Economic diplomacy and business opportunities

Ministry of Foreign Affairs of the Czech Republic

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Deputy Minister of Foreign Affairs
Export share on GDP

The Czech Republic is export oriented country.
Trade for growth

Trade is one of the sources of growth - 1 bill. EUR of foreign trade = 15 000 new working positions

EU level

- Trade agreements (TTIP, FTA with Japan, Investment agreement with China, FTAs with ASEAN countries)
- Multilateral system (Implementing Bali package, modernization WTO)
- Completing Single market

National level

- Effectivity in promoting national interests abroad
- Information about opportunities abroad
- Open doors for investment projects home
Foresight for growth
The ability to see what will or might happen in the future

Foresight is the process of monitoring:
• Global markets and
t• developments in R&D and technologies enabling the early identification of social, economic and
technological trends.

Foresight services for public funding
• Prioritizing public funding and support of innovation and R&D based on collected data.

Foresight services for exporters
• Help domestic businesses identify perspective sectors for their activities in foreign markets.
• Enable companies to make better decisions regarding investment in innovation and respond to emerging opportunities.
Role of economic diplomacy
Concept of foreign policy and connection to economic diplomacy

Economic diplomacy is integral part of Czech foreign policy, which are formulated in new Concept. This concept is based on evaluation of Czech experiences from transformation process.

Czech foreign policy focuses on safety, prosperity and sustainable development, human dignity, including protection of human rights, citizen services and good reputation abroad. Economic diplomacy is one of tools to implement this conception.
Changes in the economic diplomacy - our vision and ambition

Economic diplomacy changes since 2013

**Economic Agenda** complements the security, development and political dimension of foreign ministries around the world.

- **2013/2014**: Ministry of Foreign Affairs
- **2014/2015**: Ministry of Foreign Opportunities
- **2015/2016**: Ministry of Foreign Seized Opportunities
Changes in the economic diplomacy

Economic diplomacy changes since 2013

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<tbody>
<tr>
<td>1</td>
<td>Fragmentation of foreign networks and conflict of competences</td>
<td>Unified foreign network and joint supply of services</td>
<td>Standard quality services supplied by the unified foreign network</td>
</tr>
<tr>
<td>2</td>
<td>Incomprehensibly of the system for companies</td>
<td>Czech export center – unified contact point for entrepreneurs and the division of competences between CzechTrade and embassies (B2B, B2G, G2G)</td>
<td>More active communication with the corporate sector - feedback and joint projects</td>
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<td>3</td>
<td>Priority countries</td>
<td>Perspective field of export interest for each country</td>
<td>The countries divided by the field of export interest</td>
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<td>4</td>
<td>Unsystematic allocation of resources for economic diplomacy projects</td>
<td>Systematic allocation of resources for economic diplomacy projects and transparent project processing</td>
<td>Effective targeting of projects to seize opportunities abroad and increased funding</td>
</tr>
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<td>5</td>
<td>Business missions as an &quot;adventure tourism&quot;</td>
<td>Coordination of business missions and active approach of companies</td>
<td>Controlling system for business mission outputs and small sectoral missions as follow-up</td>
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<td>6</td>
<td>Overlapping educational systems – MFA’s Diplomatic Academy and CzechTrade’s Export Academy</td>
<td>Unified training program for MFA, MIT and CzechTrade employees</td>
<td>Human resources and capacity building</td>
</tr>
<tr>
<td>7</td>
<td>Absence of the evaluation system</td>
<td>Model of trade and economic activities for embassies</td>
<td>Evaluation system</td>
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</table>
Education of economic diplomats

Economic diplomacy needs diplomats with 21. century competencies

Agreement between MFA and MIT – together education of MFA, MIT and CzechTrade employees in economic diplomacy.

Competency building

- Education program to train experts with required competences in economic diplomacy

Synergy

- Institutional synergy – MFA’s Diplomatic academy and CzechTrade’s Export academy
- Complex competences – economy and export courses, soft skills and diplomatic protocol

Cooperation with private sector

- Expanding cooperation with private sector
- Emphasizing of economic education

Capacity building

- Better education for new diplomats – examination and evaluation system
- Internships at the Economic Diplomacy Department for applicants
- More competent economic diplomats
Agriculture and technology diplomats

Synergy effect with Ministry of Industry and Trade (MIT), Ministry of Agriculture (MA), Government office (GO) and other partners

Memorandum of cooperation with MA – agricultural diplomats on agreed Embassies (China, Saudi Arabia and Serbia, Russia, eventually Ukraine). Agreement with PM’s office – technology diplomat in Israel with primary goal to strengthen cooperation in R&D and innovations.

