



MINISTRY OF
INDUSTRY AND TRADE

Summary

2012 - 2020 Export Strategy of the Czech Republic



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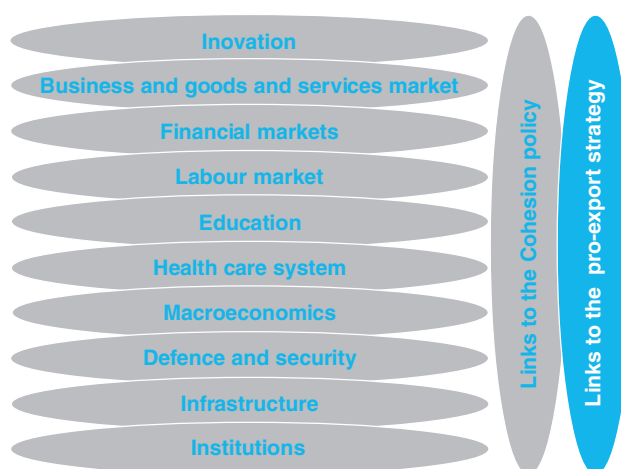
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1 Introduction

The 2012-2020 Export Strategy of the Czech Republic (the “Strategy”) is a paper defining the strategic framework for pro-export policy until 2020. The Strategy summarises the general vision of pro-export activities by the state, their objectives as well as the measures to be taken in order to achieve these objectives. Unlike its predecessors (2003-2006 Pro-Export Policy Concept and the 2006-2010 Export Strategy of the Czech Republic with an update for 2011), this Strategy aims at a relatively broad approach to pro-export activities – this means that it focuses not only on the activities and methods that are directly and exclusively related to the export processes, but also on other related and follow-up policies of the state. The Strategy has the ambition to **make maximum use of synergies** arising from various activities carried out by public institutions, **in order to promote and develop Czech export**.

The Strategy **fully endorses the approach chosen under the 2012-2020 International Competitiveness Strategy for the Czech Republic** (approved by the Government on 27 September 2011; see Figure 1) and, accordingly, declares as its own main vision to contribute to **making the Czech Republic one of the 20 most competitive countries in the world by 2020**. In this Strategy, the accomplishment of the measures proposed in the 2012-2020 International Competitiveness Strategy for the Czech Republic is seen as an essential and necessary prerequisite for the success of projects in the scope of support export and internationalisation.

Figure 1: Integration of the Export Strategy as a cross-sectoral pillar of the 2012-2020 International Competitiveness Strategy for the Czech Republic



Source: 2012-2020 International Competitiveness Strategy for the Czech Republic

In addition, the Strategy also follows the **National Innovation Strategy** (approved by the Government on 27 September 2011), the **Foreign Policy Concept** (approved by the Government on 20 July 2011) and the **Security Strategy of the Czech Republic** (approved on 8 September 2011). At the same time, the Strategy respects the principles set out in the **Strategic Sustainable Development Framework of the Czech Republic** (approved by the Government on 11 January 2010). The Strategy is neutral in terms of equal gender opportunities.

The Strategy shall generate synergies from various activities of the state and ensure coherence between different economic policies, while respecting the principle of complementarity of the particular projects, in order to maximise their effects for the benefit of Czech businesses and the individual industry and service sectors. It shall also ensure the functional links to the newly developed conceptual documents

such as the upcoming Strategy for the Defence and Security Industry of the Czech Republic, which is currently being prepared.

The Strategy builds on the Analysis and Concept of Export Support in the Czech Republic, which were carried out during September 2011 by the Ministry of Industry and Trade in cooperation with the representatives of both public and private institutions operating in this field. In addition to evaluating the practice of pro-export activities in the Czech Republic, the two documents also analyse in great detail some examples of good practice from abroad; the results of this analysis were subsequently used to formulate the projects and measures in this Strategy.

The following key factors were identified to formulate this Strategy:

- The existing **strong orientation of Czech export industries in the EU markets** and, at the same time, **the increasing level of sectoral specialisation and low volume of exports in services with high value added** is a **potential threat to the Czech economy**. Pro-export instruments must actively work towards helping Czech exporters to penetrate markets outside of the crisis shaken EU as well as towards increasing the share of exports based on higher value added. The Czech Republic has a number of strengths that could help Czech exporters, for instance, to efficiently make use of the growing turnover between the countries of the Global South.
- In view of advancing **globalisation and increasing functional interconnection of international trade, it is essential to systematically monitor the trends and breaking points determining the directional development of demand on the world markets**. The pro-export measures must be sufficiently flexible in order to be able to assist exporters, at the right moment, to seize the opportunities arising from market developments.
- The Czech Republic has so far **made insufficient use of the opportunities** offered to Czech exporters by **projects implemented by European and international institutions**. Particularly in the period of the crisis and contraction of the banking sector, which currently constitute a threat in the EU, it is essential to look for capital resources for pro-export projects outside the Czech Republic. Multinational-type projects in institutions, whose activities are supported by contributions from the Czech Republic as a member party, are highly suitable for this purpose.
- **Measurable objectives** need to be set for the Strategy and their accomplishment needs to be **systematically evaluated**. To this end, it is essential to make a wider use of benchmarks for comparison with abroad (including the identification of efficient pro-export activities carried out by other countries – competitors as well as trade partners) and of international data sources.
- In the period of major cuts in the public budget, it is necessary for **state-financed institutions engaged in export development to focus on activities, which are indispensable for export and are not provided by the market**. State institutions should not substitute the private sector in support of export or serve as a low-cost source of funds to finance the activities of exporters and their organisations. Major importance should also be applied to the simplification of the institutional structure and management of export support as well as to making maximum use of synergies arising from the coordinated implementation of various policies, which have both direct and indirect impact on the export performance of Czech businesses. The main role in utilising synergies and coordinating the policies will be played by the Ministry of Industry and Trade and the Ministry of Foreign Affairs, together with their subordinated organisations.

