



UNIVERSIDADE CATÓLICA PORTUGUESA

Economic diplomacy in action

The case of the Embassy of Portugal in the Czech Republic

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by

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Resumo

A diplomacia económica tornou-se um instrumento-chave para a política externa dos governos e para a promoção dos interesses de um país no exterior. A evolução do conteúdo económico da diplomacia levou à intervenção de novos atores (p. ex., organizações internacionais, empresas multinacionais). Apesar da intervenção de atores não-estatais, existe um forte consenso sobre o impacto global da diplomacia económica através do setor público. Tanto quanto eu poderia descobrir, não existem estudos sobre o papel das embaixadas portuguesas. Este trabalho tem por objetivo analisar o papel da embaixada Portuguesa, incluindo a delegação local da AICEP na concretização dos principais objetivos da diplomacia económica Portuguesa na República Checa. É adotada uma estratégia de investigação qualitativa, aplicando-se o método de estudo de caso para compreender o papel que ambas as organizações assumem. Informação recolhida durante os 5 meses de estágio e entrevistas a empresas Portuguesas com investimentos na República Checa são as principais fontes de informação. A ausência de uma delegação da AICEP na República Checa levou ao crescente papel da embaixada no apoio às empresas Portuguesas. A falta de recursos humanos na embaixada e a distância geográfica à delegação da AICEP em Varsóvia são consideradas grandes limitações em relação à promoção e ao apoio nas relações bilaterais comerciais e de investimento entre os dois países. Concretizar objetivos de diplomacia económica exige recursos. Após a eficiente utilização dos recursos públicos (combinando os recursos das delegações da AICEP com os das embaixadas), faria sentido aumentar a cooperação com atores privados, tais como as Câmaras de Comércio bilaterais e associações empresariais. **Palavras-chave:** Diplomacia Económica, Investimento Direto Estrangeiro, Agência de Promoção do Investimento, Embaixada.

Abstract

Economic diplomacy has become a key instrument of Governments' foreign policy and of the promotion of a country's interests abroad. The evolution of the economic content of diplomacy led to the intervention of new actors (e.g. international organizations, non-profit organizations). Despite the intervention of non-state actors, there is a strong consensus on the overall impact of economic diplomacy through the public-sector. As far as I could find out, there are no studies about the role of the Portuguese embassies. This work aims to analyse the role of the Portuguese embassy and the local delegation of AICEP in achieving the main goals of Portuguese economic diplomacy in the Czech Republic. A qualitative research strategy is adopted, applying the case study method to comprehend the role assumed by both organizations. Information collected during the 5 months of the internship and interviews of Portuguese firms with investments in the Czech Republic are main sources of information. The absence of a physical presence of the AICEP delegation in the Czech Republic led to the increasing role of the embassy at supporting Portuguese firms. The lack of human resources at the embassy and the geographic distance to AICEP's delegation in Warsaw are considered to be major constraints regarding the promotion and support of bilateral trade and investment relations between the two countries. The achievement of economic diplomacy goals requires resources. After looking for a greater efficiency in the use of public resources (combining the resources of AICEP delegations with the embassies' resources) it would make sense increase the cooperation with private actors, such as bilateral Chambers of Commerce and business associations. **Keywords:** Economic Diplomacy, Foreign Direct Investment, Investment Promotion Agency, Embassy.

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Chapter 1

Introduction

The present thesis's main purpose is to comprehend what is the role of the Portuguese embassy and the local delegation of AICEP in achieving the main goals of Portuguese economic diplomacy in the Czech Republic. As far as I could find out, there are no studies about the role of the Portuguese embassies. At the same time there is an increasing interest on the potential of economic diplomacy for internationalization and growth (Bergeijk, Okano-Heijmans, & Melissen, 2011).

Economic diplomacy is considered as a plural set of practices that aim to improve a home country's economic interests abroad.

In a context of international relations, innovation and new technologies of communication and information between different economies, the States are no longer considered the only performers of economic diplomacy. Barston (2006), Bayne & Woolcock (2011), Saner & Yiu (2003) argue the emergence of non-state economic diplomacy actors. International organizations, non-profit organizations, multinational enterprises and different civil society groups, also play a fundamental role as performers of diplomacy.

Despite the emergent intervention of non-state actors, there is a strong consensus on the overall impact of investment facilitation and promotion through the public-sector. Stopford, Strange, & Henley (1991) believe that the evolution of the economic diplomacy concept led to a stronger relationship between Governments and firms.

Governments' priority is the development and improvement of their economies and Foreign Direct Investment (FDI) contributes to growth. Also, Investment Promotion Agencies (IPAs) have emerged in several countries as a

popular tool and as key institutions to promote and attract foreign investment, and the majority of the worldwide IPAs were created by national Governments (Zanatta, Costa, & Filippov, 2006).

Firms internationalize to seek resources, markets, efficiency, strategic assets and competitive positioning. Their location decisions are influenced by national Governments' policies and IPAs activities (UNCTAD, 2001). Within the Government, embassies are highlighted as the foreign representative of a country's goals abroad. Throughout the years, the coordination activities among embassies and IPAs has become more common. The evaluation of IPAs' services is important to improve their quality and efficiency (UNCTAD, 2008).

This work is structured as follows. Chapter 2 discusses the economic diplomacy concept and its evolution through time. It also presents a comparison between five economic diplomacy models: three European countries considered to have efficient models – Germany, France and the United Kingdom – and two other countries that constitute the basis for this work – the Czech Republic and Portugal. The comparison of the main strategic lines between the five models, delivers conclusions on the efficiency of the Portuguese model and how it could be improved in the light of the methods adopted by the three countries of reference. Chapter 3 focuses on the role of embassies and IPAs in economic diplomacy. The latter section analysis firms' decisions when choosing a location to invest abroad, and the Governments' measures to facilitate and attract firms' investments. The method adopted is presented in Chapter 4, focusing on the research question of this thesis and on the explanation of the procedures adopted to produce the results of this research. Chapter 5 addresses the economic relations between Portugal and the Czech Republic, analysing external trade data and FDI flows between the two countries. A description of the activities developed during the internship and the results of the two interviews made to Portuguese firms with investments in the Czech Republic are the last part of this

chapter. The role of the Portuguese embassy in the Czech Republic, discussing how the economic diplomacy goals are defined by the embassy and the activities developed regarding to the foreign direct investment attraction and promotion is the main goal of this chapter. Lastly, Chapter 6 presents the conclusion with final recommendations about what can be done to improve the relationship between the embassy, AICEP and firms.

Chapter 2

Economic diplomacy

The reinforcement of economic diplomacy has been one of the main axes of action of the foreign policy of Governments. The internationalization of the economy, the promotion of exports and a country's brand, and the attraction of foreign investment are central concerns of economic diplomacy.

In this chapter I will address the concept of economic diplomacy and its evolution through time. The presentation of different economic diplomacy models and examples of some European best performers, will serve as a benchmark to evaluate the Portuguese model efficiency. The analysis and comparison of different dimensions of economic diplomacy models allows us to conclude which are the main characteristics of an efficient model.

2.1. Concept and its evolution

The process of globalization, liberation and internationalization of trade, generated a major interdependence between the Government and the Economy and consequently created different traditional patterns of diplomacy and external policy.

After the Cold War, the diplomatic relations main focus is on the economic arena of diplomacy on prejudice of issues related to politics and security.

Barston (2006) refers to diplomacy as a concept that goes beyond the political-strategic relations. The author believes that diplomacy should not be limited to foreign ministries and diplomatic personal services. Moreover, Barston (2006) claims the following: "rather, diplomacy is undertaken by a wide range of actors, including "political" diplomats, advisers, envoys and officials from a wide range of "domestic" ministries or agencies with their foreign counterparts, reflecting its

technical content; between officials from different international organizations such as the International Monetary Fund (IMF) and the United Nations (UN) Secretariat, or involving foreign corporations and a host government transnationally; and with or through non-governmental organizations (NGOs) and “private” individuals” (p. 1).

Bull (2012) and Bayne & Woolcock (2011) agree that the concept of diplomacy consists on the conduction of relations between Sovereign States and other entities, held by official agents through peaceful means.

Build on the definition of diplomacy suggested by Bayne & Woolcock (2011), Moons & Bergeijk (2013) define the new economic diplomacy as “a set of activities (both regarding methods and processes for international decision making) related to cross border economic activities (export, import, investment, lending, aid, migration) pursued by state and non-state actors in the real world”

In a context of international relations, innovation and new technologies of communication and information between different economies, the States are not considered the only actors on international economic relations. Nowadays, international organizations, non-profit organizations, multinational enterprises and different society agents, play a fundamental role in the diplomatic arena.

The post-modern¹ nature of diplomacy is characterized by the simultaneous participation of multiple state and non-state actors (Melissen, 1999). New entrants represent different organizations of local, national and international interests to the diplomatic arena with divergent diplomatic roles. Saner & Yiu (2003) refer that additionally to national state actors (economic and commercial diplomats), the post-modern diplomacy also includes non-state actors

¹ Post-modern diplomacy can be defined as “the mechanism of representation, communication and negotiation through which states and other international actors conduct their business”(Melissen, 1999) According to Saner & Yiu (2003), the term post-modern concerns to “developed countries where the distinction between internal affairs and foreign policy has been increasingly replaced by a multi-actor participation in diplomacy, foreign economic relations and public affairs.”

(corporate, business, national NGO and transnational NGO diplomats), sub-national actors – e.g. regions like Länder of Germany - and supranational actors – e.g. European Union and NAFTA.

According with Saner & Yiu (2003), economic diplomacy concerns to economic policy issues such as the work of delegations of standard setting organisations such as World Trade Organization. Economic diplomats are responsible to report and monitor economic policies in foreign countries and provide advice to the home government on how to best influence those policies. On the other hand, commercial diplomacy comprises the work of diplomatic missions in support of the home country's business and finance sectors in their pursuit of economic success and the country's general objective of national development.

Saner & Yiu (2003) argue that the non-state actors of post-modern diplomacy integrate: the corporate diplomacy, which “consists of two organizational roles considered to be critical for the successful coordination of a multinational company, namely that of a country business unit manager who should be able to function in two cultures: the culture of the business unit, and the corporate culture that is usually heavily affected by the nationality of the global corporation; and that of a corporate diplomat who as a home country or other national who is impregnated with the corporate culture, multilingual, from various occupational backgrounds, and experienced in living and functioning in various foreign cultures.” (p.15); the business diplomacy that relates to the management of interfaces between a global company and its multiples non-business counterparts and external constituencies; the national NGO diplomacy, which focus on the interests of civil society in the economic sphere and on various constituencies ranging from consumer protection, anti-corruption to shareholder groups and environmentalists; and the transnational NGO diplomacy, that organises advocacy events and lobbies activities at cross-border levels, where

transnational NGO diplomats operate at an international level, including organisations such as Greenpeace.

The process of globalisation has highlighted the importance of new actors in diplomacy as described above, and the actual economic diplomacy is viewed as an enlarged concept, where embassies, consulates and other non-state actors play an important role supporting the diplomatic subjects. Government's entities should play an active role as a means of supporting and promoting the internationalization of the economy and consequently of the enterprises, but the private sector itself should also have a role in economic diplomacy.

Saner & Yiu (2003) agree that nowadays economic diplomacy has an enlarged role and intervention, although diplomacy is still treated as an exclusive domain of the Ministry of Foreign Affairs. The authors suggest a decentralisation of power, by proliferating diplomatic activities through other ministries and non-state actors. Additionally, with their study, they conclude that in the post-modern economic diplomacy, the Ministry of Foreign Affairs and state diplomats are more reachable, outgoing and inclusive, constantly searching for the inclusion of other actors from ministries or even non-state actors.

On an international level basis there are identified three different types of economic diplomacy. The economic diplomacy on a bilateral level, refers to two representatives of the same Government that cooperate with each other, meaning that diplomacy occurs between the Government and Chiefs of State, Embassies and Consulates (Magalhães, 1996). Although, the latest author also refers the existence of a multilateral level on economic diplomacy, that is proceeded collectively between representatives of various States through conferences or international organizations. Economic diplomacy may be also seen on a regional level (Barston, 2006). The author refers to the establishment of economic organizations to solve conflicts in a certain region, as the European Union and NAFTA.

This thesis adopts the concept of economic diplomacy according to Moons & Bergeijk (2013).

2.2. Dimensions of economic diplomacy models and a benchmarking approach

This section aims to define the main strategic lines of an efficient and effective economic diplomacy model. Therefore, a benchmark of some of the most effective models adopted by European developed countries, will be addressed. The selected best-practice countries are Germany, France and the United Kingdom², since these countries have achieved important outcomes on the investment and trade fronts, within the Europe. The models of the Czech Republic and Portugal are also studied, as both countries constitute the centre of analysis in this thesis.

Most developed countries and even emerging countries have their models of economic diplomacy. The implementation of a strategy to guarantee the potential of embassies and consulates in supporting businesses' internationalization, promoting the country's image abroad, and attracting foreign investment differs among countries. Economic diplomacy models are widely used, and have formed the basis for policy advice on investment and trade relations.

In order to comprehend an economic diplomacy model, the following three dimensions will be analysed for each model: A) Management³ and execution

² The analysis of the economic diplomacy models of Germany, France and the United Kingdom, is based on the report "Benchmark standardisation" of Barneveld et al. (2014), since its sources are retrieved from interviews with representatives of a Ministry or Agency responsible for foreign economic services, in each country. Key documents, websites of agencies and Ministries in each country's language, thesis, and dissertations were also explored in the authors' work. This report was elaborated by external consultants in the different countries.

³ Management actors refer to Governmental entities that define and administer the economic diplomacy for each country – e.g. the Ministry of Foreign Affairs.

actors; B) Activities employed; C) Monitor and evaluation methods used to assess the performance of economic diplomacy.

A. Management and Execution Actors

Historically, the role of non-state actors such as non-governmental organisations (NGOs), international businesses, and civil society groups in multilateral diplomacy have not been an active one. In recent years however, several factors have influenced their participation, especially in multilateral diplomacy. The growing number of non-state actors, as well as the development of communication technologies, allowed a better organisation, co-ordination worldwide and more effective advocacy of NGOs. The recognition by Governments and international organisations that non-state actors have vital information and can make a valuable contribution to global change, led to their increased participation in economic diplomacy (Valencia, 2006).

With the emergence of these new actors, the application of economic diplomacy can be described by the triangular diplomatic model, introduced by Stopford, Strange, & Henley (1991) and Strange (1992), which distinguishes three relationship dimensions. The model focuses on the analysis of relations between state and non-state actors, particularly between Governments and companies. The concept of triangular diplomacy establishes three levels of negotiation: Government-Government, enterprise-enterprise and Government-enterprise, although it can also include international organizations.

Stopford et al. (1991) investigated the process of negotiation and decision-making between Governments and enterprises at investment projects in several developing countries. Based on these findings, the authors argue that the proximity between Governments and businesses is not new, but the evolution of diplomacy intensified this relationship. Currently, the negotiations and its rules are not confined to the borders of states and argue that these are held on a

triangular base. This condition stems from changes in post-modern diplomacy actors, which currently includes the traditional actors such as Ambassadors and Ministers of Foreign Affairs, but also members of other Ministries and executives of local and multinational companies. These economic diplomatic agents conduct bilateral and multilateral negotiations.

For the authors of the triangular diplomacy model, the benefits of foreign direct investments can only be achieved with Government intermediation, especially in developing countries, to the extent that Transnational Corporations are the owners of capital and technology.