EMB Belgrade, Serbia
EMB Riyadh, Saudi Arabia
EMB Beijing, China
EMB Moscow, Russia
EMB Kiev, Ukraine
EMB Tel Aviv, Israel
Unified foreign network
Establish and increase provided service quality

With increasing number of provided services and positive feedback from Czech entrepreneurs – expect higher demand for services of UFN.

Catalog of services offered by public sector
- System of services offered by CzechTrade offices and representative offices

Czech export centre
- MFA employees are available 4 days in a week + regular consultations with MFA or MIT Deputy Ministers
- Increasing number of provided services (from 1/10/2014 320 provided services)
- More objective evaluation system

Capacity building – transformation of Economic Diplomacy Department
- Services for Czech exporters (mostly B2G services)
- Quality management, and output monitoring
- Realization of client events in Czech republic (e.g. Export seminars), business missions and economic diplomacy projects

Quality and sustainability of services
- Process formalization and standardization of outputs (Sinpro)
Economic Diplomacy Projects
Support for Czech exporters

Economic Diplomacy Projects (EDP) – way how to create new contacts, promote Czech products and services and even acquire new contracts.

**Increased funding**
- 51 projects were implemented in 2014 and 4.5 millions CZK were provided by MFA
- 87 projects were approved for implementation in 2015 with total support of 10.3 millions CZK

**New methodology**
- Since 2014 new methodology is used – transparent processing of EDPs
- System for processing EDPs was improved
- Revision in autumn 2015

**More effective targeting of projects**
- Czech solutions in countries, where opportunities were identified
- Better targeting of projects and synergy with Map of global and Sectoral Opportunities

**Planning projects with partners**
- Planning projects with CzechTrade, MIT, Czech centers, CzechInvest, CzechTourism and other partners
- Better communication with private sector
Unique knowledge of export opportunities. We have know-how how to define and verify opportunities, now we need to use them properly.

**Why sectoral approach**
- More efficient allocation of resources
- Flexible reaction to current situation

**Tool for exporters**
- First level how to find possible market
- Well evaluated by partners, stakeholders and entrepreneurs

**Online interactivity**
- From territorial to sectoral search
- www.businessinfo.cz/mop

**Lessons learned**
- Valuable feedback
- It is necessary to improve explaining (including quantification)
Map of global sectoral opportunities
Export and investment opportunities

Market dynamics

Czech export potential

Export competences
Map of global sectoral opportunities

Export and investment opportunities

1. Statistical analysis

2. Verification by the embassies

3. Consultations with partners

4. Verification by the embassies

5. Finalization
Market dynamics

Market growth

First assumption for market selection

- More than 10% market growth in average for selected commodity (for last 3 periods)
- Market is not saturated yet

Growth of the imports of „good A“ at the foreign market
Second assumption for market selection

- Czech export partner’s market share is more than two times lower than Czech export world market share

World market with „good A“

- Czech Rep.: 10%
- World: 90%

Partners market with „good A“

- Czech Rep.: 4%
- World: 96%
Export competences

Comparative advantage

Third assumption for market selection

- Revealed Czech comparative advantage for selected commodity
- Revealed partner’s comparative disadvantage for selected commodity
- Lafay index was used

Comparative disadvantage

Share of export of „A“ on overall turnover of „A“ is in given country lower than share of export on the turnover of foreign trade of given country

Comparative advantage

Share of export of „A“ on overall turnover of „A“ is in given country higher than share of export on the turnover of foreign trade of given country
Export competences – example

Comparative advantage

<table>
<thead>
<tr>
<th>Example</th>
<th>Export commodity A</th>
<th>Import commodity A</th>
<th>Total export</th>
<th>Total import</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>100</td>
<td>25</td>
<td>1 000</td>
<td>600</td>
</tr>
<tr>
<td>Partner</td>
<td>30</td>
<td>20</td>
<td>650</td>
<td>350</td>
</tr>
</tbody>
</table>
Verification by the embassies