An approach aiming at meeting the demand of exporters for state aid and services related to internationalisation was used as a methodological starting point in preparing the Export Strategy. The system of the proposed measures focuses on reflecting realistically the needs of the business sector

(particularly as regards elimination of problems faced in export and internationalisation¹ and, at the same time, on being flexible and bringing the best possible results in terms of the price-performance ratio as regards the efficiency of state resources.

The Strategy is divided into the following Chapters:

- Background to formulate the Export Strategy (Chapter 2)
- Vision and objectives of the Export Strategy (Chapter 3)
- Export Strategy pillars and project cards for their accomplishment (Chapter 4)
- Implementation and Monitoring (Chapter 5)
- List of abbreviations

The specific structure of the different pillars of the Strategy (item 3 above) is derived from the classification of the International Trade Centre (ITC)², which is a joint platform of the World Trade Organization (WTO), the United Nations (UN) and the United Nations Conference on Trade and Development (UNCTAD). This structure was selected because it corresponds to the global good practice in export support as well as for its transparency.

Overview of pillars and particular areas dealt with under the Export Strategy:

- I. Export intelligence
 - Simplification of access to export-relevant information
 - Trade contacts and statistics
 - Market intelligence and market analyses
 - Infrastructure and human resources for export
- II. Export development
 - Readiness for export and export education
 - Export consulting
 - Export financing
 - Export eco-system
- III. Development of trade opportunities
 - Increasing the demand for Czech exports
 - Export investments
 - Marketing, branding and lobbying
 - Trade policy
 - Problem solving³

The different pillars take into account the already existing services of public and private institutions in the field of internationalisation and export support, and also include new types of export services that have proven effective abroad and which are demanded by exporters in the Czech Republic. **In case of the existing pro-export services and with respect to the activities carried out within the economic diplomacy under the authority of the Ministry of Foreign Affairs, the proposals contained in this Strategy focus on unlocking the full potential of these services and on the already mentioned synergic**

¹ Morgan, R.E., Katsikeas, C.S. (1998): Exporting Problems of Industrial Manufacturers, *Industrial Marketing Management* 27, 161–176.

Bell, J., Crick, D., Young, S. (2004): Small Firm Internationalization and Business Strategy An Exploratory Study of ‘Knowledge-intensive’ and ‘Traditional’ Manufacturing Firms in the UK, *International Small Business Journal*, Vol. 22, 23–56.

² International Trade Centre, www.intracen.org, adjusted to three pillars instead of four according to ITC.

³ Added above and beyond ITC.

effects with other policies pursued by the state. As regards new services, the Strategy emphasises their **targeted nature, efficiency and consistency with the best practice** in developed, highly competitive countries in the world.

Based on the above-described segmentation of the different existing and new services in export support and internationalisation and drawing on the outputs of consultations held with exporters and their organisations, project cards were prepared for each of the pillars, elaborating the individual pillars into specific implementable measures and defining their coordinators and main activities.

The following project cards have been prepared for the particular pillars:

I. Export intelligence

- 1) Centre for shared services and export intelligence (back-office)
- 2) Information One-Stop-Shop
- 3) Global diversification of exports (conceptual management)

II. Export development

- 4) Services for exporters (front office services)
- 5) Export financing and insurance
- 6) International financing resources and development cooperation
- 7) Clusters and pro-export initiatives of self-governing units
- 8) Management and communication platform

III. Development of trade opportunities

- 9) EU trade policy and export to the Single Market
- 10) Optimisation of the foreign network
- 11) Services of the foreign network
- 12) Investments and innovation for goods and services exports

2 Background to Formulate the 2012-2020 Export Strategy

2.1 Summary of Key Factors Affecting the Export Position of the Czech Republic

The Czech Republic is a small open economy, for which exports constitute an essential prerequisite for long-lasting and sustainable prosperity and economic growth. As implied by a range of analyses⁴, the export sectors in the Czech Republic are the driving force behind the increasing productivity and competitiveness of the economy (unlike the sectors which focus primarily on the domestic market). Export has a positive relation to both GDP growth and employment growth, for the low-skilled as well as high-skilled labour force.

As stated in the 2012-2020 International Competitiveness Strategy for the Czech Republic, the existing export success of the Czech Republic was benefiting particularly from two key factors – from the maximum utilization of our position rent⁵ and from the relatively cheap, but qualified labour force. International comparisons⁶ show that our businesses are successful and valued as low- and medium tech⁷ subcontractors, particularly by companies from the EU-15 countries which are the final destination for more than 64% of Czech exports. These two unquestionable qualities of the Czech Republic and Czech businesses attracted a wide range of major foreign investments in the 90's and very shortly after 2000, to become an important motor of Czech economic growth.

At present, however, it is obvious and provable with data that the aforesaid advantages of the Czech Republic are being gradually exhausted to a certain extent. The real unit costs of labour force in the Czech Republic are rising⁸, which results in decreasing the price competitiveness of the Czech Republic and its comparative advantage in the European market. In addition, the international comparison of the International Trade Centre⁹ shows that the Czech Republic significantly lags behind developed countries also as regards non-price competitive advantages. Unfriendly public institutions, corruption, gradually deteriorating infrastructure, deteriorating level of education and insufficient innovation development rapidly shift the Czech Republic down to the category of unattractive and non-perspective countries in the fierce international competition, which can no longer be redeemed in any way by the favourable position in the centre of Europe.