The presence of the private-sector in the economic diplomatic services is growing, but the Ministry of Foreign Affairs remains the most involved part in the management of the policy objectives. The Ministry of Economic Affairs is also a usual manager of economic diplomacy, although some countries emphasize the inclusion of other ministries as that of Education, Business and Growth and Innovation (Barneveld, Dani, Kovacs, & Teichler, 2014).

The execution of economic policy is made by a diverse set of actors and agencies, either private or public:

- Governments execute economic diplomacy by means of diplomatic representations through **embassies and consulates**. The public actors report to the ministry responsible, usually the Ministry of Foreign Affairs;
- **Investment Promotion Agencies (IPAs)/Investment Promotion Intermediaries (IPIs) & Export Promotion Agencies** – are specialized agencies generally established by the Government to perform economic diplomacy activities and work with other state-actors of diplomacy. These agencies may also be, occasionally, a non-profit organization with similar functions of a chamber of commerce or a business consulting corporation.

- **Chambers of Commerce** are private enterprises' associations that particularly promote the development of its affiliates nationally and internationally. Their role in economic diplomacy is enlarged by partnerships established with Governments. Chambers of Commerce motivate Governments and companies to permanently seek new markets and areas of economic activity.
- **Non-Governmental Organizations (NGOs)** are important non-state actors operating at a national, regional and transnational levels on economic, social and political issues (Saner & Yiu, 2003). NGOs are moving into the policy domain of economic development, and becoming extremely active supporting policies and strategies regarding foreign direct investment and rural development. Transnational NGOs are seeking collaborative relationships with Governments and business alike (Saner & Yiu, 2003).
- **Enterprise actors** attempt to influence economic and political decision makers and interact with NGOs and other civil society groups who are also concerned about the business conduct of companies.

The role of embassies and IPAs will be further address with more detail in chapter 3.

B. Activities employed

As the main goals of economic diplomacy are similar in several countries, the majority of the countries implement the same activities (Barneveld et al., 2014). These authors also argue that economic diplomacy addresses mainly the following activities: promote the domestic economy; attract foreign investments; support firms' internationalization; improve economic relations and trade policy; stimulate exports; supply market information; organize network events; promote the home country's brand.

The authors Saner & Yiu (2003) believe that the post-modern diplomats distinguished in the previous subsection (economic, commercial, business, corporate, national and transnational NGOs), perform the following common tasks of economic diplomacy:

- Deal with their respective customers – Governments, companies, civil society;
- Conduct bilateral and multilateral negotiations;
- Coordinate international public relations campaigns;
- Collect and analyse pertinent information emanating from host countries and international communities;
- Scan the environment;
- Reach out to the opinion makers of their respective communities, societies and/or international communities.

Barston (2006), defines the tasks of economic diplomacy as the following:

- Represent the diplomatic circuit;
- Advise the sending Government;
- Prepare the basis for a policy or new initiatives;
- Reduce the conflicts on bilateral or multilateral relations;
- Contribute to the order and orderly change;
- Create, develop and change the international standards of legislative and regulatory type, which provide structure to the international system.

C. Evaluation of economic diplomacy activities

Methods of evaluation referred in this part apply to Government and non-government specialized agencies that promote economic diplomacy goals.

To monitor and to evaluate the effects of economic diplomacy are not easy tasks. The effects are not clear on either an enterprise – many are the factors

which affect a firm's performance – or a nation's economic performance. Most countries measure the effects on economic diplomacy by adopting different indicators (Barneveld et al., 2014).

Often, the monitoring and evaluation is based on **surveys of customer's satisfaction**, through interviews and/or questionnaires made to clients. **Activity indicators** as the number of information publications, number of contacts made per year and the amount of time spent per client, are also widely used to evaluate economic diplomacy performance. Another instrument to analyse agencies' performance is the use of **general statistical indicators**. Some examples are the number of attempts made to start a successful business, the amount of days necessary to set up a business abroad.

These methods to certify the quality of agencies are implemented by most of the countries to generate knowledge about how customers and employees evaluate the services provided by the agency, in order to improve the services and functioning of this organization (UNCTAD, 2008).

2.2.1. The German economic diplomacy model

The economic diplomacy in Germany follows a decentralized approach due to its federate nature of Government. The different States have the freedom to pursue their own economic agenda and have their own actors accordingly. The combination of public & private efforts – where the Chambers of Commerce play a distinct role – and Federal & Länder (German Federal States) activities are what most characterizes the German economic diplomacy.

Germany follows a distinct form of economic diplomacy conducted by its foreign policy, this is, the Federal Government prefers not to use the term “economic diplomacy” and instead uses “external economic promotion” or “external economic policy”.

This model is slightly different from all the others, since it is based on the Chambers of Commerce – Public-Private Partnerships (PPP) that are co-funded⁴ by the Federal Government and participating enterprises – with the support of Länder (German Federal States).

Germany presents explicit programs to support the internationalization of enterprises by establishing German Centres that provide business services to SMEs (Small and Medium Enterprises).

At a Federal level, relating to external economic promotion, there are five main policy makers that have their own agencies or missions:

- Federal Foreign Office (FFO) – agency that pursues its policy through diplomatic means at multilateral (United Nations, World Trade Organization, World Bank and European Union) and bilateral levels. The FFO establishes the overall policy for German representations abroad and their interests, including economic interests. The main goal of this policy is to promote economic prosperity in Germany in close cooperation with other EU member states.
- Federal Ministry for Economic Affairs and Energy – defines the economic and innovation policies. This Ministry supports German companies in foreign markets and promotes the foreign investment in Germany. It works through the Chambers of Commerce and a Federal agency for investment promotion – Germany Trade & Invest.
- Federal Ministry for Research and Education - promotes cooperation between German researchers and foreign research institutes, attracting academic talent to Germany. This Ministry works through high-level diplomats based in missions around the world.
- Federal Ministry for Economic Cooperation and Development – contributes to external economic policy, supporting the activities of

⁴ German firms are obliged to contribute.

private companies for development, especially in sub-Saharan Africa. The Ministry works through its own agency - German Development Agency - with the support of the state group KfW Banking Group and through diplomatic representations abroad.

- Federal Ministry of Food and Agriculture – aims to promote the agricultural sector and the agro-industrial business of German companies.

The Federal States conduct an independent foreign policy and each of them are in charge of promoting commerce and attracting investment in the particular Federal State. German economic diplomacy actors can be distinguished according to the level of Federal or State and the Ministry directing or financing the activity of each of them.

German Chambers of Commerce (GCC), Germany Trade & Invest that cooperates with the Chambers of Commerce, German Centres and German Missions Abroad execute the external economic policy.

The GCC are in 90 countries with 130 locations worldwide, employing 1700 people. GCC are financed through membership fees and can adopt three organizational forms: bilateral, where it is governed by its member companies and holds an office in Germany and in the host country; delegation or representation, which are direct subsidiaries of the Association of German Chambers of Industry and Commerce. Its activities are grouped into five categories: market entry, market information, law and taxes, human resources and trade fairs. GCC works in cooperation with other private and public associates – industry associations, trade fair organizations, regional and local associations, embassies and consulates, the offices of Germany Trade & Invest. Another perk of GCC is that besides supporting enterprises to expand abroad, it also aids companies to foment its local businesses in Germany.

Germany Trade & Invest services offered include “up-to-the minute foreign trade information” for firms based in Germany that look to expand their business abroad. Its services consist on: country reports, market and industry reports, business and tax law information, customs and tariff conditions, international project notifications, calls for tender and business contacts, and practical business information. The work of Germany Trade & Invest with GCC is divided in a way that the former focus on general information concerning the expansion of firms abroad, and the latter focus on specific information regarding contacts and consulting in the target country.

German Centres provide business spaces in foreign countries at lower rates than the market for Germany's SMEs looking to do business abroad.

German Missions Abroad closely cooperate with European Union partners to address several topics, such as non-tariff barriers. The missions, support companies to gain market access and advise them on political particularities of the host-country. German Missions Abroad also give general political support to further the interests of Germany and European Union. The political support of the missions is complemented with the services provided by the GCC.

Germany external economic policy has not been monitored and evaluated. However, in 2014 the Federal Ministry for Economic Affairs and Energy requested an evaluation of the work done by the GCC and it is planning a similar evaluation of the Germany Trade & Invest. Concerning the evaluation of the German Missions Abroad, there is no available information.

The Association of German Chambers of Industry and Commerce evaluate GCC on a yearly basis. Nevertheless, performance and quality indicators were not covered on the evaluation and instead, it focused on issues of compliance. The evaluations are based in the annual reports of each Chamber of Commerce. Additionally, the Association of German Chambers of Industry and Commerce and the Federal Ministry for Economic Affairs and Energy have staff responsible

for control missions, in order to guarantee that the GCC is working accordingly to the legal requirements.

There is no available evaluation of German Centres and the Germany Trade & Invest has not been evaluated (Barneveld et al., 2014).

In summary, the main feature of the foreign economic policy of the Federal Republic of Germany is the combination of public and private efforts at the federal level and at the level of Länder (German federal states). In addition to the German Missions Abroad and the Germany Trade & Invest, both with a mission to attract investments, the GCC plays a distinct role in foreign economic policy, with a mission to support the expansion of German companies abroad. Lastly, the German Centres serve as business incubators for SMEs in a foreign country.

2.2.2. The French economic diplomacy model

The French economic diplomacy has adopted a centralized approach. Recently, in 2014, there have been some mergers between the French actors of economic diplomacy, in order to reduce their number and centralize better the activities of diplomacy.

The main actors involved in policy making are the Ministry of Economic and Financial Affairs (DG Trésor) and the Ministry of Foreign and European Affairs (MAEE). Additionally, regional and local authorities have their own projects that are complementary to Government action.

Concerning the management of French economic diplomacy, the DG Trésor, MAEE and the Ministry of Foreign Affairs (MFA) are responsible for it. The MFA and the MAEE have created the International Trade and Business Department (DEEI) to adjuvant the action plan for economic diplomacy.

Several agencies provide support to execute the economic diplomatic services by offering their assistance to foreign and domestic businesses. Those agencies are:

- Ubifrance – is the main actor supporting the internationalization of French companies, but it is the only agency that demands a payment for its services mainly because of its more complete range of services and the guaranty of a quality service with qualified specialists in market analysis. Ubifrance offers a wide range of services and products for French businesses willing to export or to develop activities abroad. These services can be classified into the following categories: i) information on markets and sectors; ii) prospection of markets; iii) communication on markets; iv) organization of trade missions and events; and v) provision of human resources locally through the program Volunteer for International Experience⁵ (VIE).
- The Chambers of Commerce and Industry (CCIFE) – provides similar services as Ubifrance but CCIFE offers services and products at an international and multilateral level, with a foreign presence in 81 countries, and it does not charge for the support delivered. CCIFE activities and services are: administrative procedures (certification of documentation for exported products); information on international trade techniques; individual meetings with a country expert to discuss the market potential, and networking; market research and/or studies; thematic meetings moderated by international development advisers; information on public financial support to export; organization of business clubs/business networking on common issues. CCIFE also organizes international events and forums to support information exchange among firms that share the same interests.

⁵ Created in September 2001 under the aegis of the Ministry for Foreign Trade to promote French export abroad, the V.I.E programme is managed by Ubifrance. The programme reinforces the international development of French companies, while offering young graduates an opportunity to benefit from a formation experience abroad (Business France, 2016b).

- Economic Services – are attached to French embassies and report to the DG Trésor and the Ambassador. Economic Services activities consist on: set-up of large investment contacts in a foreign country; perform business intelligence services, provide general information on the host-country and its economic situation, elaborate sectoral analysis and assess the country's risk, analyse the market conditions in terms of competitiveness policy and signal emergent obstacles on trade, security issues, corruption. Economic services also organize trade missions and events, and moderate economic, financial and trade bilateral relations.
- Invest in France Agency (L'Agence Française pour les Investissements Internationaux – AFII) – manages its domestic and foreign activities by branding France as an attractive partner for business and attracts foreign direct investment to France. The services provided by this institution include: general information about France (main industrial sectors, business environment regarding the tax system and the rules of the labour market), support the actions of research and innovation, innovation clusters; guidelines for the creation of companies in France; collection and publication of testimonials and successful stories in France and examples of FDI projects; expert advice and detailed information about the laws that apply to an investment, the right to state aid and financial advantages available for projects; assistance to speed up procedures and to contact relevant Government departments; help with staff relocation, including support with administrative formalities.
- French Regional and Local Authorities – their projects receive support from the Government and from other agencies (Ubifrance, IFA and the CCIFE) and the Local authorities are major actors of French economic

diplomacy. The activities developed by these authorities support French companies exports, organizing trade missions and events.

One result of the mergers between French actors happened in 2015 between Ubifrance and the Invest in France Agency, establishing the Business France national agency that works with a network of public- and private-sector partners.

Business France is present in 70 countries throughout the world, supporting the international development of the French economy and it is responsible for fostering the export growth by French businesses, as well as promoting and facilitating international investment in France. It promotes France's companies, business image and nationwide attractiveness as an investment location, and also runs the VIE international internship program (Business France, 2016a).

Since 2009 the embassies are not responsible for providing assistance to companies that want to expand it or start a business abroad, but only try to understand the needs of these companies and direct them towards specific operators. Although, if it refers to large investment contracts and litigation proceedings, embassies play an important role in supporting firms.

Services' performance is not evaluated by DG Trésor neither by the Ministry of Foreign Affairs. Thus, there are no performance indicators set or published. The Ministry of Foreign and European Affairs and DG Trésor mostly collect activity indicators from embassies. For example, the following indicators are highlighted: the number of forum and events organized; the number of SMEs supported in foreign markets; the number of companies requesting countries analysis.

It is difficult in economic diplomacy to define indicators that measure its impact. For example, a successful export or the signature of a major investment contract is the result of combined factors and actions of various stakeholders. Therefore, it is challenging to say that the action was successful because of the support of an actor. Formerly, it becomes complex to set a performance

evaluation system designed for economic diplomacy, especially when there are various actors involved.

However, France has a report from the parliament – Bentejac Desponts report – published in June 2013, which focuses on firms' internationalization. The report does not present an explicit overview on the methodology, however it involves an inquiry to 250 enterprises, in order to assess satisfaction, concerning the support received from French operators. Indicators to measure economic diplomacy performance are only based on satisfaction surveys among firms. The overall results of this report include the following:

1. The economic diplomacy policy is complex, since many actors are involved and several tools/services are used. Sometimes companies cannot easily access information;

2. Since the establishment of UbiFrance in 2004, the services and the products are more professional, holding higher quality standards;

3. Governance and monitoring of the overall policy is weak. The strategy should be defined through a better coordination of the various Ministries involved. The actions taken by the agencies (IFA, UbiFrance, and CCIFE, among others) should be better coordinated.

2.2.3. The British economic diplomacy model

Policy on economic diplomacy in the United Kingdom (UK) is divided between the Foreign and Commonwealth Office (FCO) and the Department for Business Innovation and Skills (BIS). The United Kingdom has a very centralized approach, since only one agency – UK Trade & Investment (UKTI) – works in close collaboration with and at the embassies. UKTI is a joint non-ministerial Government department, established in 2011, under the FCO and BIS.

The FCO and UKTI are the principal managers of economic and commercial diplomacy, as FCO is one of the main policy developers and UKTI is the main partner at the implementation of policy actions.

Regarding trade and commercial diplomacy, implemented policies are mostly developed by FCO and BIS, working in close cooperation with UKTI and UK Export Finance. Though, the most relevant policies concerning economic diplomacy address investment and trade issues, such as “double the UK’s exports to £1 trillion by 2020 and attract more inward investment in UK infrastructure projects” (The UK Government, 2016a).

