group (Ares Group) was created in 2016 by The French Institute for International and Strategic Affairs (Iris), who coordinates the Group. The aim of the Ares Group, a high-level network of security and defence specialists across Europe, is to provide a forum to the European armament community, bringing together top defence industrial policy specialists, to encourage fresh strategic thinking in the field, develop innovative policy proposals and conduct studies for public and private actors.

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