Furthermore, it is essential to bear in mind that foreign direct investments, which helped the Czech Republic to overcome both the period of transformation from the centrally planned economy and turbulence during the 1990's, can change very fast from a comparative advantage of the Czech Republic into a threat to the stability of the Czech economy. The Czech Republic experiences a significant concentration of exports to a few industries linked to foreign manufacturing plants in the Czech Republic (car making industry, electronics and, to a certain extent, also tourism). The high sectoral concentration

⁴ For example NERV (2011): Competitiveness Strategy Framework and Initial Topics, Government Office of the Czech Republic; MIT (2011): 2012-2020 International Competitiveness Strategy for the Czech Republic; MIT (2011): Analysis of Export Support in the Czech Republic.

⁵ "Position rent" means the favourable position of the Czech Republic in the centre of Europe, which suitably connects the markets in East and West Europe, as well as the sufficient physical and information infrastructure allowing businesses operating within the Czech territory to apply efficient logistic and business models.

⁶ For example the comparison carried out using the Lafay index (see the charts below in this document).

⁷ See the approved National Innovation Strategy.

⁸ This is determined by the rapidly rising costs per employee in relation to the relatively slow productivity growth as well as by the appreciation of the exchange rate of the Czech crown.

⁹ Global Competitiveness Index (GCI)

of Czech exports, together with the even more significant territorial export orientation on EU countries make the Czech Republic vulnerable to fluctuations on international markets.

The external conditions of the European and global economy do not show any positive outlooks for the Czech Republic either. Developed countries, which are the main target market for Czech products and services, were severely hit by the global financial and economic crisis in 2008–2009. The eurozone, which is – as already mentioned above – the leading export territory for the Czech Republic, subsequently suffered from an intensive debt crisis in 2010, from which European countries did not fully recover in 2011. Also the banking sector experienced a shock, as did the entrepreneurs, which drove their confidence in the stability of the eurozone sharply downwards.

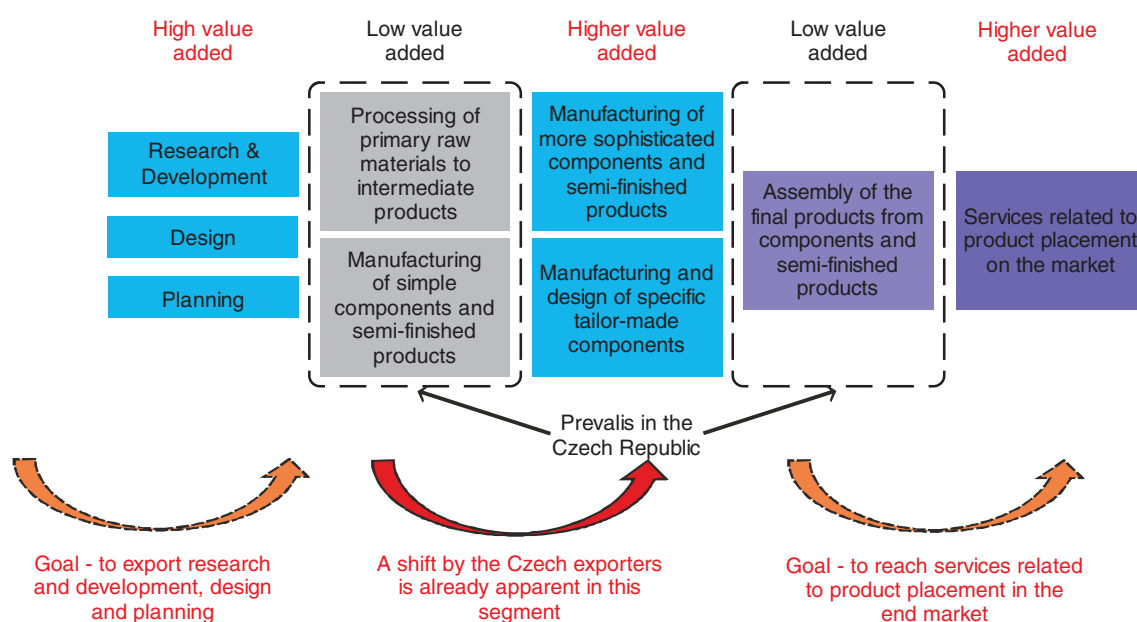
In addition, the outlook of the International Monetary Fund from September 2011 suggests that only moderate improvements can be expected in the following years¹⁰.

¹⁰ <http://www.imf.org/external/pubs/ft/survey/so/2011/res092011a.htm>

3 Vision and Objectives of the Export Strategy

As already mentioned above, **the vision of the Export Strategy is to make maximum use of synergies arising from the pro-export as well as other activities of the state in order to develop such export-relevant services, which will facilitate as much as possible the success of Czech exporters in foreign markets.** In this manner, the Strategy contributes to the wider vision set out by the 2012-2020 International Competitiveness Strategy for the Czech Republic, which wants to push the Czech Republic among the 20 most competitive countries in the world by 2020. The Export Strategy is intended to support exporters in their diversification towards markets outside the EU and in their shift in value chains towards the production of goods and services with high value added (see Figure 2).

Figure 2: Prevailing position of the Czech Republic in the production value chain



Source: EEIP, a.s.

The vision of the Strategy is to further approach the export support and internationalisation instruments from the point of view of a **balanced portfolio of services provided**. One may not neglect the structure and characteristics of Czech exporters (see Figure 3 below) where the main export power is currently constituted by Czech subsidiaries of foreign businesses and by traditional exporters, so far with a very low share of rapidly growing innovative enterprises. The Strategy, particularly in view of its time framework (2012–2020), must open the doors to foreign markets for all types of exporters¹¹ in a reasonable manner. For experienced exporters, these efforts are more likely to include passive measures to facilitate or at least not hinder their further export expansion; for new exporters, particularly the highly innovative ones, the efforts need to focus on active services with a higher share of consulting.

¹¹ This Strategy leans to the classification by the subject nature of the exporters rather than to the standard distinction between SME and large businesses, which represent highly heterogeneous groups in terms of the demand for export services.