British embassies and consulates are also managers of economic diplomacy, along with other businesses and universities that cooperate in promoting the country and its trade and investment opportunities as “Business Ambassadors”. These actors are actively held by the work of 102 UKTI offices abroad (The UK Government, 2016b). Moreover, the UKTI has a partnership working with the English regions and decentralized administrations as well as the British Chambers of Commerce, countrywide.

Furthermore, the executers of economic diplomacy are the following actors:

- British embassies and consulates – promote opportunities for foreign trade and investment. UKTI foreign offices support actively embassies, mission and consulates on their activities, which consist on provide guidance in a foreign country by its official staff, jobs concerning passport, visa and other notary documents, provide advisory services and provide information about prisoners in some countries.
- UKTI – has a multi-annual strategy of five years that works to implement the Government’s goal of doubling exports and the number of British companies to export. It also aims to increase foreign investment in the UK. The strategy of this agency is described in Britain

Open for Business⁶ and it comprises a number of priorities: "targeting innovative and high growth SMEs; bringing high value opportunities home; developing a pipeline of high quality inward investment and building strategic relationships". UKTI has three purposes: " 1) helping UK companies to succeed in the global economy; 2) working towards bringing high value foreign investment to UK and 3) develop outstanding corporate performance and marketing to deliver UKTI's objectives⁷." The agency has about 2000 staff and 101 foreign country offices. The staff working overseas in UKTI offices, closely collaborate with embassies, mission and consulates.

- UK Export Finance – is an export credit agency, which supports UK exporters by providing insurance to exporters and guarantees to banks to share the risks of providing export finance. It also provides loans to overseas buyers of goods and services from the UK. UK Export Finance is the operating name of the Export Credits Guarantee Department (ECGD). It is supported by an advisory non-departmental body, Export Guarantees Advisory Council (EGAC) that advises the Secretary of State for BIS on UK Export Finance's operations. The credit agency is responsibility of the Ministry of State for Business, Innovation and Skills and the Ministry of State for Trade and Investment.

Although there is no explicit indication of how is measured economic diplomacy performance, UKTI produces Annual Reports and Accounts and the

⁶ Britain Open for Business is a five-year strategy launched in May 2011, by the UK Trade & Investment (UKTI).

⁷ UKTI has its own objectives and also contributes to FCO and BIS objectives. UKTI is particularly focused on where Government can add value and make the most difference, such as: "focusing on high growth sectors, countries and high value opportunities, targeting the best opportunities for UK success; leading negotiations and trade missions to open up new markets and opportunities for UK business; inspiring, encouraging and supporting small and medium-sized businesses to take their first export steps, or to explore new markets, working together with private sector partners; promoting positive perceptions of the UK and British products and services internationally; maintaining the UK as a competitive location for investment, with a focus on attracting investors with export potential." (UK Trade & Investment, 2015).

Annual Invest Review to provide further details of foreign direct investment during the financial year. They also provide a considerable amount of information about the performance of British firms abroad.

Performance evaluation is reviewed annually and reconfigured in order to ensure the effectiveness. With regard to trade development, performance is evaluated through a report named Performance and Impact Monitoring Survey (PIMS), which covers most of the activities and services of UKTI. Through PIMS, UKTI evaluates the quality and satisfaction; the impacts and results; as well as willingness to pay. Some of the main data used in performance's evaluation, are the following: evaluation of quality; overall satisfaction; improvements in business performance; increased research and development; the estimated additional profit and additional sales; barriers overcome.

The performance of embassies and consulates is evaluated through "A Charter for Business", where FCO establishes the goal of monitor measures taken by competitors to attract inward investment and ensure that these are integrated into policy making of UK.

2.2.4. The Czech economic diplomacy model

The Government of the Czech Republic believes that for diplomacy to be effective it must have "a clear vision and orientation, must be effectively organized, equipped with sufficient human and financial resources, understood as an active part of the state's foreign and economic policy, created and conducted in partnership with the private sector and based upon real demand for Czech firms and their services" (Ministry of Foreign Affairs of the Czech Republic, 2010a).

Czech Republic's economic diplomacy aim is to promote the country in the world through trade and investments. The Czech Government priorities are the promotion of activities in the fields of exports, investments and tourism, as the

country's prosperity depends on the ability to promote its economic interests internationally. Moreover, other goals of the Czech economic diplomacy are:

- Promote the Czech Republic economic interests internationally as the conditions of the increasing globalization combined with the Czech economy's high degree of openness influences the country's prosperity;
- Promote Government policy in the fields of manufacturing, the movement and exchange of goods, services, labour and incoming and outgoing investments;
- Create a positive image of the country throughout the world;
- Assume an important role in the process of formulating, promoting and protecting the interests of the Czech Republic in European Union bodies;
- Support the country in the world through trade and investments;
- Improve economic development – life conditions, innovation, environment protection, free trade;
- Solve problems and protect Czech foreign companies;
- Provide safety, prosperity, human dignity, including the protection of human rights.

The promotion and development of economic diplomacy activities is a responsibility of the Ministry of Foreign Affairs (MFA). The promotion of economic interests abroad is an integral part of the foreign policy of the Czech Republic, and the MFA plays an important and irreplaceable role in what concerns the accomplishment of these interests. Economic diplomacy is one of the tools of foreign policy.

The role of the MFA in economic diplomacy and promotion of the Czech Republic abroad is operationalized by the establishment of the Economic Cooperation and Promotion Abroad Section. Also, the Ministry of Industry and Trade (MIT) has an important role co-operating with the MFA in order to ensure

the quality of common activities, the professional and efficient assistance to the process of penetration of foreign markets by Czech companies realizing exports and investments abroad. Thus, the policy makers of economic diplomacy in the Czech Republic are the MFA and the MIT.

The main executers of economic diplomacy in the Czech Republic, and the employed activities/services, are the following:

- **Czech Invest** is a Business and Development agency, which main objective is to advise and support existing and new entrepreneurs and foreign investors in the Czech Republic. The agency was established in 1992 by the MIT, and it contributes to attracting foreign investment and developing domestic companies through its services and development programmes. It also promotes the Czech Republic abroad and acts as an intermediary between the European Union (EU) and small and medium-sized enterprises in implementing structural funds in the Czech Republic. The agency has eight foreign offices. Czech Invest is exclusively authorized to file applications for investment incentives at the competent governing bodies and prepares draft offers to grant investment incentives. Its task is also to provide potential investors current data and information on business climate, investment environment and investment opportunities in the Czech Republic. All services provided by the agency are free of charge and its services are the following: full information assistance; tailor-made visits; handling of investment incentives; access to EU structural funds; business properties identification; business infrastructure development; search for potential suppliers/joint-ventures/acquisition partners; care for existing investors (Czech Invest, 2016).
- **Czech Trade** was also established by the MIT, in 1997. The agency is an official contact partner for those foreign companies looking for

qualified Czech-based suppliers of products, providers of services or investors. It also provides export information and assistance to Czech exporters and supports them when they enter foreign markets. The agency operates worldwide by 47 offices abroad. Czech Trade provides a wide range of business support and networking services including: introduction to Czech quality suppliers; assistance with local outsourcing; organisation of buyer's visits and meetings with Czech companies; participation in trade fairs abroad; information about doing business in the Czech Republic. The agency provides a unique service to foreign clients – Czech Business Partner Search – with a team of specialists that are capable of finding a new Czech-based supplier of goods and services to suit their clients' needs. All the services provided by Czech Trade are free of charge (Czech Trade, 2016).

- **Czech Tourism** is a state-funded organization administered by the Ministry for Regional Development of the Czech Republic. The Ministry is responsible for tourism and, within the EU framework, oversees the interests of local Government bodies, also playing a role in building effective economic diplomacy. The primary goal of Czech Tourism is to promote the Czech Republic as a tourist destination both abroad and in the Czech Republic. The Ministry for Regional Development also plays a very important role in implementing the EU's regional and structural policy, referred to as economic and social cohesion policy (Czech Tourism, 2016).
- **Czech Centres** constitute a state organisation funded by the MFA. Czech Centres represent the Czech Republic abroad especially in the area of culture, trade and tourism, providing information services about the country. They do not have a diplomatic status. They are run by the Administration of Czech Centres (i.e. a budgetary organization

of the MFA). The network of Czech Centres foreign branches is an active instrument of Czech foreign policy in the area of public diplomacy. Some of the Czech Centres activities, are the following: promote the Czech Republic abroad in cooperation with the diplomatic missions and are one of the channels of public diplomacy; facilitate the participation of Czech entities in foreign projects; promote the Czech cultural scene in all areas of creativity; support external economic relations; provide information about the Czech Republic. Czech centres will propose a system for monitoring their activities and opportunities, since there is no database available of it. The resulting database will cover activities supported both by State funds and by private resources. It should contribute to greater coordination of Czech foreign presentation and should become, among other things, one of the primary resources for assessing the exports of the creative industries (Czech Centres, 2015).

- **Embassies** represent the Czech Republic in the receiving State and are responsibility of the MFA. Economic and commercial sections form an integral part of the embassies and their staff is subordinate to embassy heads. Expert management of economic sections falls within the competence of the MIT. A Czech embassy draws its activities upon the concept of the country's foreign policy. Embassies carry out the following tasks:
 - "Establish and develop contacts with State bodies, organizations, institutions, representatives of public life and citizens, as well as with international organizations and institutions in the receiving State;
 - Ensure consular activity in a given consular area;

- Suggest and, on the advice of the headquarters, prepare and secure visits of official representatives of the Czech Republic and those of the receiving state, and participate in their negotiations;
- Acquire, process and judge the information concerning the situation in internal and foreign politics and culture of the receiving state with special regard to its relations with the Czech Republic, and send this information to the MFA;
- Inform the MFA on the activities of main information means in the receiving State with focus on the publicity concerning the Czech Republic; Look for suitable forms and means for disseminating the information and publicity concerning the Czech Republic;
- Follow the fulfilment of international treaties, by which is the Czech Republic and the receiving State bound, and submit proposals for contractual or other adjustment of contacts with the receiving state;
- Maintain contacts with societies of friends of the Czech Republic and with Czech organizations abroad;
- Cooperate with Czech centres;
- Help to establish and develop contacts of Czech entities with partners in the receiving State;
- Manage the property, which has been entrusted to them, of the Czech Republic abroad.”(Ministry of Foreign Affairs of the Czech Republic, 2009).

Economic diplomacy of the Czech Republic uses the network of diplomatic missions abroad, where economic and commercial sections form an integral part of the embassies. The Government also has a network system of governmental agencies – Czech Invest and Czech Trade – with their offices abroad, linked with embassies that closely cooperate with the MFA and the MIT, considering the promotion of economic interests abroad to be one of their priorities.

One of the key prerequisites for building an effective economic diplomacy in the Czech Republic is to improve cooperation between the MFA and the MIT. Both Ministries have common goals in the field of promoting economic activities and management of commercial and economic sections.

In order to improve the coordination of all units of the State abroad and to improve their management, a management system of State services abroad in the field of promotion of exports, investments and trade policy is applied. The relevant project, which due to the method of Balanced Scorecard⁸, provides managerial control, planning, reporting and evaluation of activities. It has been carried out by the MFA and by the MIT in cooperation with Czech Trade, Czech Invest, Czech Centres and Czech Tourism agencies. This system perceives the principle of a single network abroad, the coordination role of Ambassadors in promoting economic interest abroad and management skills of commercial and economic sections.

Additional steps leading to higher efficiency of economic diplomacy have been realized. A project of gradual combination of services provided abroad by Czech Trade and Czech Invest agencies enables better coordination of services provided by the two agencies and leads to costs savings and higher effectiveness of marketing and promoting activities (Ministry of Foreign Affairs of the Czech Republic, 2010b).

2.2.5. The Portuguese economic diplomacy model

Economic diplomacy is defined as "the activity of the State and its public institutions outside the national territory, in order to obtain the necessary contributions for the acceleration of economic growth, the creation of a

⁸ The balanced scorecard "is a strategic planning and management system that is used extensively in business and industry, government, and non-profit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals." (Balanced Scorecard Institute, 2016).

favourable climate for innovation and technology, and the creation of new markets and quality employment generation in Portugal." (*Resolução do Conselho de Ministros no 152/2006 de 9 de Novembro de 2006, 2006*).

The XIX Constitutional Government program, implemented in June 2011 and operational until October 2015⁹, assumed that the strengthening of the Portuguese economic diplomacy is one of the main axes of action of the Portuguese foreign policy. To further reinforce the Portuguese economic diplomacy as means of improving its external policy, the Government's program proposed the following measures:

- Reallocate resources to countries with the greatest potential to increase exports and attract FDI;
- Contribute to enhancing the internationalization and competitiveness of enterprises, ensuring a coordinated action with private enterprises in foreign markets; making companies' operations abroad and foreign investors operating in Portugal less bureaucratic;
- Eliminate the double taxation that still exist;
- Encourage large Portuguese companies to involve Portuguese SMEs on their internationalization;
- Support consortium of firms' training and of integrated value chain networks;
- Relaunch "Portugal Brand" as a symbol of quality for Portuguese firms, brands, and products abroad;
- Promote and strengthen partnerships between Portuguese entrepreneurs residents and non-residents, including the restructuring

⁹ The focus of the Portuguese economic diplomacy model is in this period (June 2011 – October 2015), since my internship at the Embassy of Portugal in the Czech Republic occurred between September 2015 and January 2016.

of Netinvest¹⁰ program; and also the investment of non-residents in the country;

- Promote the action of the Portuguese Chambers of Commerce and other business structures in the countries of residence and their national articulation.

Investment is a key concern of the Portuguese Government, since attracting FDI in greenfield projects, acquisitions and mergers, is essential for the increase in exports, job creation and improvement of national competitiveness and growth. It is also crucial to concentrate the management of national and public incentives, maximizing their use. Accordingly, the following guidelines were established:

- Adjust the orientation and program of the structural and cohesion funds, by agreement with the European Commission, due to the new investment priorities that contribute to the objectives of economic policy;
- Take on the structural and cohesion funds as a means to encourage the process of resource reallocation in the economy, in particular by aligning the terms of financial contribution in the investment projects and the guarantee schemes, in order to significantly strengthen the involvement of credit institutions;
- Establish new mechanisms for co-investment venture capital that allow the expansion of domestic investors' spectrum, in addition to the financial sector, and contribute to raise the participation of specialized international investors with ability to open new horizons for companies;

¹⁰ Aims to attract investment by Portuguese resident entrepreneurs abroad and foster their relations with Portuguese companies.

- Deepen the cooperation with CGD ¹¹ in developing solutions that promote the timely absorption of structural funds and better potentiate the use of public resources, bearing in mind the priority vocation of business financing and the condition of major national venture capital investor;
- Reconfigure the partnership model with the vast network of entities that appeal to public funds by pursuing an aim of general interest among business agents, allowing the reconfiguration of the nature of state involvement with efficiency gains.

The economic diplomacy goals for each foreign representation are annually defined in the form of a “Business Plan Proposal”. According to a set of guidelines set out from Lisbon, by AICEP, in consultation with the Presidency of the Council of Ministers and the Ministry of Foreign Affairs (MFA), Ambassadors in conjunction with the local delegation of AICEP and Tourism of Portugal define the goals for each embassy, based on the guidelines established by the MFA.

The economic diplomacy model proposed by the XIX Constitutional Government (Figure 1) emphasized the role of the MFA and the Ministry of Economy and Employment (MEE) in economic diplomacy. Accordingly with the *Decreto-Lei nº121/2011, de 29 de Dezembro, do Ministério dos Negócios Estrangeiros* (2011), the MFA is a governmental department whose mission is to formulate, coordinate and execute the foreign policy of Portugal.

