System of Promotion of Export and Economic Diplomacy

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Economic Diplomacy
Position of the Czech Republic in the world economy

- A small open economy dependent on export – the main factor of growth; together with stable consumption and domestic demand. Territorial dependence on the EU internal market.
- Sectoral dependence on the automotive industry.
- Our economy is more open than Germany by approx. 10%.

Czech share of world export exceeded 1% in 2017, with a share of only 0.14% in the world population.

BUT: low position of the Czech Republic in the global value chain – we need to increase the added value of exports, the share of services and export profitability.
Main Risks and Challenges - Internal

- Domestic and economic factors
  - Strengthening of the Czech crown reduces the price competitiveness of Czech trade
  - Pressure on wage growth
  - Overall competitiveness of the Czech Republic – business environment, education, innovations

* Cancellation of CNB interventions on 6th April 2017

The Czech Republic’s decline in competitiveness (Doing Business, comparison of 190 countries, Czech Republic occupying 30th place – last year 27th), better evaluated not only Germany but also Poland.
<table>
<thead>
<tr>
<th>Number of actors</th>
<th>Structure</th>
<th>Form</th>
<th>Level of openness</th>
<th>Main goal</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Club diplomacy</strong></td>
<td>limited</td>
<td>hierarchical</td>
<td>mostly written</td>
<td>low</td>
</tr>
<tr>
<td><strong>Net diplomacy</strong></td>
<td>large</td>
<td>flat</td>
<td>mostly oral</td>
<td>high</td>
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</table>
Growth of importance of economic diplomacy in the world

- Phenomenon of „economization“ of international relations
- State institutions help to open doors when entering promising but demanding markets
- Greater willingness of the state to promote export through embassies, greater interconnection of tools (one offer, network, entry point)
- **Ministry of Foreign Opportunities** – trust of companies in state-provided services is growing, more involvement of ministries, departments
- Development aid as an investment (up 30% y / y)

Team Czechia

- Importance of communication with the business community in formulating of economic diplomacy
- Setting up effective cooperation among state institutions in the execution of economic diplomacy
Importance of Economic Diplomacy and Export Promotion

„Economic diplomacy will help to establish contacts abroad and to create conditions for Czech entities to access third countries‘ markets.“

Effective enforcement of economic interests abroad is one of the global trends of supporting economic growth:

› SEARCHING FOR OPPORTUNITIES – *we provide information concerning opportunities on foreign markets*
› ASSISTENCE SERVICES – *we assist with dealing with foreign partners*
› RELATIONSHIP BUILDING – *we contribute to establishing contacts between Czech and foreign entities*
› MARKET ACCESS – *we help to eliminate barriers when entering foreign markets*
› PROBLEM SOLVING – *we help to solve problems of Czech entities on foreign markets*
Greater Use of Foreign Development Cooperation

- Czech Development Agency
- non-profit organizations
- MFA and other ministries
  - own development cooperation programs – Aid for Trade
- ČMZRB and EGAP
- companies

Foreign Development Cooperation Strategy 2018-2030

- multilateral vs. bilateral
- subsidy titles vs. returning tools

Budget of the FDC is about CZK 6 billion
CZK 1.8 billion - bilateral
CZK 4.5 billion multilateral

CDA budget - CZK 500 million
(95% for projects)
Foreign Development Cooperation and Future Business Opportunities

- Development cooperation as an investment in future opportunities
- Revision of the current system of financing
- Modern financial tools
  - use of the European Sustainable Development Fund - counter-guarantees
- Small local projects (SLP)
  - Less than 500,000 CZK
  - in synergy with perspective disciplines
  - Czech products and services

Involvement of Czech companies in the international system of development cooperation and its financing
Actors of Economic Diplomacy
Only the competencies of the MFA and the MIT are defined by the Competence Act.

The involvement of other ministries is primarily based on individual framework arrangements.

The involvement of non-governmental institutions is not officially established.

Mutual cooperation of individual subjects is not fully established.
New Possibilities and Challenges
New Model of Economic Diplomacy?

Establishing a pro-growth business eco-system

Development of Czech solutions and support especially for SMEs

Winning offer on the foreign market and risk reduction for Czech entities

API, TA ČR

Field Opportunities, Information

Team Czechia: Embassies of the Czech Republic and the Integrated Agency

Other key tools to support growth

- One-stop shop
- Financial tools ČMZRB EGAP (ČEB)
- Foreign development cooperation
- Strengthened role of business representations
Client Cycle of Economic Diplomacy

Needs and problems of Czech exporters
- what are the conditions of entry into the market in ...
- I plan to start exporting to ...
- I need to educate junior colleagues ...
- we have been excluded from the tender in ...
- I need to meet customers in ...
- I'm interested in presenting ...
- a suspicious demand came from ...
- ...