Figure 3: Classification of export businesses

Czech subsidiaries of foreign partners	Traditional exporters, well established	Experimental exporters	Born globals
Account for 70% of Czech exports; high share of imports in production	Account for (by estimate) another at least 20-25% of the Czech exports; higher share of imports	Large number of businesses, with low export volumes	Very few businesses, rapidly generate high foreign sales (3-6% according to OECD)
High level of internationalisation - through the group	Gradual strong internationalisation from the domestic market	Low level of internationalisation, often ad-hoc penetration to foreign markets	High level of internationalisation since the start of their business activities
Selection of markets is driven by the Group needs	Supply largely to „psychologically close“ markets	Ad-hoc supplies, but rather to close markets	Supply simultaneously to a larger number of markets (also outside of the EU)
Within the group, they typically belong to the low value-added part of the production chain	Decide on the placing of products in the market, their design, SRI, etc.	Often low value-added industries; the domestic market is the key factor	Often high value-added industries; Foreign demand is the key factor
Successful examples: TPC, Hyundai (large businesses and subcontractors), specifically Škoda Auto	Successful examples: Vítkovice, ZDAS, Tonak (large businesses as well as SME's)	Successful examples: Veba, Bernard (mainly SME's)	Successful examples: Linet, Avast, AVG J4, start-ups

Source: ICC of the Czech Republic based on foreign analyses

In order to accomplish the visions described above, the following objectives and goals were set for the Export Strategy:

- Main objective and specific goals¹²
- Project goals¹³

Main objective of the 2012 - 2020 Export Strategy

- **Increase the number of exporters as well as the volume of exports and their benefits for long-term sustainable growth, employment and revenue for public budgets**
 - Increase per capita exports by 25% by 2020, with a monitoring objective of 12% by 2016;
 - Increase the number of exporters by 15% by 2020¹⁴;
 - Increase the number of exporters amongst small and medium enterprises by 50% by 2020.

Specific goals of the 2012 - 2020 Export Strategy¹⁵

- **Diversify exports bound for countries outside the EU**
 - Increase the volume of exports to non-EU countries, valued in Czech crowns, by 50% by 2020 compared to 2010, with a monitoring objective of 25% by 2016;
 - Double the year-on-year growth rate of exports to non-EU countries compared to EU-bound exports;
 - Increase the number of exporters to non-EU countries by 25% by 2020;
 - Maintain an active balance of trade with EU countries.

¹² Measurable, largely objective goals applicable to the entire Strategy.

¹³ Measurable, objective as well as subjective goals applicable to a specific project under the Strategy.

¹⁴ Most of this increase is expected to be achieved through internationalisation of small and medium enterprises.

¹⁵ While the main objective focuses on the volume of exports and the number of exporters, the specific goals address the basic quality parameters of the Czech exports – in terms of territorial diversity and complexity of exports (value added, diversity). A more detailed structure of the system of goals and measures is provided in the Chapter on Implementation and Monitoring.

- **Shift Czech exporters to higher value-added segments and industries in the value chains**
 - *Double the number of highly innovative exporters (born globals, born creative) by 2020;*
 - *Maintain and increase, where possible, the number of large export projects (above CZK 1 billion) implemented by Czech exporters to an average of 15 projects per year;*
 - *Reduce product concentration by 15% by 2020¹⁶;*
 - *Increase the export volume of services by 20% by 2020, particularly services with high value added.*

- **Make maximum use of the positive synergies arising from the different pro-export activities of the state and the savings generated by the complementarity of the activities, an efficient coordination and cooperation of all stakeholders.**

From the point of view of the Export Strategy, the accomplishment of the main objective is particularly a matter of creating the most favourable business conditions in general. One must realise that most of the Czech exports currently come from foreign-owned companies, which may or may not stay in the Czech Republic depending on its level of business-friendly environment. The basic conditions and measures to improve the business environment in the Czech Republic as well as Czech competitiveness in general in global markets are part of the International Competitiveness Strategy, to which the Export Strategy is directly linked (**3i –export hardware**).

The achievement of the specific goals of the Export Strategy is addressed in the export policy of the state and their particular export instruments (**export software**). Aggregate targets, the accomplishment of which is supported by the Export Strategy as a whole, are identified in the Chapter on Implementation and Monitoring.

Making maximum use of the synergies with other policies and generating cost savings through efficient coordination of all pro-export activities (the so-called “**export orgware**”)¹⁷ form an integral part of the objectives under this Strategy.

For the purposes of the 2012-2020 Export Strategy, it is essential to monitor the accomplishment of the objectives not only over time, but also in relative comparison with our immediate competitors and trade partners (both EU and non-EU countries).

¹⁶ Measured through the Herfindahl concentration index at level 4 for HS figures.

¹⁷ For more details see the Chapter on Implementation and Monitoring.

4 Export Strategy Pillars

The export projects covered by this Chapter are grouped under the following 3 pillars of the Export Strategy:

- I. Export intelligence;
- II. Export development;
- III. Development of trade opportunities.

Each of the 3 pillars mentioned above includes a brief annotation, an overview of the main pro-export activities which are or should be pursued under the respective pillar, and the relevant project cards accompanied with appropriate measures proposed for the 2012-2020 period. They also contain an analysis of their links to the International Competitiveness Strategy (hereinafter referred to as “ICS”) and the National Innovation Strategy, where appropriate.

The individual project cards include a brief description of the current status, identification of the main target group of project beneficiaries, the main activities to be implemented as part of the project and their coordinators, the links to the Competitiveness Strategy, the project objectives and the matrices to measure their achievement. The particular pillars and project cards come together to form the **Export and Internationalisation Action Plan**, which deals with the organisational arrangements for the implementation of the export cards and their interconnection.