¹¹ CGD (Caixa Geral de Depósitos) is a Portuguese public bank. CGD is the largest bank in Portugal, and it is 100% owned by the Portuguese Government.

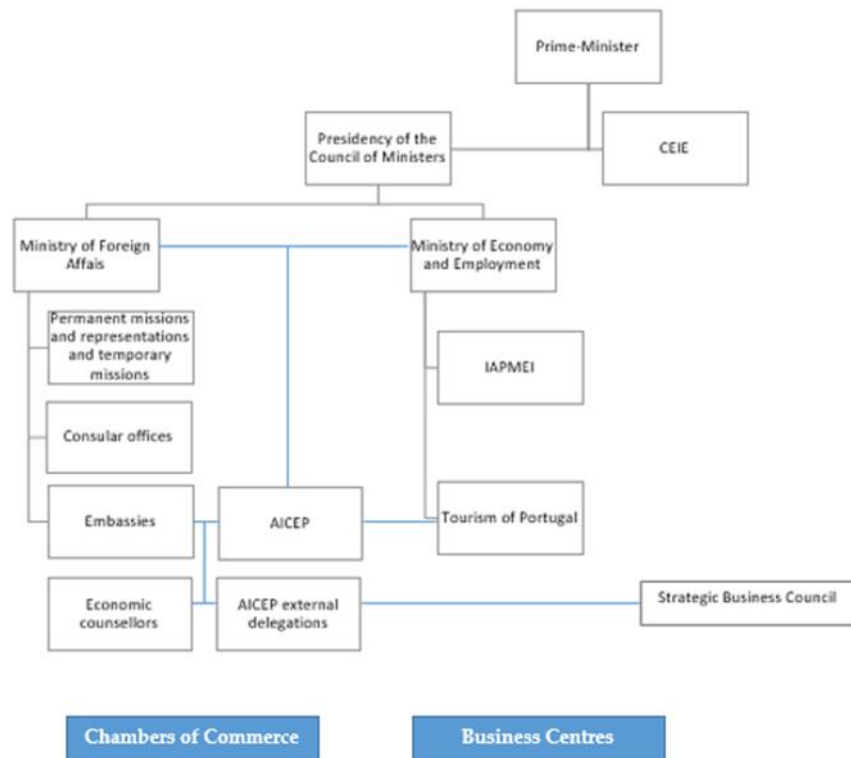


Figure 1: Economic diplomacy model in Portugal during the XIX Constitutional Government (2011 – 2015). Source: elaborate by the author of this thesis based on the law-decrees referred in the text.

Additionally, three public bodies were also appointed as central in implementing the Portuguese economic diplomacy, which are:

- **AICEP** (Trade & Investment Agency) is a Government business entity with presence in 78 foreign markets¹² (see Appendix 1), focused in encouraging the best foreign companies to invest in Portugal and contribute to the success of Portuguese companies abroad in their internationalization processes or export activities. It has 454 employees, 309 in Portugal and 145 abroad (aicep Portugal Global, 2014). AICEP provides support and assistance to Portuguese companies at all stages of their projects and tailored to their needs. The agency ultimate goal is to promote a competitive business environment that stimulates the

¹² If we do not take into account the foreign markets that do not have information on AICEP's Web site, plus the markets that are responsibility of only one commissioner, the real number of AICEP's foreign networks is 65.

international expansion of the Portuguese economy, comprising the following activities:

- “Market Research and identification of business opportunities for Portuguese companies;
- Development of specific promotional activities of Portugal and/or Portuguese products and services in the foreign markets;
- Identification of local business partners for Portuguese companies;
- Assisting Portuguese companies to implement their business plans in the foreign markets;
- Advising local companies interested in investing in Portugal;
- Counselling Portuguese companies interested in investing in the foreign market;
- Act as representative on behalf of Portuguese companies when negotiating with local authorities, support business development projects in the foreign market, and conduct follow up to these services;
- Supplying foreign importers with information regarding Portuguese companies, its goods and services.” (AICEP, 2016).

In the investment field, AICEP provides supporting and counselling services to enterprises, and coordinate contacts with Portuguese entities involved in investment processes. The agency stimulates large companies to think of Portugal as their prime investment destination, seeking to meet their expectations by providing the best guidance and tailored information, when requested, to ensure the success of their investment projects. AICEP’s clients are large companies with an annual turnover of 75 million Euro or investment projects over 25 million Euro to whom it

provides a Key Account Manager (KAM)¹³ to help during all steps of the investment process. Furthermore, AICEP is the responsible entity for administrating and managing the support and incentive systems for investment projects, firms' internationalization and the foreign promotion of Portuguese brands. The strategic objectives that AICEP comprises in the investment field are: increase investment contracts and jobs generated by those; reinforce the strategic positioning of Portugal as an investment destination; promote growth strategies of the Portuguese companies, through inter-business cooperation, that provide an increased National Added Value (AICEP, 2016). Chambers of commerce ¹⁴ are also complementary to AICEP's activity.

- **IAPMEI** (Agency for Competitiveness and Innovation) is a public institute of indirect Government administration ¹⁵, with administrative and financial autonomy and its own assets. IAPMEI has 14 regional offices across Portugal, centres and other forms of representation or decentralized presence, subject to ministerial authorization. The agency participates in international networks of similar organizations, particularly within the European Commission, promoting the specific exchange initiatives for SMEs, in cooperation with entities that have coordination skills of international relations. IAPMEI's mission is to promote competitiveness and business growth. The agency aims to

¹³ "The KAM is responsible for assisting companies with the utmost objectivity and problem-solving approach, by making available to those companies his/her encompassing knowledge of markets and industries, supported by sound technical and management expertise. The KAM develops his/her activity on a clear client-oriented basis, focusing on the needs and expectations of the companies, following rules of selectivity, rigor, professionalism, technical capacity and dedication." (AICEP, 2016).

¹⁴ The Portuguese Chamber of Commerce and Industry is a private association in the service of Portuguese business since 1834, promoting the development of its affiliates at a national and international level (CCIP, 2016). AICEP represents the Portuguese State in a political and public manner, while the Chambers of commerce have a private view of the markets in which they are included, and they were created by entrepreneurs who have their own networks and entrepreneurial knowledge, which are things that AICEP cannot be because it is a public institution.

¹⁵ Proceeds to attributions of the MEE, under supervision and tutelage of the respective minister.

strengthen innovation, entrepreneurship and business investment in companies that carry out their activity in areas under the supervision of the Ministry of the Economy and Employment (MEE). IAPMEI focus, particularly, on the competitive development of SMEs. The services that IAPMEI provides entails the promotion of entrepreneurship, innovation and business competitiveness, providing financial solutions and incentives to support companies' business development and its internationalization. Two other supporting activities provided by the agency regards the resource management and corporate management support to firms (IAPMEI, 2015).

- **Tourism of Portugal, I.P.** is an organisation that aims to foster development of Portuguese tourism. Tourism of Portugal is integrated within the MEE and it is the national authority responsible for promotion, enhancement and sustainability of tourism activities, aggregating within a single entity all the institutional competencies related to stimulation of tourism activities, from the supply sector to demand. The agency mission is to enhance and develop tourism infrastructures, develop human resources training, support investment in the sector, coordinate Portugal's domestic and international promotion as a tourism destination, and regulate and inspect gambling activities. Tourism of Portugal has tourism teams in 21 priority tourism outbound markets ¹⁶, responsible for institutional promotional activities and for supporting Portuguese companies that have internationalisation objectives in the tourism markets of Germany (that also coordinates activities in Switzerland, Austria, and Czech Republic), Brazil, Spain, United States, France, Netherlands (also covering Belgium), United Kingdom (also covering Ireland), Sweden (covering Norway and Finland), Denmark, Canada, China, Italy, Poland

¹⁶ These priority markets are important emitters of tourists to Portugal.

and Russia. The Tourism of Portugal has a protocol with AICEP, where the tourism teams are included within the Business Centres Network¹⁷ of AICEP, providing support to initiatives of interest in markets where there are no Tourism representatives (Turismo de Portugal, 2016).

The XIX Government created the Strategic Council for Internationalisation of the Economy (CEIE¹⁸ – “Conselho Estratégico para a Internacionalização da Economia”) (*Resolução do Conselho de Ministros no 44/2011 de 25 de Outubro, 2011*). CEIE is directly dependent on the Prime-Minister but is also responsibility of the Minister of Finance (MF), the MFA, the MEE and four representatives of private business organizations, which are selected from a group of enterprises related with processes of internationalization and development. CEIE’s mission is to evaluate public policies and private initiatives, and its articulation with regard to internationalisation of the Portuguese economy, promoting and attracting foreign investment and cooperating for economic development. CEIE aims to articulate the public- and private-sector policies to promote the internationalization of the Portuguese economy.

The MEE is responsible for IAPMEI and Tourism of Portugal (*Decreto-Lei no 11/2014 de 22 de Janeiro do Ministério da Economia, 2014*), and the MFA is in charge of the following external services: embassies; permanent missions and representations, and temporary missions; consular offices (*Decreto-Lei no 121/2011 de 29 de Dezembro do Ministério dos Negócios Estrangeiros, 2011*). These external services, work in dependence of the head of a diplomatic mission, where

¹⁷ Business Centres Network cooperate with Tourism of Portugal by providing support to initiatives of interest in markets where there are no Tourism representatives. The main goal of Business Centres is to promote Portuguese firms’ internationalization.

¹⁸ CEIE is constituted by the Ministers of Finance, Foreign Affairs, Economy and Employment and Agriculture, and additionally by the Presidents of the Confederation of the Portuguese Business (CIP), Confederation of the Portuguese Tourism (CTP), Portuguese Commerce and Services Confederation (CCP), Confederation of Farmers of Portugal (CAP), Portuguese Entrepreneurial Association (AEP) and Portuguese Industrial Association (AIP) and is secretariat by AICEP. CEIE normally meets on a quarterly basis or when extraordinarily convened by the Prime Minister.

the delegations of AICEP, tourism teams of Portugal abroad, cultural centres, and other structures of services of indirect administration of the MFA work together.

Regarding AICEP, it is incorporated in the Presidency of the Council of Ministers, that depends on the Prime-Minister (*Decreto-Lei n.º 86-A/2011 de 12 de Julho da Presidência do Conselho de Ministros*, 2011). Latter, with *Despacho n.º 15681/2011, de 15 de Novembro, do Primeiro-Ministro* (2011), the MFA and the MEE became responsible for the definition of strategic guidelines and monitoring their implementation by AICEP. The Government states that the promotion of economic diplomacy must be centralized in the State (*Presidência do Conselho de Ministros*, 2011).

AICEP is considered the central body of the Portuguese economic diplomacy and it has assumed the responsibility to promote the overall image of Portugal, promote exports of goods and services, capture relevant direct investment in structural terms, as well as take charge of the Portuguese direct investment abroad (*Decreto-Lei no 229/2012 de 26 de Outubro do Ministério dos Negócios Estrangeiros*, 2012).

The *Decreto-Lei n.º 219/2015 de 8 de outubro, da Presidência do Conselho de Ministros* (2015) states that AICEP delegations abroad, together with the embassies network, should deliver support to Portuguese companies with the geographic expansion goals of their business. Business Centres located in priority markets for Portugal, were created providing personalized services as regards to information, logistics and advice. Due to the cooperation between embassies and AICEP's delegations, the agency's delegates are now identified as economic counsellors¹⁹.

Specifically, the article 7 of *Decreto-Lei n.º 219/2015 de 8 de outubro, da Presidência do Conselho de Ministros* (2015) decrees that AICEP external network should act in

¹⁹ Economic counsellors provide support to national companies in their internationalization, collect, process and transmit economic and regulatory information, and are also responsible for the identification and resolution of constraints and barriers to trade, investment and tourism.

a unified manner with the external services of the MFA of the respective geographical area, answering to the diplomatic head of mission²⁰. The external network of AICEP can ensure the provision of services to carry out actions that promote the Portuguese market. Those responsible for AICEP external networks in each country, are accredited as counsellors, attachés, or vice-consuls for the diplomatic missions and consular posts, by the Government member in charge of the foreign affairs, usually held by the MFA and the MEE and under the proposal of AICEP.

In the Portuguese economic diplomacy model the Ambassador plays the coordination roles of support to Portuguese companies, promotion of goods and services, supporting the attraction of foreign investment and promotion of Portugal as a tourist destination. Ambassadors are also responsible for the political risk assessment and the identification of new areas and business opportunities.

Roving ambassadors²¹ must evaluate the articulation of the diplomatic mission with AICEP and report to the Prime Minister. The results of this relationship are periodically evaluated by the roving ambassadors and discussed in the Strategic Business Council²². The Strategic Business Council resulted from the unification of the external networks, enabling the cooperation between the Government and private associations. The minister of the MEE, members from two business organizations and the president of the Confederation of Portuguese Business integrate the Strategic Business Council, and report to the Prime-Minister.

²⁰ The Head of the mission is the Ambassador.

²¹ The figure of the roving ambassador emerges, given by a group of persons with recognized competences in diplomatic and economic matters, whose activity is exercised from Lisbon, covering different regions of the world where the foreign diplomatic network is weaker when facing the established goals to reach.

²² The Strategic Business Council monitors and evaluates the unification of the external networks in an entity dependent on the chiefs of the diplomatic mission. The full use of diplomatic missions around the world requires the strengthening of the coordinating role of Heads of Mission in countries where they are accredited and to intensify the co-location process, bringing together the diplomatic networks, AICEP and Tourism of Portugal (Despacho no 9224/2011 da Presidência do Conselho de Ministros, 2011).

Monitoring and evaluating economic diplomacy activities and services is the responsibility of embassies and AICEP. Annually, embassies report on the execution of the Business Plan of the previous year, and such reports are evaluated by AICEP's headquarter that reports to the MFA and MEE.

AICEP carries out evaluation studies on its activities to continuously improve its services. The agency generates knowledge about how its employees and customers/users evaluate the services provided by the agency. Surveys of customers/users and employees' satisfaction are made, in order to improve the performance and efficiency of the agency's services (aicep Portugal Global, 2011).

The definition of mechanisms and measurement of objectives established by AICEP can be distinguished into two categories: the organization's goals and the objectives by activity or project. Quantitative indicators are used to measure the performance of each category (e.g. the number of meetings with firms in Portugal, the number of realized projects).

The managerial goals of AICEP are governed by the provisions in the Agreement Program, established with the Portuguese Government, represented by the Minister of Finance and the Minister of Economy (aicep Portugal Global, 2011).

In addition to the organizational objectives, the business units (large enterprises, small and medium enterprises network) have clearly defined objectives for activities or projects. A management control process is entitled every month to all AICEP's activities.

In addition to these quantitative indicators, AICEP also monitors customer's satisfaction with the services provided by the agency. In this context, whenever a customer participates in a training or promotion action is required to complete a questionnaire to evaluate a set of parameters (aicep Portugal Global, 2011).

2.3. Final remarks of this chapter

Concluding, economic diplomacy is considered an essential instrument and external economic policy is a priority of any Government seeking to create and exploit opportunities for companies and consequently for the country's economy, through internationalization strategies, export promotion, promotion of various sectors of economic activity and attracting FDI.

Table 1 presents a summary of the economic diplomacy goals, the main managers/executers and the evaluation methods adopted of the different countries and models analysed in this benchmarking exercise.