Verification of statistical results

Market insight

- Verify proposals
- Include justification
- Include the information about „soft“ signals (planned government projects and investments, changes in customer preferences, economic structure, business behavior)
- Outlook for 2-3 years time
- Unique opportunity to use the experience from diplomats staying abroad
Did you know that…

Results example

Ethiopia
• Ethiopia plans to build 3,000 km of railway lines

Indonesia
• Indonesia modernizes air transport infrastructure and want to build 46 new airports

New Zealand
• Aging problems - In 2061 will be more than 25 % citizens older than 65

Hungary
• Metro modernization in Budapest

Zambia
• Zambia plans to build 8 000 km of new roads

Colombia
• In next 5 years Columbia wants to increase its electric power capacity by 4 000 MW
### Cuba Results

<table>
<thead>
<tr>
<th>Sector</th>
<th>Opportunities</th>
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<tbody>
<tr>
<td><strong>Agricultural and food industry</strong></td>
<td>HS 8432 - Machine tools for agriculture forestry</td>
</tr>
<tr>
<td></td>
<td>HS 8438 - Machinery for the industrial food preparation</td>
</tr>
<tr>
<td></td>
<td>HS 8701 - Tractors</td>
</tr>
<tr>
<td><strong>Automotive</strong></td>
<td>HS 8702 - Motor vehicles for public transport and passenger</td>
</tr>
<tr>
<td></td>
<td>HS 8703 - Cars motor vehicles for the transport of persons</td>
</tr>
<tr>
<td></td>
<td>HS 8708 – Parts of motor vehicles</td>
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<tr>
<td><strong>Railway industry</strong></td>
<td>HS 8603 - Railway or tramway coaches, self-propelled</td>
</tr>
<tr>
<td></td>
<td>HS 8607 - Parts of railway or tramway locomotives or rolling stock</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td>CPA 42 - Engineering works and construction</td>
</tr>
<tr>
<td></td>
<td>CPA 49 - Land transport</td>
</tr>
<tr>
<td><strong>Services</strong></td>
<td>CPA 42 - Engineering works and construction</td>
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<tr>
<td></td>
<td>CPA 71 - Architectural and engineering services; technical testing and analysis</td>
</tr>
</tbody>
</table>

**Automotive and transportation**
- New licenses for private taxi and transport services
- New infrastructure of communications and public transportation
- Problem – vehicle’s age

**Agriculture and food industry**
- Agriculture intensification
- Small private farms
- Transfer know-how
Example: Agriculture industry

<table>
<thead>
<tr>
<th>HS4 classification</th>
<th>Potential regions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2203 Beer</td>
<td>Croatia, Italy, Japan, Republic of Korea, Hungary, Slovenia, the United Kingdom, Australia</td>
</tr>
<tr>
<td>0402 Milk, cream sweetened condensed</td>
<td>Lebanon, Nigeria, Serbia, Thailand, Tunisia</td>
</tr>
<tr>
<td>2201 Mineral water, soda water, unsweetened</td>
<td>South Korea, Lebanon, Russia, Thailand</td>
</tr>
<tr>
<td>1704 Confectionery without cocoa</td>
<td>Australia, Egypt, Croatia, Israel, Nigeria, Peru, Russia, United Kingdom</td>
</tr>
<tr>
<td>1107 Malt, roasted</td>
<td>Italy, Japan, Yemen, South Africa, Nigeria, the Netherlands, Peru, Slovakia</td>
</tr>
<tr>
<td>1701 Sugar, cane, beet</td>
<td>Tunisia, Italy, Slovenia, Nigeria, Israel</td>
</tr>
</tbody>
</table>

Saudi Arabia

- SA imports more than 70% of food from abroad, 12% annual growth of food import
- Strategic government decision – ensuring food needs by imports, stop agriculture funding
Latin America
Bilateral and multilateral policies

Better multilateral policies towards LAC countries

Relationship with Pacific Alliance
- Czech Republic as observer in Pacific Alliance
- Secure and stabilize Czech position in pacific region

Relationship with Cuba
- Relationship development
- Delegations to the embassies
- Investment promotion and protection agreement

Increase awareness about the Czech Republic
- Increase awareness about the Czech Republic – tourist destination and transformation experienced country
- Czech representation network stabilization
Thank you for your attention!

"Feedback, as well as showers, of course, is not permanent. It's something we should have periodically. „

- Zig Ziglar, entrepreneur and writer