4.1 Export intelligence (pillar I)

4.1.1 Brief Summary of the Pillar Contents and Structure

This pillar pays particular attention to the building of “Export Intelligence” – i.e. information sources, databases and relevant analytical instruments for export and internationalisation development. As an integral part, this pillar also includes a selection of the optimum channels to distribute this information to the exporters themselves. Pillar I covers the following 4 groups of pro-export activities of the state:

- Simplification of access to export-relevant information;
- Trade contacts and statistics;
- Market intelligence and market analyses;
- Infrastructure and human resources for export.

The above-described activities are subsequently grouped into 3 sets of specific measures – project cards:

- 1) Centre for shared services and export intelligence (back-office);
- 2) Information One-Stop-Shop;
- 3) Global diversification of exports (conceptual management).

4.1.2 Pillar Objective and its Links to the Export Strategy and ICS Objectives

Pillar I aims at reducing export barriers from lack of information that is available to Czech exporters with respect to foreign markets, opportunities on these markets, and the possibilities to reduce export-related risks.

Pillar I and projects implemented under this pillar contribute to the accomplishment of the following objectives of the Export Strategy:

- **Diversify exports** – by facilitating information about export opportunities on non-EU markets;
- **Shift Czech exporters in the production value chains** – particularly by facilitating information on trends and breaking points in global demands and competitive intelligence instruments.

Pillar I follows up on the ICS measures in the section for Efficiency of Goods and Services Market and Quality Improvement of Business Characteristics (particularly the projects on Business Development Services and Innovative Business Services) and partially in the Innovation section (particularly the Foresight project and technological fields of strategic importance for Czech economic growth).

One of the means to achieve the diversification objectives of the new Strategy is to define priority and special-interest markets for Czech exporters in cooperation with the business sector. These markets are identified based on the growth potential of the economy in the countries in question, the absorption capacity of their markets, measured by their share of the world's imports and their compatibility in relation to the Czech economy. As a general rule, these are large economies offering significant potential for increased Czech exports; markets where Czech goods and services are already known or markets where we need to build our positions and where we lag behind competitors from other countries. It should be noted that the EU continues to represent and also in the future will represent the most important market for Czech exports. Here we thus want to focus on maintaining the current positions and further developing these positions, particularly in the segment of small and medium enterprises.

Twelve priority countries were defined for the first years of implementation of the Strategy: Brazil, People's Republic of China, India, Iraq, Kazakhstan, Mexico, Russian Federation, Serbia, Turkey, Ukraine, USA and Vietnam.

Another target group covers the so-called "countries of interest", with 25 jurisdictions: Angola, Argentina, Australia, Azerbaijan, Belarus, Egypt, Ethiopia, Chile, Ghana, Croatia, Israel, Japan, South Africa, Canada, Columbia, Morocco, Moldavia, Nigeria, Norway, Peru, Senegal, Singapore, UAE, Switzerland and Thailand.

The aforesaid list of priority countries and countries of interest was prepared on the basis of the requirements of business representations. The list shall be periodically updated and evaluated depending on the achievement of the objectives to be accomplished, the world market situation and the needs of the business circles. The definition of these two categories will have no negative impact on the current foreign network. The first comprehensive update will be carried out at the end of 2014, followed by another one in 2017.

4.1.3 Measures Proposed – Project Cards

Based on the above-mentioned analysis of the current status in pro-export activities in export intelligence

and in response to the suggestions of exporters and their organisations expressed during public consultations on the Export Strategy, three project cards were created under this pillar:

- 1) Centre for shared services and export intelligence (back-office);
- 2) Information One-Stop-Shop;
- 3) Global diversification of exports (conceptual management).

- **Centre for shared services and export intelligence (back-office) – project 1**

The export back-office is designed as a shared centre for analytical and data services to develop efficient export intelligence and as a coordination centre, which registers inquiries for export services from the electronic One-Stop-Shop (SINPRO) as well as from regional offices and central offices of export support organisations and from the foreign network. The inquiry registration system will make it possible to adapt the provided export services to the real needs of and for the benefit of the exporters. Consequently, the export back-office will serve not only as a data centre, but also as an operational management centre for pro-export activities, providing information for strategic development of export support.

In addition, the back-office should be in charge of preparing analyses and collecting data to identify changes in the global demand and to prepare underlying materials for the adaptation of export services, distribution of foreign networks of CzechTrade, CzechInvest and MFA economic diplomats and, where applicable, to coordinate activities with CzechTourism, Czech Centres and representatives of the Czech Republic in international organisations.

Efficient functioning of the export back-office is also a prerequisite for the introduction of the One-Stop-Shop system to provide the state's export services, as the activities of the export back-office should be connected to the exporter information services (currently provided mainly through the Export Green Line, the BusinessInfo portal, the CzechTrade and CzechInvest offices and, in an elementary form, also by certain information services of the Embassies), which should be significantly facilitated by the functioning of the export back-office.

- **Information One-Stop-Shop – project 2**

This project is based on the fact that it does not matter to the exporters which institution provides them with export support and internationalisation information; they just want to have easy, fast and comfortable access to this information. For this purpose, to the establishment of an information One-Stop-Shop has been proposed, which will facilitate access for exporters to the maximum extent possible and extend possibilities to obtain all the information they need on foreign trade.

The project is mainly focused on synergies – i.e. the maximum possible use of the already existing information sources and their structuring in a manner so that they can be used by exporters as comfortably and efficiently as possible.

This project falls under the category of quick-win solutions – its implementation is fast, inexpensive, can be carried out in stages, and its positive effects can be reaped relatively fast. In the first stage, it is necessary to plan and prepare an on-line signpost for access to the information part of the One-Stop-Shop, particularly in the form of commented links to the websites of the different pro-export institutions.