Country	Major objectives	Management/Policy, execution	Evaluation methods
DE	Promote domestic economy and state specific economy, promote research collaborations, support enterprises involved in development aid, support for agro-industrial sector	Management/Policy: Ministries of Foreign Affairs, Economic Affairs and Energy, Research and Education, Economic cooperation and Development, Food and Agriculture, State ministries, Chambers of Commerce Execution: Chambers of Commerce, Diplomatic Missions, Germany Trade and Invest, German Centres	German missions abroad: no available information German Chambers of Commerce: are evaluated by The Association of German Chambers of Industry and Commerce, on a yearly basis and based on the annual reports of each Chamber German Centres: no evidence found Germany Trade and Invest: has not been evaluated yet
FR	Support internationalisation of French Companies and enhance development of foreign investments in France	Management/Policy: Ministry of Economic and Financial Affairs (DG Trésor), Ministry of Foreign and European Affairs Execution: Ubrifrance, l'AFII, International Chambers of Commerce, Diplomatic Missions and French regional and local Authorities, Coface	No performance indicators set or published by the French Government. Although, activity indicators are collected from embassies Bentejac Desponts report: published by the parliament and focuses on firms' internationalization. Indicators to measure economic diplomacy performance are only based on satisfaction surveys among firms
UK	Promote UK's economic interest abroad and attract foreign investments, slight focus on bilateral interaction	Management/Policy: Foreign and Commonwealth office (FCO), Department for Business Innovation and Skills (BIS) Execution: Diplomatic Missions, UK Trade and Invest (UKTI), UK Export Finance	PIMS (Performance and Impact Monitoring Survey): is a report regarding trade development, where UKTI evaluates the quality and satisfaction, the impacts and results, and willingness to pay of clients A Charter for Business: outlines the support the FCO will provide to British businesses, evaluating the performance of embassies and consulates
CZ	Promotion of a positive image of the Czech Republic, promote the activities in the fields of exports, investments and tourism with an intended set of measures to promote government policy in the fields of manufacturing, the movement and exchange of goods, services, labor and outgoing investments	Management/Policy: Ministries of Foreign Affairs, Trade and Industry Execution: Diplomatic Missions, Czech Trade, Czech Invest, Czech Tourism, Czech Centres	A system of management of State services abroad in the field of promotion of exports, investments and trade policy is applied, through the Balance Score Card method , which is carried out by the Ministry of Foreign Affairs and the Ministry of Industry and Trade in cooperation with Czech Trade, Czech Invest, Czech Centres and Czech Tourism agencies
PT	Promote the image of Portugal and the exports, attract foreign investment	Management/Policy: Ministries of Foreign Affairs, Economy and Employment Execution: AICEP (Trade & Investment Agency), Embassies and Consulates, Temporary and permanent Diplomatic Missions, IAPMEI (Agency for Competitiveness and Innovation), Tourism of Portugal (TP)	Embassies are evaluated through the obtained results on a Business Plan elaborated in the previous year, and AICEP's Headquarter (in Lisbon) evaluates those reports AICEP evaluates its services through surveys based on clients and employees' satisfaction

Table 1: Economic diplomacy models adopted by some of the main economies in European Union. Source: Barneveld et al. (2014), completed by the author of this thesis (CZ and PT).

The evidenced of this research suggests that the economic diplomacy goals are essentially defined in order to stimulate exports and attract foreign investment.

Economic diplomacy is performed by a diverse set of agencies and actors, which vary from country to country. The management of the policy goals always involves a Ministry of Foreign Affairs, and it may involve as well the Ministries of Education, Business and Growth, Economic Affairs and Innovation.

Germany explicitly focus on research and education. This explains the involvement of the Ministry of Research and Education, in economic diplomacy. Also, the United Kingdom, emphasizes the innovation sector, by involving the Department of Business Innovation and Skills (BIS).

The United Kingdom has a very centralized approach, with only one agency that collaborates with the diplomatic missions. Portugal has also a very centralized approach, concentrating the economic diplomacy achievements into AICEP, despite the supporting role that IAPMEI and Tourism of Portugal also play. A similarity between the French Economic Services and AICEP foreign networks is noticed, since both agencies are connected with embassies and have to report to the Ambassadors and to their respective Ministry.

The French economic diplomacy also includes a considerable number of actors involved, occurring recently mergers between these French actors, which were materialized to reduce the number of actors and centralize efficiently the economic diplomacy activities. The Czech Republic has also several actors involved in economic diplomacy and its diplomacy approach is also centralized as Portugal and the United Kingdom.

Germany has a diverse set of actors involved, having a distinct element: the German Chambers of Commerce (Public-Private Partnerships, co-financed by the Federal Government and the participating companies).

Generally, all countries evaluate their performance of economic diplomacy through qualitative – e.g. satisfaction surveys – and quantitative – e.g. results

from previous annual reports – indicators. The UK has developed an effective performance measurement and a monitoring mechanism (PIMS), which ensures the quality of their services. Portugal and France use satisfaction surveys to evaluate their services based on clients’ satisfaction. The Czech Republic adopts a management system centred on a Balanced Scorecard method. Most of Germany economic diplomacy actors have not been evaluated or no evidence was found. Although, German Chambers of Commerce are evaluated based on the annual reports of each Chamber.

Concerning services and activities of economic diplomacy, most countries develop similar activities, as their goals are not very different. For example, each country analysed promotes foreign investment, produces market information, and organizes networking events. Table 2 summarizes the most important actions, as well as the main services provided in the context of economic diplomacy.

Country	Major activities/services provided by each country
DE	Trade missions, market entry(contact search, identification of potential partners, virtual office), market information law and taxes background information, human resources, trade fairs
FR	Trade missions, market information and intelligence, business risk assessment, legal and regulatory advise, human resources
UK	Market information and intelligence, networking (events), international trade advisory (regulation, risk assessment), export financing
CZ	Promotion of activities in the fields of exports, investments and tourism; Provide market information, innovations and trends from foreign markets, integrated solutions for investors
PT	Preparation of investment guides, market information and, networking (events), international trade consulting (regulation, risk assessment), export financing

Table 2: Main activities and services provided in the context of economic diplomacy. Source: Barneveld et al. (2014), adapted by the author of this thesis.

The next chapter focuses on the embassies and IPAs role in economic diplomacy. State actors of economic diplomacy, their activities and their evaluation, will be discussed again but with the focus on the investment arena and on their influence in firms' location decisions. A detailed review about the specific role of Governments and IPAs and their relation, is addressed.

Chapter 3

Embassies and IPAs in economic diplomacy

The emergent intervention of state and non-state actors in economic diplomacy has become clear in the previous chapter. Embassies and Investment Promotion Agencies (IPAs) play an increasing role in the promotion of close economic relations between countries. IPAs aim at promoting a country or a region as an investment destination among other roles. In this chapter I start by discuss the concept of Foreign Direct Investment. Then I present a brief literature review on firms' location decisions when investing abroad, in order to comprehend why do firms choose to invest in a certain country and what are the main features valued in a certain location. Governments and IPAs role affecting investment location decisions, and the evaluation of IPAs performance closes this chapter.

3.1. FDI concept

Foreign Direct Investment (FDI) is an investment that moves across borders. It is defined as “the objective of obtaining a lasting interest by a resident entity in one economy (“direct investor”) in an entity resident in an economy other than that of the investor (“direct investment enterprise”)” (OECD, 1996).

A direct investment enterprise is defined as “an incorporated or unincorporated enterprise in which a foreign investor owns 10 per cent or more of the ordinary shares or voting power of an incorporated enterprise or the equivalent of an unincorporated enterprise” (OECD, 1996).

FDI may be inward or outward. The former is also known as direct investment and it is an investment made by a non-resident direct investor in a direct investment enterprise resident in the host economy. The direction of the

influence by the direct investor is “inward” for the reporting economy (OECD, 2008). Outward direct investment is also known as direct investment abroad and it is the investment made by a resident direct investor in a non-resident direct investment enterprise. The direction of the influence by the direct investor is “outward” for the reporting economy (OECD, 2008).

FDI has gain importance, since there exists facilities to perform cross-border businesses. Economic diplomacy has an important role in the process of investment and internationalization, by boosting the overall competitiveness of the host country, and bringing capital that might be in short supply at the host country (Simões & Silva, 2012).

The rising internationalization of companies lead to an increase in inward and outward FDI, along with a decrease in the costs of transferring the production abroad. Besides, with globalisation the expansion of investments across the world benefited from the reduction on the transaction costs, the improvements in business practices and in the institutional and legal framework (Júlio, Pinheiro-Alves, & Tavares, 2013).

Foreign investors have two primary routs to enter into a foreign market: 1) Mergers and Acquisitions (M&A) – merging or acquiring an existing firm. This mode of investment provide immediate access to the market and to the assets detained by the local enterprise. 2) Setting up a new entity (Greenfield investment) – has the advantage of easily fit the structure of investor’s business needs and the new firm can expand itself when it is convenient.

Direct investment includes three components:

- 1) Equity capital – direct investor’s purchase of shares of an enterprise in a foreign country. This component of FDI integrates Greenfields and Acquisitions.

- 2) Reinvested earnings - direct investor's share of earnings not distributed as dividends by affiliates or earnings not forwarded to the direct investor.
- 3) Other direct investment capital, usually in the form of intra-company loans, consisting of loans or borrowings in short- or long-term between direct investors and affiliates.

3.2. Firms' investment decisions

When companies decide to invest abroad many factors are taken into account, as investments generate potentially high returns but also include risks.

Multinational Corporations are attracted by factors associated with country characteristics. Economic, political, legal and geographical factors are the main determinants for a company to select a country to invest in. Companies will seek features into foreign countries that suit their type of motivation.

Several are the motives that drive firms to invest abroad and take location decisions. Dunning (1988, 2001) and Dunning & Lundan (2008) were some works that highlighted the motives of firms' internationalization. The authors consider that the main motivations for companies to conduct FDI are:

- **Resource-seeking** motives take place when companies aim to access resources (natural resources, raw materials and other factors of productions) that are not available in the home country or are cheaper in foreign countries (such as unskilled labour that is offered at a cheaper price with respect to the home country);
- **Efficiency-seeking** motives are considered to occur especially in two occasions: in the first instance companies "take advantage of differences in the availability and costs of traditional factor endowments in different countries", while in the second one firms

“take advantage of the economies of scale and scope²³ and of differences in consumer tastes and supply capabilities” (Dunning & Lundan, 2008). Efficiency-seeking FDI promotes a more efficient division of labour. This motive concerns to FDI that comes into a country seeking to benefit from factors that enable it to compete in international markets, by rationalizing the production and distribution structure of a MNE.

- **Market-seeking** motive occurs when MNEs invest in a foreign country to exploit new markets of greater dimensions. Besides searching and exploiting new markets, several reasons lead to this motive’s choice by the MNEs, which are: follow suppliers or customers that have built foreign production facilities; adapt goods to local needs or tastes and save the cost of serving a market from distance; and also have a physical presence on the market to discourage potential competitors from occupying that market.
- **Strategic asset-seeking** is a motive that drives firms to acquire advanced assets not available in the home country. This last category may be considered as separate, because in this case the purpose of the investment is that of acquiring and complement a new technological base rather than exploiting the existing assets.

Market-seeking is considered to be one of the main motives affecting a firm investment decision. This motive refers mainly to the size of the market and its expected growth, and it is also designated by horizontal FDI, since it involves replication of production facilities in the host country. Krugman (1991) is one of the main believers that transportation costs and market size are main

²³ Economies of scale offer a cost advantage when there is an increased output of a good or service. Economies of scale arise due to the inverse relationship between the average cost per unit and output level. Economies of scope occur when the average total cost of a company’s production decreases when there is an increasing variety of goods produced. It gives a cost advantage to a company when it produces a complementary variety of products while focusing on its core competencies. Economies of scale focus on the output level of one product, whereas economies of scope focus on the variety of products offered.

determinants to choose the location to invest, particularly economic activities with higher economies of scale and scope.

Foreign investment involves risk and companies' investment decisions usually comprises a systematic comparison of prospective locations. The location decision will often be made between different countries, but it can also include more than one location in a single market (UNCTAD, 2011a).

UNCTAD (2011) designates the process of comparison between potential locations to invest of "location benchmarking". It identifies a wide range of factors that drive location decisions of companies, which can be divided into three categories: policy framework for FDI; economic determinants and business facilitation (Table 3).

Location benchmarking categories			
	<i>Policy framework for FDI</i>	<i>Economic determinants</i>	<i>Business facilitation</i>
Drivers	<ul style="list-style-type: none"> • Political stability • Security • Investment policies, laws and regulations, including protection of investments, rules on the entry and operations of foreign firms • Tax regime 	<ul style="list-style-type: none"> • Local and regional market characteristics • Availability and quality of raw materials • Physical infrastructure • Technological and innovatory capacities • Cost of labour, land, energy and other inputs 	<ul style="list-style-type: none"> • Investment promotion, including practical assistance during and after the investment • Incentives • Social amenities

Table 3: Main drivers of location benchmarking categories. Source: elaborated by the author of this thesis based on UNCTAD (2011).

To further explain why do firms choose a certain country to invest in production abroad, Dunning (2000) proposed "The Eclectic Paradigm (OLI²⁴)". The author states that there are three prerequisites for internationalization:

²⁴ Ownership, Location, Internalization

- Ownership advantage – specific to the ownership of the investing enterprises. The ownership advantages imply a major control and domain of the resources applied overseas, making the companies' skills to be a differentiating feature compared to its direct competitors. Firms' ownership advantages may include Government protection, management capabilities, control of strategic assets as technology or trademarks, ability to acquire inputs on favoured terms.
- Location advantage – exploits the localization advantages by choosing a country that provides the best conditions to invest. Some of the conditions refer to the policy of the host country, input prices, quality and productivity, the natural and created resources available, lower labour costs.
- Internalization advantage – regards to the execution of transactions within the corporation rather than in the open market, in order to avoid transaction costs and protect ownership rights.

Dunning (2000) concludes that a firm will engage in FDI in production if it satisfies all the three conditions proposed in the eclectic paradigm (ownership, location and internalization). If a firm possesses ownership and internalization advantages but no location advantage, the foreign markets could be served fully by exports. On the other hand, when a firm does not verify the internalization advantage but verifies the other two (ownership and location) it will choose to externalize its ownership advantages through licensing contracts, subcontracting, franchising (Dunning, 2000).

Several authors studied the determinants of firms' location decisions (Table 4), and after a comparison between the six studies, market potential, including its size and conditions was considered a common important determinant of a firm's

location decision. Agglomeration economies²⁵, unit labour costs, labour market conditions and the distance between countries, principal cities and firms were also considered important location determinants.