Mapping the needs of exporters - a comprehensive range of services they really need

Information and contacts on one website
- territorial and sectoral information on foreign markets
- demand, opportunities and business contacts
- overview of foreign events planned
- calendars of educational events and seminars in the Czech Republic
- export manuals, recommendations and examples from practice

Added value - the exporter does not waste time wandering through government websites and collecting information fragments

Client Center
- a single list of services provided
- single account management
- unified CRM
- each company gets its specialist who is responsible for solving the request and is in contact with the exporter from A to Z

Added value – exporter is cared for by a specific person who does not refer him to anyone else

Solving the export task
- a single foreign service of the Czech Republic's economic diplomacy
- PROPEDs and sectoral missions abroad
- presentation and B2B or B2G negotiations
- sourcing - meeting with specific subscribers
- problem verification, verification of suspicious behavior
- tender support
- involvement in the Czech and EU ODA projects
- ...

Value added solution - Specialists in economic diplomacy on the spot on foreign markets

Feedback - Six pillar evaluations of economic diplomacy by exporters
Unified Foreign Network
Unified Foreign Network - Actors Abroad

- Representative offices of the Czech Republic / Embassies and foreign offices of the CzechTrade agency
- Covers over 90 countries worldwide from the US to Japan and is gradually expanding
- A total of 160 foreign workplaces belong to the Unified Foreign Network (UFN) of the Czech Republic
- Czech Centers and the Czech House in Moscow
- CzechTourism offices
Representative offices / Embassies

- Each embassy has economic agenda
- Section size by country
- Sometimes combined with development agenda
- If CzechTrade office – division of agenda
  - CzechTrade – B2B
  - Office / embassy – B2G
- Embassies are comprehensively evaluated annually

- Expert economic local staff
  - Strengthening of selected RO with economic local power - new since 2017
  - Necessary economic expertise and knowledge of the local business environment
  - Knowledge of companies
  - Help with analyzes, addressing partners and companies, planning of economic events
  - Local language – e.g. China, Africa
  - Total of 31 expert economic local staff
  - Effort to extend the system of expert local staff from 2019 onwards
Tools of Economic Diplomacy
**Tools of Economic Diplomacy**

**Economic Diplomacy Projects**
- incoming and outgoing missions, fairs, presentations, seminars
- involvement of ministries in a common fund
- 50 million CZK in a common fund

**Services for Exporters**
- Client Center for Export
- Unified foreign network, Representation offices and foreign offices, CzechTrade and CzechInvest
- Foreign Development Cooperation and CDA
Information for Exporters
Current information for our exporters

- Map of global business opportunities
- Social Networks of Economic Diplomacy of the Czech Republic - Facebook, Twitter, LinkedIn
- Marketing of work of our embassies

Seminars and meetings for exporters

- Territorial seminars at the MFA and in the regions
- Meetings with economic diplomats and new ambassadors
- Joint Export House at MSV Brno
An unique way to find sectoral opportunities for Czech exporters at foreign markets

Positive feedback from the private sector and business associations

Shift from territorial to sectorial

Actualization in June 2017 → now updating for 2018

Looking for new trends

Identification of new opportunities with focus on non-European countries

Searchable by both territorial and sectorial key words

Available in printed form and interactively at the following address: www.businessinfo.cz/mop
Other Information Sources for Czech Exporters

- Business news from our embassies at MFA main webpage
- New magazine **Modern Economic Diplomacy** (MED = „Honey“ in Czech)
- Social media (FaceBook, LinkedIn, Twitter)

Link: [www.mzv.cz/ekonomika](http://www.mzv.cz/ekonomika)

Link: [www.mzv.cz/ekonomika/med](http://www.mzv.cz/ekonomika/med)
New Magazine „Modern Economic Diplomacy“ (MED)

Content of the magazine & topics
- interviews
- opinions and comments
- trends and markets analysis
- presentations of Czech exporters
- development agenda
- financing
- services for exporters
- pro-export events

Editorial Plan 2018

<table>
<thead>
<tr>
<th>Topic</th>
<th>South Caucasus, units with high added value</th>
<th>North America, the Great Lakes Region, innovations</th>
<th>Southeast Asia, defense</th>
<th>Turkey, Israel, engineering (part on IIE Brno)</th>
<th>Africa, healthcare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Date</td>
<td>15/2/2018</td>
<td>15/4/2018</td>
<td>13/6/2018</td>
<td>24/9/2018</td>
<td>3/12/2018</td>
</tr>
</tbody>
</table>
News from Embassies

- Confirmed interest of entrepreneurs in news from the embassy on the MFA website → a tool for finding interesting opportunities

- General rules for writing news

- All embassies except Fx should publish 8 articles between the meetings of economic diplomats

- Current situation since the meeting of economic diplomats in 2017:
  - 863 sent our since June 2017 to May 2018
  - 739 published information from June 2017 to May 2018
  - In the period 2017/2018 - so far 5.5 articles in average sent to the office
  - In the period 2017/2018 4.6 articles in average per office were published
  - The most active office has already published 19 articles
Teritoriální informace - země

Informace o podnikání pro podnikání a jedinečné, ověřené informace o exportních příležitostech. Aktuality z teritoria, kontakty na zastoupení ČR, užitečné internetové odkazy, registry a databaze.