● **Global diversification of exports (conceptual management) – project 3**

This project focuses centrally on the conceptual development in relation to the different export regions where the Czech Republic wants to significantly boost its exports. Activities under this project follow up on the operations of the MIT and MFA territorial departments and harmonise them with the overall concept of the Export Strategy. As part of this project, the data and information outputs of the export back-office as well as information obtained through the foreign networks of CzechTrade, CzechInvest, MFA and other institutions should be used to develop territorial strategies, which will, to the maximum extent possible, meet the specific needs of exporters to certain regions; this will be made possible by interconnecting the information on which Czech exporters are already operating on the market concerned with the information on trends in demand and market needs in the relevant region. Consequently, the aim is to have a strategy in place for each and every region that will reflect not only our key export sectors in the region, but also, for instance, the export potential for services, innovations or innovated products (the future perspective dimension). Partial, regional strategies should also take into account the structure of Czech exporters to the relevant region (whether these are traditional, experimental or other exporters, etc.).

This project falls under the category of quick-win solutions, as it practically builds on the activities that are already being carried out by the different export support institutions; nevertheless, it strengthens their interconnection and, thus, also their efficiency. The outputs of this project will provide inputs for the development and implementation of the Export Strategy and for ensuring its links to other policies – such as innovation support and development, foreign policy, development cooperation or energy security.

4.2 Export Development (pillar II)

4.2.1 Brief Summary of the Pillar and Its Structure

This pillar pays particular attention to “Export Development” activities – i.e. development of exporting as such – and to services conducive to this development. These include education, export consulting and, in general, shaping of the export policy and the export eco-system in order to prepare such an environment for Czech businesses in the Czech Republic that will help them be competitive and successful in foreign markets. Pillar II covers the following 4 groups of pro-export activities:

- II.a. Readiness for export and export education;
- II.b. Export consulting;
- II.c. Export financing;
- II.d. Export eco-system.

The projects focus not only on export businesses from the industrial sector, but also on export of services with high value added (such as in ICT, creative industry, consulting, science and research services or tourism).

The above-described activities are subsequently grouped into 5 sets of specific measures – project cards:

- 4) Services for exporters (front office services);
- 5) Export financing and insurance;
- 6) International financing resources and development cooperation;
- 7) Clusters and pro-export initiatives of self-governing units;
- 8) Management and communication platform.

4.2.2 Pillar Objective and its Links to the Export Strategy and ICS Objectives

Pillar II aims at creating the most favourable export and internationalisation conditions for Czech businesses, encouraging their export appetite, particularly as regards non-EU countries, and making potential exporters start with exports.

Pillar II contributes to the accomplishment of the following objectives and goals of the Export Strategy:

- **Increase the volume of exports as such as well as the number of exporters;**
- **Diversify exports** – by facilitating information about export opportunities on non-EU markets;
- **Shift Czech exporters in the production value chains** – particularly through more sophisticated consulting services;
- **Make maximum use of the positive synergies arising from an efficient coordination of pro-export activities and cooperation of all stakeholders.**

Pillar II follows up on the ICS measures in the section for Efficiency of Goods and Services Market and Quality Improvement of Business Characteristics (particularly the projects on Business Development Services and Innovative Business Services) and partially in the Innovation section. At a purely general level, it is also linked to lifelong learning.

4.2.3 Measures Proposed – Project Cards

Based on the above-mentioned analysis of the current status in pro-export activities in export development and in response to the suggestions of exporters and their organisations expressed during public consultations on the Export Strategy, five project cards were created under this pillar:

- 4) Services for exporters (front office services)
- 5) Export financing and insurance
- 6) International financing resources and development cooperation
- 7) Clusters and pro-export initiatives of self-governing units
- 8) Management and communication platform

- **Services for exporters (front office services) – project 4**

The services to be provided by the export front-office should operate on the principle of a One-Stop-Shop – this means that, at least in the first-contact stage, it should not matter which institution the exporter turns to – the exporters should receive equivalent advice and service from all of the institutions. The objective of the project is to ensure that each pro-export institution is able to advise the exporter on the most efficient and cost-effective manner to obtain whatever they need from pro-export institutions. This concerns, for example, situations where a certain service is provided against a fee by the Czech institution, while an EU organisation provides the same service free of charge also for Czech businesses. With the One-Stop-Shop method of functioning, the exporter should be informed

by any pro-export institution about the two possibilities referred to above in order to be able to select the most suitable one.

- **Export financing and insurance – project 5**

Export financing and insurance are the most important instruments of the state's export support for Czech exporters; as a result, a separate project card was dedicated to this topic under the Export Strategy. In general, the consultations held with the exporters revealed their general agreement that export insurance schemes executed by EGAP (Export Guarantee and Insurance Corporation) are crucial for the support of exports bound to countries outside of the EU and need to be developed further. As regards export financing, the consultations showed that it is necessary to stabilise the position of CEB (Czech Export Bank) in relation to both EGAP and commercial banks. From the point of view of extending the accessibility of export financing, there were also demands to introduce IMU (Interest Make-Up) or commercial banks or the possibility for CEB to provide guarantees.

However, the objectives of this project are much broader than the integration of all of the above-mentioned issues related to export financing and insurance. In consistence with the concept of the Export Strategy, this project also addresses wider coordination of financing in export industries – particularly in connection with the financing of industry and innovation development for export. Improved interconnections between financing of the industry and innovation support and pro-export activities will simplify the entire system for exporters, who will then be able to better evaluate which sources are suitable for financing their export projects.

- **International financing resources and development cooperation – project 6**

This project aims at making use of the synergies arising from foreign development cooperation projects and export projects (or CSR projects, where applicable) and helping Czech exporters to participate efficiently in development aid projects (financed primarily by international organisations and the EU). It can be concluded that the Czech Republic does not fully use its potential for participation in foreign development projects, which are financed from the resources of international organizations (particularly EBRD, EIB, World Bank, UN, etc.), to which the Czech Republic itself pays membership contributions.