Authors	Guimaraes, Figueiredo, & Woodward	Faggio, Salvanes, Terrell, Cayselle, & Wooton	Carstensen & Toubal	Bevan & Estrin	Rasciute, Pentecost, & Marques	Hecht
Year	2000	2001	2003	2004	2007	2015
Theory	Location choice behaviour of foreign investors, focusing on the location decisions made by newly created Portuguese firms	Firms' location decisions	Determinants of FDI attractiveness into Central and Eastern European Countries (CEECs)	Determinants of investment location choice	Determinants of the Location of FDI in the Central and Eastern European Countries	Location choice of German investors in the Czech Republic
Main research questions	What are the spatial choices for newly created foreign-owned plants in Portugal?	Foreign investors are driven by market-seeking or efficiency-seeking motives when locating in Poland, Bulgaria or Romania?	What are the determinants of FDI into CEECs?	What are the determinants of FDI from Western countries, mainly in the European Union (EU), to Central and Eastern European ones?	What are the factors explaining 1,223 foreign investment location decisions by firms in the EU(15), Japan, Norway, Russia, Switzerland and the US in 12 Central and Eastern European countries (CEECs)?	What is the location choice of German investors in the Czech Republic?
Method adopted	Detailed urban and regional data for Portugal	Conditional logit model	Dynamic panel data	Panel dataset of bilateral flows of foreign direct investment	Multi-level data set and a multinomial logit model	Nested logit model
Main motives when choosing a location abroad	agglomeration economies	local demand, unit labour costs, higher labour market flexibility, agglomeration economies, parent's nationality	traditional determinants: market potential; low relative unit labour costs; skilled workforce; relative endowments. Additional factors: level and method of privatisation and the country risk	unit labor costs, gravity factors, market size, and proximity	market size, distance, firm size and the effective corporate tax rate	agglomeration economies, labour market conditions and distance
Core citations	"service agglomeration has a notably strong effect, while industry-level localization economies and urbanization externalities are verifiable location determinants as well. Distance from the principal cities is statistically significant, but there is no evidence that local labour costs matter." (p.115)	"US investors are more likely to locate in markets characterized by a larger demand for their products and German multinationals are attracted by low-cost locations presumably for efficiency reasons." (p.21)		"FDI is related positively to both source and host country GDP and related inversely to the distance between the countries and to unit labour costs." (p.785)	"the responsiveness of foreign direct investment in the CEECs to country-level variables differs significantly both across sectors and across firms of different sizes and profitability." (p.3)	"apart from a low distance to the location of the parent company, the attractiveness of a Czech district for German investors is mainly driven by agglomeration economies." (p.3)

Table 4: Determinants of firms' location decisions – a comparison of different authors' theories. Source: elaborated by the author of this based on Bevan & Estrin, 2004; Carstensen & Toubal, 2003; Faggio, Salvanes, Terrell, Cayselle, & Wooton, 2001; Guimaraes, Figueiredo, & Woodward, 2000; Hecht, 2015; Rasciute, Pentecost, & Marques, 2007.

²⁵ Agglomeration economies "are the benefits that firms obtain by locating near each other. As more firms in related fields of business cluster together, their costs of production may decline significantly (firms have competing multiple suppliers; greater specialization and division of labour result). Even when competing firms in the same sector cluster, there may be advantages because the cluster attracts more suppliers and customers than a single firm could achieve alone."

A Portuguese study about firms' investment decisions is addressed by Simões & Silva (2012) who analyse, by means of an inquiry of 220 respondent Portuguese firms, the firms that export and invest abroad, in order to establish their main motives for internationalization, the barriers that they encounter in this process, the organizations which they turn to when looking for support, and the relevance of the existing supporting services. The authors conclude that the Portuguese firms' main motives for internationalization are: the need for increasing market share, resource-seeking and recognition in the domestic market. The main barriers to internationalization appointed by firms, were: bureaucracy, lack of incentives and lack of information. Language was considered to be the least barrier. When looking for support, firms mainly demand the services of AICEP, followed by embassies and consulates, employers' associations, chambers of commerce, and the less demanded is IAPMEI. Portuguese firms considered the information about foreign markets, incentive systems, and financial support to be the most relevant supporting services for internationalization.

The study of Simões & Silva (2012), also shows that measures designed to promote internationalization cannot be based solely on financial support, much less on monetary grants, which lead to a lack of commitment by enterprises. Comparatively with 1990's measures (see Annex 1) that the Portuguese Government adopted, the measures since 2000 (see Annex 2), "are broader in perspective, but at the same time better focused on specific objectives and programs, particularly at the sector level, which is believed as the most advantageous for export development." Possibly, the most outstanding conclusion of the authors, highlights the importance of creating an efficient and operational information network that must be at the service of Portuguese internationalized firms, through trade and/or FDI, in order to improve the performance of the Portuguese external sector. The authors conclude that "the firms should have a central place and their opinions, even when they are

incorrect, must be taken into serious consideration”, because firms’ opinions are “determinant for the desired changes that the Portuguese economy needs to introduce in order to follow a more favourable route, particularly as far as the external domain is concerned, which is of such critical importance for the country’s future.” (p. 834)

3.3. Government’s intervention in investment decisions

Foreign Direct Investment (FDI) brings numerous advantages to a host country, such as technology transfers, introduction of business culture and management skills, improvements of the productive structure of a country and has direct effects on a country’s output and level of employment (OECD, 2002). Conversely, FDI can also have disadvantages, such as the destruction of local technologies in the host country and the high payment demanded by the technology transferred (Reddy & Zhao, 1990).

Some authors believe policy and institutional factors affect the attraction of inward FDI. Schneider & Frey (1985) evaluated the empirical significance of institutional and policy factors, and determined that political instability has a negative effect on incoming investment. The inclusion of institutional variables often greatly diminishes the estimated impact of economic variables, such as taxation on FDI (Hajkova, Nicoletti, Vartia, & Yoo, 2006). Additionally, the efficiency of the legal system (Buch, Kleinert, Lipponer, Toubal, & Baldwin, 2005), the reduced or inexistent level of corruption (Wei, 2000), the extent of entry barriers and possible efficiencies (Alesina, Ardagna, Nicoletti, & Schiantarelli, 2003), affect positively the inflows of FDI.

Demirhan & Masca (2008), believe that Governments are also engaged in a policy competition by changing key factors of their economic policies, such as domestic labour market conditions, corporate taxes, tariff barriers, subsidies, privatization and regulatory regime policies so as to improve FDI activity in their

countries. Following this reasoning, a report from UNCTAD (1999) says that Governments' actions on promoting investment focus on political and economic factors, as removing fiscal barriers to outward investment, especially through the establishment of bilateral tax agreements. Some Governments go even further and provide direct tax incentives to companies that invest abroad.

“The rationale for intervening is usually built on identification of a failure in the market to produce what are considered optimal outcomes in terms of resource allocation, production and distribution. For example, much of the market information provided by Investment Promotion Agencies (IPAs) have a public goods nature and is therefore not likely to be sufficiently produced by private firms. The private sector may also not be able or willing to develop or support networks that help foreign investors gain access to overseas contacts and opportunities. Governments therefore step in to provide what the market cannot.”(UNCTAD, 2011a)

3.3.1. Embassies

Embassies are privileged instruments for the projection and strengthening the prestige of a country internationally. In the past, embassies main function was the resolution and dissolution of international conflicts through international negotiations. Nowadays, embassies have become essential in the promotion of foreign investment, trade and tourism.

The third article of the Vienna Convention on Diplomatic Relations (United Nations, 1961), defined that “the functions of a diplomatic mission consist in:

- a) Representing the sending State in the receiving State;
- b) Protecting in the receiving State the interests of the sending State and of its nationals, within the limits permitted by international law;
- c) Negotiating with the Government of the receiving State;

- d) Ascertaining by all lawful means conditions and developments in the receiving State, and reporting thereon to the Government of the sending State;
- e) Promoting friendly relations between the sending State and the receiving State, and developing their economic, cultural and scientific relations.”

Economic diplomacy entails the promotion of a home country’s external economic interests and Governments all over the world are involved deeply in this area. Embassies and consulates can act as the public service overseas outposts of the country, to help real actors of economic diplomacy, the home enterprises and businessmen (Rana & Chatterjee, 2011).

Moons & Bergeijk (2013) studied the impact of economic diplomacy on trade and investment, and through a meta-regression model they used embassies and state visits as dependent variables, instead of giving importance to consulates, export promotion agencies and trade missions, concluding that embassies “produce more significant coefficients for their effect on trade and investment flows as compared to consulates and other foreign representations of lower order”. With the same argument but applying an empirical trade model on a group of 36 countries in 2006, Veenstra, Yakop, & Bergeijk (2010) concluded that the overall effect of embassies and consulates on bilateral trade flows is positive and significant comparing to the effect of export promotion agencies. The latter is only efficient to promote exports of developing countries but not for OECD countries (Veenstra et al., 2010).

Embassies have the task of providing information and facilitating their customers - home enterprises, businessmen, consultants, among others - to increase their overseas interactions. Meanwhile, embassies are crucial as a supporting body, since the initial impetus to trade or investment emerges from its initiative. Besides the promotion of trade and investment, embassies also have

influence on the regulatory environment, aid management, building partnerships with other non-state actors – universities, think tanks, business schools, media institutions, enterprises, and business associations – and technology acquisition (Rana & Chatterjee, 2011).

Rana & Chatterjee (2011) believe that economic diplomacy connects closely with the country brand, because a country's trade and investment destination profile both contributes to, and is influenced by the reputation that the country enjoys internationally. The network of embassies and foreign ministries are directly concerned with this. Although, the authors also argue that the image building of a country takes many forms, and works particularly well when it takes the form of PPPs (Public-Private Partnerships), this is, when the public and private sectors cooperate with each other. These authors argue that developed and developing countries consider the mobilization of FDI and export promotion as the essence of their interests, where the role assumed by embassies is highlighted.

The increasing efforts of developing countries and economies in transition to attract foreign investment have led over the years to the establishment of investment promotion agencies or similar Government institutions with the prime function of attracting foreign investment. In their daily operations, these institutions not only extend their network and services to transnational corporations, but also to institutions in so-called home countries that facilitate outward and inward investment (UNCTAD, 1999).

3.3.2. IPAs

Outward and inward foreign investments help developing the economy of a country and Governments recognize this as a major contribution to domestic economy. Thus, Governments are increasing the establishment of facilities to

foster investment – Investment Promotion Agencies known as IPAs or IPIs (Investment Promotion Intermediaries).

Establishing and IPA can help promoting the home country investment opportunities, influencing the market size and the quality of the investment climate (The World Bank Group, 2012).

IPAs generally are Government agencies, working to develop the investment flows to and from its home country. Some countries' IPAs also work in collaboration with the private sector, which is beneficial for Governments and enterprises, allowing IPAs easy access to parliaments, ministries and agencies that are able to remove barriers that should be lifted. Also, the IPA with its Government participation, can signal the importance to the national economy of what private investors consider to be barriers to investment, such as information barriers (Andrews-Johnson, Morisset, & Andrews-Johnson, 2004).

Loewendahl (2001), also believes that IPAs must be related with the Government but also with the private sector actors, and should have a direct influence on policy, in order to fulfil its goals of investment attraction.

Moreover, the effectiveness of an IPA is enriched by a strong political support and the most effective agency benefits from the involvement of the private sector through their boards or through institutional relations (Andrews-Johnson et al., 2004).

Zanatta et al. (2006) argue that IPAs primary role is to promote a country, or specific locations, to foreign investors. The activities performed by investment promotion agencies, are the following: a) disseminate information about investment opportunities in the country; b) provide services for the investors; c) contribute to improve the overall investment climate; d) create a positive image of the country abroad. Additionally, the authors also believe that to attract and maintain relations with investors, IPA's tasks may extend to export promotion,

industrial development, fostering entrepreneurship, and small and medium enterprise development.

“The effectiveness of an IPA in strategic FDI promotion is subject not only to its technical capacity and positioning within the Government structure, but is also linked to country’s overall bargaining power. This in turn rests on the assets that the country is able to leverage to attract investors, including market size, geographical location, human capital and science and technology (S&T) infrastructure.” (Zanatta et al., 2006).

3.3.2.1 Governments and IPAs affecting investment location decisions

The competition for FDI has been intensified, and Governments have created incentives to attract foreign investors. Some authors (Rondinelli & Burpitt, 2000; Zanatta et al., 2006) argue that the incentives created by the Government do not have a strong influence in the investment location decision.

Rondinelli & Burpitt (2000) argue that national States and local Governments are competing to attract and retain investment by international firms by increasing the range and value of public incentives for businesses to invest in their jurisdictions. The authors administered a survey to executives in 118 internationally-owned firms in North Carolina, and concluded that executives rank State incentives low in a list of factors that they believe attract foreign-owned companies and retain them in the State. Labour force, transportation, quality of life, and overall business climate factors are consistently ranked highest by business executives, and state tax, finance, plant services, and marketing assistance are consistently ranked low.

Literature on FDI promotion suggests that Government incentives to promote FDI are not the most important factors in determining a country’s attractiveness for investors. However, the public incentives may influence Multinational

Corporations' final decision when all other factors are comparable for competing locations (Zanatta et al., 2006).

Júlio, Pinheiro-Alves, & Tavares (2013) argue that countries with better institutions, in addition to better economic performances, are able to attract considerably larger amounts of inward FDI.

Governments intervene helping firms to invest by providing what the market cannot – optimal outcomes concerning resource allocation, production and distribution. One of the key tasks IPAs have is to provide foreign investors information about the country but also information about investment opportunities in specific locations. The importance of IPAs' tasks is linked with market failure, as Multinational Corporations do not have perfect information about foreign markets and investment opportunities abroad, and so their decisions may be biased.

The supporting role of the Government to investment agencies aims primarily to reduce risk perception of companies doing international business by providing them information about the investment conditions in the host market (The World Bank Group, 2012).

An analysis of 30,000 high value-added FDI projects shows that Government provided information and assistance significantly influenced investor decisions to locate in one economy or another (The World Bank Group, 2012). These efforts are usually the responsibility of a public intermediary agency that promotes investment and it is known by its investment facilitation activities.

Governments generate data and analysis on labour, infrastructure, transport, taxes, regulation, and other business-critical factors, which are not generated by the private sector, either because they do not have access to the same sources or because they find it cost-prohibitive (The World Bank Group, 2012). Most Investment Promotion Intermediaries (IPIs) have only to identify the information needed by potential investors, establish connections with the Government

sources, periodically collect up-to-date information, and present it in a way that is comprehensive, accessible with a minimum of clicking, and promotionally effective (The World Bank Group, 2012).

Countries with IPIs are able to handle investor inquiries in a more professional manner and IPIs possessing higher quality Web sites tend to attract greater volume of FDI (Harding & Javorcik, 2011).

IPAs perform a critical role regarding projects of higher value-added and knowledge intensive activities, such as research and development, since countries no longer compete on large amounts of investment but in specific types of FDI. Therefore, the role an IPA play is exclusively linked with the country's economic development, technical capacity and the Government structure (Zanatta et al., 2006).

Certain features of IPAs are related with greater effectiveness in attracting FDI and the scope of its activities differ among different agencies.

3.3.2.2 Evaluating IPAs/IPIs²⁶

Investment facilitation is the task of providing potential investors with the information and assistance needed to make an informed location decision. This is the primary function that IPIs must do well to maximize their economies' chances of winning investment (The World Bank Group, 2012).

Global Investment Promotion Benchmarking (GIPB) project surveys the world's IPIs triennially²⁷, to gather examples of the best practices and provides an objective measure of IPI competitiveness. It makes a rigorous, objective, and quantified assessment of two aspects of the investment facilitation performance

²⁶ This subsection's literature focus on the Global Investment Promotion Benchmarking reports from 2009 and 2012, since the information included in the reports is based on sources that the World Bank Group considers to be reliable, and the assessments of IPI's Web sites and IPI's responses to inquiries were conducted by a professional site selection company on behalf of the Foreign Investment Advisory Service.

²⁷ The first report is from 2006 and the last one from 2012. At the time of the research, the analysed reports were from 2009 and 2012.

of IPIs: Web sites (50 percent of overall performance) and handling of investor inquiries (50 percent of overall performance).

In order to allow the identification of good and best practice examples, Web sites and inquiry responses (see Annex 3) are categorized as: best practice (81-100%); good (61-80%); average (41-60%); weak (21-40%); and very weak (0-20%).

The assessment is based on a review of each IPI's Web site, and its responses to two investor applications for information – the two inquiries were made using a “mystery shopper” and are focused on agribusiness and tourism projects, since both of which are priority sectors for a large majority of IPIs.