Zvolte kontinent: Europa, Asie, Afrika, Severní a Střední Amerika, Jižní Amerika, Austrálie

Aktuální exportní příležitosti

Zvolte
Seminars and Conferences

- Territorial conferences and seminars in Prague and Czech regions
  - Presentation of current opportunities to Czech companies
  - Possibility to consult with economic diplomats from the region

- Educational seminars for companies – KEK – in Czech regions and in Prague
  - cooperation with HK ČR, EGAP, ČEB and others
  - Specific examples of export cases and use of economic diplomacy services

- Consultations with economic diplomats from Czech embassies and directors CzechTrade offices
  - Within the meeting of economic diplomats in Prague at the end of June
  - Possibility to contact whole network in one place

- Meeting of representatives of companies and business associations with new ambassadors
  - Before departure of new ambassadors to territories
Services for Exporters
Client Center for Export

- One-Stop-Shop for exporters
- MFA, MIT, and CzechTrade
- Consultations of export and investment intentions
- Services provided in more than 90 countries through the Unified Foreign Network
- Export specialist on a specific request available during the whole process
- At disposal employees of MFA and CzechTrade
- Possible consultations with deputy ministers of MFA and MIT
- Joined CRM database SINPRO – all information about individual clients
- More information at: www.businessinfo.cz/KCE
Overview of Prepared Services and Support Tools

- **Basic services and counseling**
  - Consultations and counseling
  - Information Sources

- **Unified Foreign Networks Services**
  - Assistance, surveys and organization of meetings
  - Support with focus on foreign private entities, official institutions and state-owned enterprises

- **Commercial policy and the internal market**
  - Removing obstacles and solving problems on the EU and non-EU markets
  - Other areas of support

- **Foreign events, missions and fairs**
  - B2B events in the Czech Republic - sourcing and incoming
  - Export seminars, conferences and education
Projects to Support Economic Diplomacy
Projects of Economic Diplomacy

› Projects may take the form of seminars, presentations, exhibitions and trade fairs, conferences, business missions, Czech days and other similar sector-specific events

› The actions are implemented primarily by embassies of the Czech Republic, which submit proposals for approval each year

› Joint participation of multiple companies - offering a complex solution

› To participate in the project, it is necessary to contact the economic department of the embassy in the country or the Ministry of Foreign Affairs or the Ministry involved

› Ability to engage in already approved projects
joint financing and project preparation - MFA, MIT, MA, MO, MRD, MI and the Office of the Government

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget</th>
<th>Number of projects</th>
<th>Average budget per project</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>4,5 mil. CZK</td>
<td>51</td>
<td>90K CZK</td>
</tr>
<tr>
<td>2015</td>
<td>9 mil. CZK</td>
<td>87</td>
<td>100K CZK</td>
</tr>
<tr>
<td>2016</td>
<td>17,4 mil. CZK</td>
<td>161</td>
<td>99K CZK</td>
</tr>
<tr>
<td>2017</td>
<td>50,8 mil. CZK</td>
<td>291</td>
<td>175K CZK</td>
</tr>
<tr>
<td>2018*</td>
<td>52 mil. CZK</td>
<td>230</td>
<td>347K CZK</td>
</tr>
</tbody>
</table>

* as of May 2018; after the first call of 2018
Embassies have successfully implemented 291 economic diplomacy projects in 2017

- total of 415 submitted proposals
- 49 projects were implemented as an incoming mission to the Czech Republic
- most of the projects were implemented in the agricultural and food industry (72), the defense industry (30) and tourism (28)
- 1st challenge for 2018 - 294 proposals submitted, 230 projects approved
- funds allocated to implementation of approved projects exceeded CZK 35 million
- 42 projects will be implemented in the form of incoming mission to the Czech Republic

May 2018 - Announcement of the 2nd Supplementary Challenge for 2018 – 55 proposals submitted
Evaluation of Economic Diplomats
Embassy Assessment - Satisfaction, Feedback, and Needs of Exporters

**Individual services for exporters**
- Service quality assessment for exporters based on questionnaires
- Evaluation made by companies

**Economic Diplomacy Projects**
- Quality evaluation of projects implementation
- Evaluations made by project participants - companies, sectoral associations, other relevant stakeholders

**Evaluation of business associations**
- Evaluation of the quality of information provided by embassies, access and professionalism while working with associations.
- Evaluations by CC, AMSP, CI and sectoral associations

**Information for exporters**
- Evaluation of the quality of the information provided to Czech exporters - news, STI, MOP
- Evaluated by the headquarters of the MFA.

**Evaluation of cooperation with the MFA**
- Evaluation of access and willingness to cooperate, adherence to the methodological guidelines and quality of documents provided.
- Evaluated by the headquarters of the MFA.

**Evaluation of cooperation with the ministries / departments**
- Evaluation of quality of information provided by embassies, access and professionalism while working with associations.
- Evaluated by the Ministries.
Thank you for your attention

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