Furthermore, although there is a range of export support institutions operating in the Czech Republic, a complex coordination system for foreign development cooperation, export and development financing is missing, let alone a system for involving exporters in these activities in the form of CSR. In connection with the above facts, this project is thus focused on facilitating comprehensive information about foreign projects, including arranging for their financing (through FDC of the Czech Republic or international organisations), and on opening new opportunities and projects for Czech exporters in foreign markets. As part of the project, and as an option, it is also proposed to set up a Czech national development financing institution.

- **Clusters and pro-export initiatives of self-governing units – project 7**

The aim of this project is to achieve that self-governing units – particularly large industrial cities and regions – are to a larger extent involved in the export development of Czech businesses. The reason behind this project is the fact that the self-governing units often have a far more detailed view of the capacities and needs of the businesses operating in their territory. The self-governing units can also efficiently contribute to a stronger interconnection between businesses and universities (and other scientific-research institutions), as they are often in regular and close touch with these institutions

and businesses in their territory. The regional or local level appears to be very suitable for the identification and development of clusters and export alliances.

The instruments to implement this project consists primarily in appropriate mechanisms for coordination and regular information exchange between the self-governing units (particularly regions and large industrial cities, as already mentioned above) and central institutions engaged in export and internationalisation support. It is essential for the support strategies for export development and internationalisation at the level of central public administration bodies and at the level of self-governing units to go in the same direction and complement each other.

- **Management and communication platform – project 8**

This project focuses on defining the structure and functions to be carried out by the management and communication platform for the implementation of the Export Strategy and its coordination with other policies – particularly with innovation support, cohesion policy, projects in foreign development cooperation and aid, regional development policies – or, for example, synergy in state promotion and branding and in implementation of ICS projects.

The management platform plays a coordination and communication role and should be the driving force behind the implementation of the Export Strategy and its communication to the public and in relation to key stakeholders. The existence of a management platform, which shall be the forum for regular meetings of all relevant entities, is an essential prerequisite for efficient functioning of the export eco-system.

The management platform should strive to ensure a smooth follow-up of pro-export activities on substantively related activities of the state – such as on industry or innovation support – in order to avoid, for instance, unnecessary wasting of resources. For example, the management and communication platform should ensure processes, which will make it possible to interconnect internationalisation support with seed activities, the export support with industry development financing, etc.

4.3 Development of Trade Opportunities (pillar III)

4.3.1 Brief Summary of the Pillar and Its Structure

This pillar pays attention to 5 areas in the development of trade opportunities. These include, specifically, networking and facilitation of direct contacts between the exporters and their foreign partners, marketing activities and PR of the Czech Republic as well as Czech brands, and last but not least investor-oriented measures – for both domestic and foreign investors. These activities are complemented by the trade policy, which is used to remove free trade barriers, and by the field of solving export-related problems, including prevention programmes. The structure of this pillar according to ITC includes the following groups of pro-export activities:

- III.a. Increasing the demand for the Czech exports;
- III.b. Export investments;

- III.c. Marketing, branding and lobbying¹⁸;
- III.d. Trade policy;
- III.e. Problem solving.

The above-described activities are subsequently grouped into 4 sets of specific measures – project cards:

- 9) EU trade policy and export to the Single Market;
- 10) Optimization of the foreign network;
- 11) Services of the foreign network;
- 12) Investments and innovation for goods and services exports.

4.3.2 Pillar Objective and its Links to the Export Strategy and ICS Objectives

The objective of pillar III is to open the doors for Czech exporters especially to complex non-European markets and to strengthen their position in global production chains, through active networking and building a good trademark of the Czech Republic in world markets. The EU trade policy and the projects to solve export-related problems are implemented to remove obstacles related to foreign trade, further contributing to the development of export opportunities.

Pillar III contributes to the accomplishment of the following objectives and goals of the Export Strategy:

- **Diversify exports** – by facilitating information about export opportunities on non-EU markets and direct contact with the foreign partners;
- **Shift Czech exporters in the production value chains** – particularly through more sophisticated consulting services;
- **Increase in the volume of exports of the Czech Republic;**
- **Make maximum use of the positive synergies arising from an efficient coordination of pro-export activities and cooperation of all stakeholders.**

Pillar III follows up on the International Competitiveness Strategy measures in the section for Efficiency of Goods and Services Market and Quality Improvement of Business Characteristics, and in the Innovation section.

4.3.3 Measures Proposed – Project Cards

Based on the above-mentioned analysis of the current status in pro-export activities in the development of trade opportunities and in response to the suggestions of exporters and their organisations expressed during public consultations on the Export Strategy, four project cards were created under this pillar:

- 9) EU trade policy and export to the Single Market
- 10) Optimisation of the foreign network
- 11) Services of the foreign network
- 12) Investments and innovation for goods and services exports

¹⁸ Added above and beyond ITC

- **EU trade policy and export to the Single Market – project 9**

The aim of this project is to facilitate, as much as possible, the access of Czech exporters to the possibilities offered by the Single Market and the membership of the Czech Republic in the EU in terms of trade policy, as well as by EU delegations abroad and EU institutions and bodies active abroad. This project focuses on three main sectors of activities – on efficient representation of the Czech Republic's interest in the EU common trade policy, on simplification of customs procedures and exports to the Single Market as well as outside of that market and, finally, on more efficient utilisation of the Czech Republic's representatives in various kinds of European institutions. While for the first activity, the common trade policy, one can only recommend further intensive work on the elimination of barriers to reciprocal trade with third countries. The other two sectors of activities proposed under this project are substantially broader based.