The report of GIPB states that IPIs that offer a best-practice facilitation service to potential investors have diverse characteristics and operate under diverse circumstances. But two core characteristics are shared by all IPIs with best-practice facilitation: customer-oriented approach and preparedness (The World Bank Group, 2012).

In all the reports made by GIPB, OECD IPIs provided the best service to potential investors, in terms of both their Web sites and their inquiry-handling.

a. Web sites

GIPB accesses IPIs Web sites, based in four characteristics:

- *Information architecture* – how easy is it to find country and sector-specific information on the Web site?
- *Design* – how is information presented to support the online promotion effort?
- *Content* – how relevant and accurate is the country and sector information for targeted foreign investors?
- *Promotional effectiveness* – how well does the site market the location and IPI services?

The presence and usefulness of crucial business information (content) is the most important for potential investors. Promotional effectiveness follows, while architecture and design are necessary, but moderately less important categories.

With respect specifically to content, OECD IPIs are best practice on average, and Germany was considered to have the best Web site content within the OECD countries, in 2012.

The best Web sites clearly show the advantages of an investment location and they also convey the IPI's professional competence as its understanding of the target customer, the factors influencing the decision on an investment location, and how the IPI can influence selection of an investment site. GIPB qualifies the best-practice site regarding the information provided by each IPI's website. A Web site that presents information to prospective investors in a clear, concise, and engaging way, information about who they are, what they target, why their locations are optimal investment destinations, and how they can help is considered as a high score website (The World Bank Group, 2009).

Table 5 presents the results from GIPB reports in 2009 and 2012, considering the IPIs' Web site and inquiry-handling performance.

		2009			2012			
		Performance					Performance	
Country	IPI name	Web site	Inquiry-handling	IPIs	Country	IPI name	Web site	Inquiry-handling
Czech Republic	CzechInvest	best-practice*	good-practice	good-practice (72.3%)	Czech Republic	CzechInvest	best-practice	-
France	Invest in France Agency	best-practice	best-practice	best-practice (81.1%)	France	Invest in France Agency	best-practice	-
Germany	Germany Trade & Invest	best-practice	best-practice	best-practice (82.2%)	Germany	Germany Trade & Invest	best-practice	-
Portugal	aicep Portugal Global	best-practice	good-practice	good-practice (70.6%)	Portugal	aicep Portugal Global	best-practice	best-practice
United Kingdom	UK Trade & Investment	best-practice	best-practice	best-practice (82.2%)	United Kingdom	UK Trade & Investment	best-practice	-

*The Web site of CzechInvest had 97.4% efficiency, because it was provided in six languages, had a clear navigation structure and topical news, and an excellent sector content was accompanied by testimonials from satisfied investors.

Table 5: Performance of IPIs Web site and inquiry-handling in 2009 and 2012. Source: elaborated by the author of this thesis based on The World Bank Group (2009, 2012).

Results conducted by the GIPB report in 2012, comparatively with 2009, indicated an improvement in the overall Web site performance of all the evaluated IPIs. According with table 5 the five countries of analysis have best-practices IPIs' Web-sites in 2009 and 2012. The Portuguese IPI, aicep Portugal Global, was considered as a best-practice at inquiry-handling in 2012. No evidence was found about the rest of the countries illustrated.

The global evaluation of the IPIs identified in table 5 is measured in percentage, on a scale that ranges from 0% to 100%. IPIs with the best practice have a result between 81% and 100%, and the ones with a good practice have results that range between 61-80%.

In 2009, under the evaluation of 181 countries and 165 IPIs' Web sites, 59% were considered to have the best/good practice (50 IPIs with the best practice, and 56 IPIs with a good practice). In the same year, GIPB considered that 1/3 of the IPIs evaluated had a weak or a very weak Web site.

Further, in 2012, 189 countries and 189 Web sites were accessed, and 62% of IPIs were considered to have the best/good practice (51 IPIs with the best practice, and 67 IPIs with a good practice).

b. Inquiry handling

An inquiry handling is the other tool to evaluate IPIs performance, and it is more challenging for IPIs than are the basics of Web sites, because it involves interacting with the potential investor and thus, is the best opportunity for an IPI to influence firms' investment decisions.

Therefore, GIPB framework for assessing inquiry handling defines best-practice attributes under four main characteristics:

- *Availability and contact ability* – how easy is it to find the IPI online and contact a knowledgeable project manager?

- *Responsiveness and handling* – how skilfully do IPI staff engage with the prospective investor over the telephone and by e-mail?
- *Response* – how relevant, thorough, and professional is the IPI's response to specific inquiries?
- *Customer care* – how well does the IPI follow up to convert initial interest of an investor into a firm lead (a further inquiry or site visit)?

In order to provide a balanced view of the real abilities of each IPI, GIPB evaluated each agency twice: first via a manufacturing research and development inquiry and then with a software engineering inquiry (The World Bank Group, 2009).

These surveys measured the IPIs' ability to respond to information requests in a professional and appropriate manner, and in a manner that would likely increase the investor's motivation to engage further with the IPI and ultimately invest in the location.

Also, an assessment of an IPI's ability to manage investment inquiries offers an insight into many of its core functions. Inquiry handling is not only about how an IPI interacts with an investor but also the extent to which an IPI understands its market, does research into its own location so it can respond to investors, and ensures its staff has project management skills, knowledge, training, and marketing capability (The World Bank Group, 2009).

GIPB concluded that a majority of IPIs were unable to provide information or advice to an investor beyond what appeared on the IPI Web site. IPIs had not identified possible clients, nor done the research required to respond to specific information requests from those clients, nor identified the strengths and weaknesses of their location in terms of the investor's needs.

Results from 2009's report of GIPB show that the majority of IPIs globally do not provide good customer care, even when they provide a response to a prospective investor, and very few follow up. Only 30 percent of OECD IPIs

endeavoured to develop their relationship with the potential investor beyond basic information provision. This attitude means that agencies tend to miss opportunities to further influence investment decisions, and possibly to persuade potential investors to make a site visit. It also misses the opportunity to get feedback on the quality of information it provides. Within each dimension, some of the most important attributes, measured from the perspective of the foreign company, tend to be key areas of IPIs weakness.

Unfortunately, results from the GIPB report in 2012 also reveal that for the majority of IPIs their inquiry-handling capacity has diminished. This contrasts Web site performance that was comparatively strong in most regions.

Even though almost IPIs do not have a good performance at inquiry-handling, OECD countries continue to lead with its best performance. AICEP, is one of the top 10 IPIs at inquiry handling, which means that it is an IPI that provides a well-presented, detailed answer, and attempts to go beyond answering the questions to support firms' location's selection, then it follows up on the project's progress, maximizing the chance of remaining at the top of the investor's list. Germany, the United Kingdom, France and the Czech Republic are not in the top 10 (Figure 2).



Figure 2: Top 10 IPIs at Inquiry-Handling. Source: The World Bank Group (2012), p.28.

Concluding, the report from Investment Climate Advisory Services of the World Bank Group (2009) states that “an IPI is most often the first point of contact with a location of a foreign investor. An IPI with an attractive and informative website, and a staff that responds quickly and effectively to inquiries, promotes the overall attractiveness of a location in addition to its business attributes. On the contrary, poor-performing IPIs risk portraying their country as a worse location than it may actually be. IPIs that let bureaucratic and procedural matters impede service provision may also reflect badly on their country as an investment destination.” Therefore, it is important to highlight the constant evaluation of IPIs performance, in order to provide new measures to improve their effectiveness at promoting their country as an ideal investment location.

GIPB is not the only instrument that evaluates countries investment promotion performance. Investing Across Borders (IAB) is another performance tool for investment promotion. Investing Across Borders 2010 (IAB) presents cross-country indicators analysing laws, regulations, and practices affecting FDI in 87 economies, including only the Czech Republic, France and the United Kingdom and not Portugal nor Germany. “The indicators focus on 4 thematic areas measuring how foreign companies invest across sectors start local businesses, access industrial land, and arbitrate commercial disputes. The indicators combine analysis of laws and regulations, as well as their implementation. They explore differences across countries to identify good practices, facilitate learning opportunities, stimulate reforms, and provide cross-country data for research and analysis. The indicators provide a starting point for Governments seeking to improve their competitiveness in attracting foreign investment.” (The World Bank, 2010)

The main findings of the latter report were: restrictive and obsolete laws and regulations impede FDI; red tape and poor implementation of laws create further barriers to FDI; good regulations and efficient processes matter for FDI; effective

institutions help foster FDI; and countries can improve their FDI competitiveness if they do well on the four categories named by IAB (The World Bank, 2010).

3.4. Final remarks of this chapter

When firms look to invest abroad, one of the main concerns is to choose the ideal location for that investment. Several factors are taken into account, and many actors provide different perspectives. Although, there are some factors that almost always prevail in a company's investment decision, which are: agglomeration economies leading to lower costs of production; market size; distance between markets; political and institutional factors, such as tax regulations and Governments' incentives. But the extensive growth of FDI in the last decades has led to a vast amount of theoretical and empirical literature, collecting a long list of determinants that try to explain direct investment by multinational companies in a particular location. Among these determinants the focus is on those associated with the location dimension of the OLI paradigm (infrastructure, human capital, economic stability and policy of the host country, input prices), on the institutional approach (corruption, political instability and institutional quality, and financial and fiscal incentives), and on the traditional factors: market size, market growth, openness of the economy and factor endowments.

In the review of this section, it is conclusive that besides the negative effects that institutional and policy factors can have on investment flows, the participation of the Government through embassies and IPAs/IPIs is important to support firms' investment decisions.

Open an embassy is one of the strategies to promote the image of a country and its economy, in order to develop further relationships with potential foreign markets. A local presence facilitates contacts and opportunities among economic agents in the home and host country.

Besides the importance of embassies, nearly every economy in the world has a national institution – IPA/IPI –, almost always publicly financed, that is dedicated to promoting its economy as a destination for FDI. IPAs also have foreign delegations and the majority of them have a coordinated role with their respective embassies located abroad. The functions and services provided vary from IPA to IPA, based on circumstances and priorities.

Furthermore, the evaluation of an IPI is essential, in order to address negative procedures and suggest improvements to a country's IPA, to further develop its investment relations with foreign countries. Within the instruments to monitor and evaluate the performance of IPAs, it is concluded that a well-structured informative Web site and a good inquiry-handling improves a country's attractiveness of foreign investment.

However, the evaluation of IPIs performance conducted in the GIPB reports have a limitation: the assessment of IPIs' Web sites and their approach to investors through an inquiry-handling does not include information about local foreign delegations of IPIs. Only the IPIs headquarters are evaluated, which may bias the results because it is not accounting the other foreign delegations of each country's IPI.

Governments are capable to break barriers to investment and provide aid and incentives to firms' internationalization. Although, despite the main involvement of the public sector in countries' attractiveness of FDI, the private sector is also an important intervenient, by providing private resources to harness foreign investment.

Chapter 4

Method adopted

The research method adopted in this thesis has the form of a qualitative research strategy, applying the method of a case study investigation. Although there are alternative qualitative research strategies – such as experiment, survey, archival analysis and history – the case study strategy will be of particular interest to this work, for gaining an in-depth understanding of the research context (Yin, 2009).

This research study can be classified as an embedded single case study (Yin, 2009). The nature of this research is applied to the case of the Portuguese embassy in the Czech Republic.

The objective of this descriptive case study is “to describe an intervention and the real-life context in which it occurred” (Yin, 2009), by portraying accurately the characteristics of the service profile of the Portuguese embassy in the Czech Republic, identifying what are the main goals of economic diplomacy to this particular embassy and how they are defined, to obtain insight into how the economic diplomatic activities are executed and delivered by State representatives and how this support is perceived by Portuguese firms doing business in the Czech Republic. Furthermore, this investigation intends to understand how this embassy may, with the support of AICEP, achieve efficient economic relations between Portugal and the Czech Republic.

The Portuguese embassy initially had the interest of studying its role regarding the attraction and promotion of FDI. However, due to the nature of the activities carried out during the internship and to the reduced contacts with investors, led to a broader analysis of the role of the Portuguese embassy, which included other subject areas of economic diplomacy.

A case study analysis typically combine different data collection methods, as archives, interviews, questionnaires and observations (Eisenhardt, 1989).

First, an extended literature review with focus on economic diplomacy actors' role, particularly the embassies and IPAs, and on FDI promotion led by the private and public-sector, was conducted. Statistic data of the trade and investment relations between Portugal and the Czech Republic were gathered. Information about the Portuguese embassy in Prague, AICEP and the intervention of both in the investment decisions made by Portuguese firms operating in the Czech Republic, was also collected. It is important to perceive the actions made to raise and sustain the trade and investment relations between both countries.

During my internship at the Embassy of Portugal in the Czech Republic I was able to collect different types of data, through the analysis of documents/archival records available, direct observations of the working environment at the Portuguese embassy, informal interviews conducted with staff member of the embassy – that provided me a clear vision about their present and future activities, regarding the investment attraction and trade promotion – and with Portuguese entrepreneurs with businesses in the Czech Republic. The informal interviews conducted during the internship period were made to Czech importers of Portuguese products, specifically to wine and fruits and vegetables importers, to a Czech importer with a boutique that only sold Portuguese clothes, to a Portuguese that has a café and also sells Portuguese food & wine products.

When collecting information about the Czech Republic as a potential partner of the Portuguese economy, I had to be impartial and brief to perform clear and straight objective questions, accordingly to the subject that I was investigating. The collected information during the internship was saved in a diary, which contains all the activities that I was requested to execute (see Appendix 3).

After the internship I contacted Portuguese firms with investments in the Czech Republic asking for an interview. I made a first contact with ten Portuguese firms through e-mail, and only Mota-Engil and Logoplaste replied. After a second e-mail I tried a phone contact, but no other firm was available to answer my request.

Mota-Engil and Logoplaste were interviewed using open-ended questions. Both interviews were made via Skype, with an average length for each interview of approximately 40 minutes (Mota-Engil) and 20 minutes (Logoplaste). The interviews were conducted using the same model of the interview (see Appendix 4), and the interviews were recorded with the interviewees authorization, in order to allow clear and unbiased transcript answers.

The interviews' questions aimed at: obtain insight information from the interviewed Portuguese firms about the support received from the Portuguese embassy and AICEP when they entered the Czech Republic; perceive how were the services of both organizations provided and in what those services helped the firms' investments in the Czech Republic; understand how do firms evaluate the supportive role of the embassy and AICEP in their investment decisions in the Czech Republic; comprehend the relevance of the absence of an AICEP delegate in Prague for the firms' support; evaluating the supporting role of the Portuguese embassy, without a physical presence of an AICEP delegation, to Portuguese firms.

The analysis of data through the description of the case (Creswell, 2009), a diary of activities, trade and investment statistics between the Czech Republic and Portugal, and the conducted interviews is realized in the light of the literature review. Yin (2009) argues that "data analysis consists of examining, categorizing, tabulating, or otherwise recombining the evidence to address the initial propositions of a study". The next chapter presents the results of my investigation.

Chapter 5

Economic relations between Portugal and the Czech Republic

5.1. External trade and FDI statistics

The analysis of statistic data allow to evaluate the importance of bilateral economic relations. External trade and investment data between Portugal and the Czech Republic will be analysed. The study of the main exported and imported products as well as its main customers and suppliers, will allow the identification of potential areas for direct investment between the countries under review. Also, the identification of the Czech companies with investments in Portugal and Portuguese companies with investments in the Czech Republic provides the reality of the investment relations between the two countries. Then it is described the activities developed during the internship at the Portuguese embassy. As a final point, two interviews with Portuguese companies with investments in the Czech Republic permits the comprehension of the activities developed by the embassy and AICEP and the importance of these organizations in supporting Portuguese investments in the Czech Republic.