- **Optimization of the foreign network – project 10**

The foreign representation network of the Czech Republic managed by MFA in the field of economic diplomacy and foreign trade form the key back-bone infrastructure for export support and internationalisation development of Czech businesses. As implied by the available analyses, the Czech foreign network is complicated and territorially unbalanced. In Europe, for instance, there are often several different foreign offices of Czech public institutions (CzechTrade, Embassy, CzechTourism, Czech Centre, CzechInvest) located in one country; in Africa, Asia or Latin America, on the contrary, the Czech foreign network is insufficient for the needs of efficient export support. The current state of the Czech Republic's foreign network lacks, to a certain extent, the forward-looking aspect – particularly with respect to the expected distribution of world centres of economic growth (which are expected to shift more to developing countries) and development. It is also important to adapt the structure of the foreign network in view of the fact whether it is more suitable for a certain region to have an economic diplomat or a CzechTrade representative present (or both, where applicable). Optimization of the foreign network shall be based on a thorough analysis of benefits and needs to achieve synergies between the different institutions.

Consequently, the project has the following objectives – optimization of the network of foreign economic diplomats and offices of CzechTrade, CzechInvest and Czech Centres, coordination of their activities with CzechTourism, definition of clear rules of cooperation for B2G, G2B and G2G (such as in the form of contractual enshrinement – Service-level agreement - SLA or similar).

- **Services of the foreign network – project 11**

This project is aimed at coordinating the management and development of services provided to the exporters by the foreign network of the Czech Republic in the field of economic diplomacy and pro-export services. The key services of the foreign network include, in particular, activities under economic diplomacy, promotion of the Czech Republic, lobbying for Czech interests, networking activities for the benefit of exporters (e.g. incoming missions, exhibitions and fairs, etc.) and their integration into a single functional system.

As the foreign network is the most valuable component of the pro-export infrastructure the Czech Republic has at its disposal, it is vital to use its capacities as efficiently as possible, emphasising the strengthening of positive effects on exports and exporters.

- **Investments and innovation for goods and services exports – project 12**

The aim of this project is to make the Export Strategy an efficient complement to innovation support projects and projects designed to attract both domestic and foreign investments into Czech export industries producing goods as well as services. The project consists of three main parts – services for Czech subsidiaries of foreign businesses (including aftercare, development of cooperation with domestic subcontractors and strengthening of further investments in the Czech Republic, particularly into activities with higher value added), the development and subsequent implementation of an investment promotion plan (particularly for investments into cutting-edge production technologies for export – for domestic companies) and, finally, attracting investments and both Czech and foreign capital into highly innovative, export oriented businesses in the Czech Republic.

5. Implementation of the Export Strategy

A fundamental prerequisite for the accomplishment of the objectives of the Export Strategy is to have defined appropriate implementation mechanisms to put it into practice and a monitoring system for the progress of the goals set under the Strategy. This Chapter summarises the basic stages of the Strategy implementation process and the proposed system of indicators to monitor their results. The Strategy is scheduled to cover the period of 2012–2020, which is a relatively long period from the point of view of foreign trade. For this reason, two controlling points are foreseen to update the Strategy, namely in 2014 and 2017. A period of three years appears to be an adequate horizon for evaluation and adjustment of the objectives defined in the Strategy depending on the economic cycle, the development of global demand and the activities of other countries¹⁹. At the same time, the period of three years allows for the evaluation of all implemented measures (i.e. also those, the effects of which become apparent with a certain time lag only).

5.1 Implementation

Based on the final consultations with key stakeholders, the first preliminary step to implement the Strategy, even before it is submitted to the Government, is to draw up the respective project cards for the proposed projects that will serve as a specific roadmap to implement the projects into practice. Particularly the organisation of the back-office activities seems to be crucial. The back-office shall act as the executive body in the implementation of the Export Strategy, monitoring and managing the whole implementation process and verifying its progress against developments in foreign demand and the exporters' needs. Another key component is to establish a management and communication platform, which is a basic prerequisite for the maximum use of synergies between various policies to support export and internationalisation.

Depending on the progress of the external commenting procedure and the Government's discussions (and following further public consultations, if necessary²⁰), the comments shall be incorporated in the Action Plan so that the implementation of the different measures can be prepared immediately after the approval of the Export Strategy by the Government.

Given that the Strategy directly follows up on and, in some areas, even overlaps with the International Competitiveness Strategy, the implementation of these two strategies must be interconnected. With this respect it is proposed to hold, at regular intervals, information exchange sessions between the implementation departments of MIT (back-office and the International Competitiveness Department) and to ensure personnel links between the management and communication platform and the Government Council for Competitiveness and Information Society (RVKIS) and their working committees (the steering body of the International Competitiveness Strategy and its executive services). This will ensure strong complementarity between the projects and avoid funds being spent on duplicate measures, etc. This mechanism should link the measures under the pro-export "software" and "orgware" with the "hardware" – i.e. with the measures aimed at increasing the international competitiveness of the Czech Republic.

¹⁹ Particularly those whose exporters compete directly with Czech exporters.

²⁰ As part of the preparations of the Strategy, three round tables have been held so far on the Export Strategy, as well as several meetings of expert commissions.

List of abbreviations

CI	CzechInvest
CSR	corporate social responsibility
CT	CzechTrade
CTou	CzechTourism
CC's	Czech Centres
CEB	Czech Export Bank
CZDA	Czech Development Agency
CZDFI	Czech Development Financial Institution
CZSO	Czech Statistical Office
EDFI	European Development Finance Institutions
EEN	Enterprise Europe Network
EGAP	Export Guarantee and Insurance Corporation
OP	Office of the President
MF	Ministry of Finance
MC	Ministry of Culture
MRD	Ministry for Regional Development
MD	Ministry of Defence
MIT	Ministry of Industry and Trade
MLSA	Ministry of Labour and Social Affairs
MEYS	Ministry of Education, Youth and Sports
MI	Ministry of the Interior
MA	Ministry of Agriculture
MFA	Ministry of Foreign Affairs
Regions	regions and regional development agencies
ICS	International Competitiveness Strategy
TACR	Technology Agency of the Czech Republic
IPO	Industrial Property Office
SRI	Science, Research and Innovation
FDC	Foreign Development Cooperation