5.1.1. External trade

The Czech Republic is more of an exporting country rather than an importing one, presenting a positive current account balance (Table 6). The country's exports correspond to three fourth of its output. In 2014, the Czech Republic occupied the 29th position as an exporting country and the 31st place as an importing one, among the world trade of goods (WTO, 2015). The country is a highly open economy characterized by its strategic geographical location, long-

established industrial tradition and well-developed infrastructure (Czech Invest, 2016).

	Unity	2013	2014	2015 ^a	2016 ^b	2017 ^b	2018 ^b
Exports of goods and services	10 ⁹ USD	161	172,1	141	138,4	152,1	166,8
Imports of goods and services	10 ⁹ USD	148,9	158,3	126,9	122,6	137,3	152,6

^aestimate ^bforecasts

Table 6: Exports and imports of goods and services of the Czech Republic. Source: AICEP (2016).

The main exported and imported products of the Czech Republic, in 2015, are represented in Table 7. The automotive sector is considered the key export industry of the Czech Republic, as the electrical engineering and electronics industry, chemicals and pharmaceuticals, information and communication technologies, mechanical engineering, among others (Czech Invest, 2016). Europe is the main destination and main origin of Czech exports and imports (Table 8).

Main exported products 2015		Main imported products 2015	
	Total %		Total %
Motor vehicles	19,9	Machinery and mechanical equipment	18,2
Machinery and mechanical equipment	18,5	Machinery and electronic equipment	17,2
Machinery and electronic equipment	17,0	Motor vehicles	9,9
Articles of iron or steel	3,9	Oils and mineral fuels	6,7
Plastics and articles thereof	3,6	Plastics and articles thereof	5,6

Table 7: Main exported and imported products of the Czech Republic. Source: ITC - International Trade Centre (2016).

Main clients 2015			Main suppliers 2015		
	Rank	Share %		Rank	Share %
Germany	1 st	32,3	Germany	1 st	29,9
Slovakia	2 nd	9,0	Poland	2 nd	8,9
Poland	3 rd	5,8	China	3 rd	7,9
United Kingdom	4 th	5,2	Slovakia	4 th	6,6
France	5 th	5,0	The Netherlands	5 th	5,0

Table 8: Main destination and origin of the Czech Republic exports and imports. Source: ITC - International Trade Centre (2016).

The economic relations between Portugal and the Czech Republic are not strong. Table 9 presents the trade balance of goods of Portugal with the Czech Republic, where the imports exceed the exports, except for the year 2012. In 2015 Portugal positioned as the 32nd client of the Czech Republic in international trade of goods and as a supplier occupied the 34th place. The Czech Republic, in a client position of Portugal, has the 20th place and as a supplier occupies the 19th place. From the position that each country has in the international trade of goods with the other, a final conclusion is that the Czech Republic is a more important partner for Portugal than Portugal is for the Czech Republic.

Trade balance of goods of Portugal with the Czech Republic								
	2011	2012	2013	2014	2015	Var % 15/11 ^a	2015 jan/fev	2016 jan/fev
Exports	294,7	327,0	285,5	319,5	309,1	1,7	50,3	50,0
Imports	362,8	302,9	316,7	407,9	470,7	8,1	71,9	81,1
Trade balance	-68,1	24,1	-31,2	-88,4	-161,6	--	-21,6	-31,1

Table 9: Trade balance of goods of Portugal with the Czech Republic, in million euros. Source: INE (2016).

Despite the reduced importance of commercial relations between the two countries, the number of Portuguese firms exporting to the Czech Republic has been increasing since 2010, reaching 916 Portuguese firms exporting to the Czech country in 2014 (INE, 2016).

The majority of the Portuguese imports from the Czech Republic are of the automotive sector, in which the Czechs are specialists (Table 10). Between 2014 and 2015, the amount of the Portuguese exports to the Czech Republic diminished in almost all the product groups, except for the textile materials and the plastics and rubber products, which recorded a positive value of 13.2% and 5.9%, respectively (Table 11).

Imports of Portugal from the Czech Republic, by product groups							
	2011	% Tot 11	2014	% Tot 14	2015	% Tot 15	Var % 15/14
Vehicles and other transport equipment	170,6	47,0	157,2	38,5	192,8	41,0	22,6
Machinery	116,7	32,2	124,1	30,4	145,3	30,9	17,1
Base metals	14,9	4,1	30,9	7,6	30,8	6,5	-0,2
Plastics and rubber	18,1	5,0	25,0	6,1	30,7	6,5	22,8
Textile materials	6,9	1,9	11,2	2,8	12,1	2,6	7,9

Table 10: Imports of Portugal from the Czech Republic, by product groups, in million euros.
Source: INE (2016).

Exports from Portugal to the Czech Republic, by product groups							
	2011	% Tot 11	2014	% Tot 14	2015	% Tot 15	Var % 15/14
Machinery	93,7	31,8	91,5	28,6	58,7	19,0	-35,8
Vehicles and other transport equipment	35,2	11,9	55,1	17,2	50,1	16,2	-9,1
Textile materials	36,6	12,4	36,7	11,5	41,5	13,4	13,2
Plastics and rubber	51,3	17,4	39,2	12,3	41,5	13,4	5,9
Chemicals	4,5	1,5	24,7	7,7	19,8	6,4	-19,8

Table 11: Exports from Portugal to the Czech Republic, by product groups, in million euros.
Source: INE (2016).

5.1.2. FDI

According to Czech Invest, the Czech Republic is one of the most successful Central and Eastern European countries in terms of attracting FDI. The reasons for Czech success are the introduction of investment incentives, the presence of a skilled and inexpensive workforce and the natural advantages of the Czech Republic, such as its location in the heart of Central Europe (Czech Invest, 2016).

The Czech Republic is mainly an attracting FDI country rather than a promoting one. Evidence is presented on the Figures 3 and 4, where the inward flows of FDI into the Czech Republic are superior to the outward flows. In 2014, the Czech Republic received, approximately, 5 909 millions of Dollars in foreign investment (a lower value than Portugal with 8 807 millions of Dollars).

According to the Czech National Bank, a total amount of 89.03 billion Euros worth of FDI has been recorded since 1993 to 2014.

The Czech Republic ranked 36th out of 189 countries, in the 2016 Doing Business report published by the World Bank – see Annex 4.

The European Union is a main source and destination of FDI to the Czech Republic. The countries where the Czech Republic mainly invests are the Netherlands, Slovakia, Germany, Cyprus, and Romania. Most of the FDI originates from the following countries: Germany, USA, the Netherlands, Austria, Korea, Japan, France and Switzerland (KPMG, 2014).

Since 2012, the primary sectors of investment in the Czech Republic are the following: manufacturing; financial and insurance activities; wholesale and retail trade; real estate activities institutions; electricity, gas, steam and air condition supply; information and communication; professional, scientific and technical activities (Czech National Bank, 2014). Appendix 5 presents the main sectors of investment in the Czech Republic, in 2014.

The improved performance of the Portuguese economy at attracting and promoting investment led to an increase in the investment flows. After the slowdown of FDI in 2009-2010, Portugal has become more competitive and attractive to foreign investors. Recent data available at “Banco de Portugal”, show that the flow of FDI into Portugal reached 5.4 billion Euros in 2015, and this was one of the highest values in the last years (aicep Portugal Global, 2016).

According to the information available at its Web site, AICEP is also a major contributor to investment, as it provides incentives to national and foreign investors/enterprises to rise their foreign investments. In 2015, AICEP supported a large number of projects for the SMEs’ internationalization and it was the most productive year for the acquired investments and services, accordingly with the agency (aicep Portugal Global, 2016). Figures 3 and 4 present the foreign investment outward and inward flows in Portugal and in the Czech Republic.

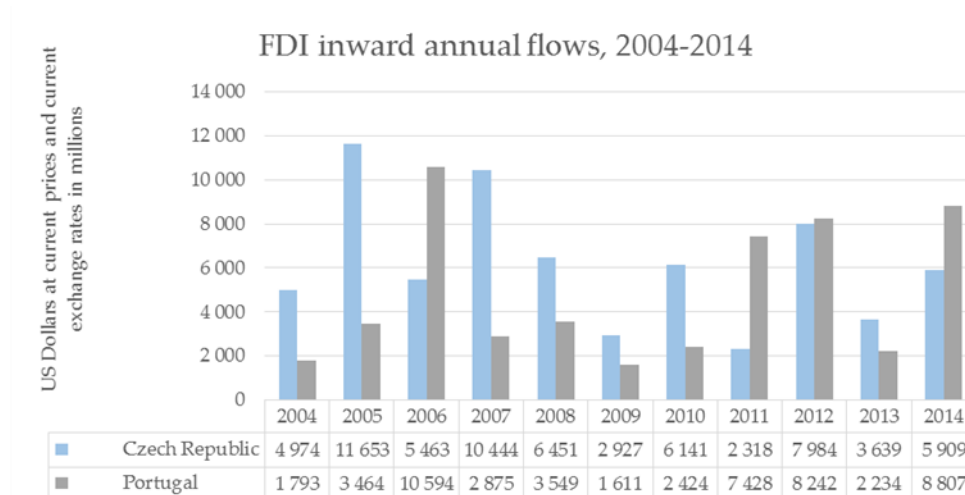


Figure 3: FDI inward annual flows, 2004-2014, in US Dollars at current prices and current exchange rates in millions. Source: UNCTAD (2016).

FDI in Portugal suffered a slowdown between 2009 and 2010, mainly a result of the financial crisis in 2007. After that period, FDI flows recovered when investors reacted positively to the Government’s stabilisation efforts. Portugal’s business environment improvement is certified in the classification Doing Business 2016, issued by the World Bank, where the country ranks as the 23rd (out of 189 countries) – see Annex 5 – up from 25th in 2015.

Data retrieved from “Banco de Portugal”²⁸ presents the flows of FDI into Portugal, in net terms, and it registered an amount of 5.7 billion Euros in 2014. The highest value in the last four years was registered in 2012, when inward FDI reached 6.9 billion Euros. Portuguese outward FDI was close to 3.1 billion Euros in 2014 and it rose to 7.4 billion Euros in 2015. Although, the highest value for Portuguese outward foreign investment, during the period 2010-2015, was in 2011 (nearly 9.7 billion Euros) – see Annex 6.

²⁸ There are differences between data from UNCTAD and “Banco de Portugal”, since the former data is presented in US Dollars at current prices and current exchange rates in millions while the latter data is in billions of Euros.

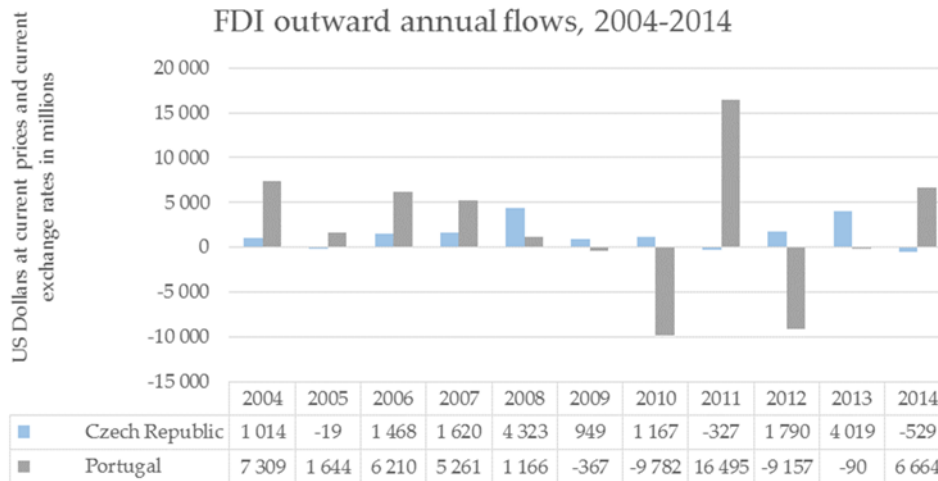


Figure 4: FDI outward annual flows, 2004-2014, in US Dollars at current prices and current exchange rates in millions. Source: UNCTAD (2016).

The European Union is also the principal origin of FDI into Portugal and the main destination of Portuguese FDI. According to “Banco de Portugal”, the Netherlands, Spain, Luxembourg, France and Belgium are some of the main investors in Portugal. China is also an important investor, and according to AICEP in 2014 Portugal became the fourth favourite destination for Chinese FDI in the European Union. The main destination countries of Portuguese FDI are Germany, the Netherlands, Spain, Angola, Brazil and France.

According with data at “Banco de Portugal”, the main sectors that have received FDI in Portugal, since 2012, are: retail and wholesale trade; manufacturing; financial and insurance activities; construction; information and telecommunications; electricity, water, gas; consulting, scientific and technical activities. The same sectors are also considered as the main sectors of Portuguese investment abroad (Banco de Portugal, 2016).

The investment relations between Portugal and the Czech Republic are weak. Appendix 6 and 7 represent the FDI inward and outward flows and positions between Portugal and the Czech Republic²⁹.

²⁹ The discrepancy of the FDI data between the two countries is due to several reasons, and UNCTAD (2011b) enumerates four of them: “1) there are inconsistencies in the data collection and reporting methods

From the direct investment flows and positions between the countries in analysis is perceived that Portugal has higher investments in the Czech Republic than the Czech Republic has in Portugal. The bilateral flows between the two countries represent a maximum of 1.83% of the total Portuguese direct investment into the Czech Republic, in 2012. For the same year, the Czech Republic only invested 0.08% in Portugal. In terms of FDI position by country, Portugal reached a maximum value of 0.03% inward FDI stock from the Czech Republic in 2010, and the Czech Republic achieved, in the same year, a value of 0.04% inward FDI stock from Portugal (OECD, 2016).

Between 2003 and 2013, there is no trend of an augment or reduction of Czech investment in Portugal. The year 2007 is the highlighted one, in which the Czech Republic made investments of approximately 230 million of US dollars, in Portugal. Even though, the investment relations between the two countries are not substantial.

5.1.2.1 Bilateral investments: Portuguese and Czech firms

From the previous analysis of the FDI flows and positions between the Czech Republic and Portugal, it is evident that bilateral investments are small.

According to the database Sabi³⁰, only six companies with Czech capital are operating in Portugal (Table 12). The companies' economic activities are manufacturing, wholesale and retail trade, real estate activities, manufacturing

of different countries, such as different methods used by host and home countries recording the same transactions and different exchange rates used for recording FDI transactions; 2) the changing nature (e.g. investment through exchange of shares between investors and acquired firms, investment from indirect sources) and the increasing sophistication of FDI-related transactions (that involve not only funds from parent firms, but also government loans and development assistance in the same package) often make it difficult to attribute exact values to FDI; 3) distinction between FDI transactions with "portfolio-like behaviour" and portfolio investment, including hot money, is blurred; 4) the global crisis may also affected the accuracy of FDI reporting, which caused increasing volatility in exchange rates, making an exact correspondence between home- and host-country reporting more uncertain (as differences in the timing of records may coincide with major exchange-rate differences)." (p.6)

³⁰ Sabi is a database of Bureau van Dijk's company, which contains comprehensive information on companies in Spain and Portugal.

of other plastic products and business & management consultancy. These sectors were previously identified as the main sectors of outward investment for the Czech Republic.

Name	Date of establishment	Location	Operational income 2014, in EUR	Number of employees 2014	Number of subsidiaries	Number of companies in corporate group	CAE
OLBO & MEHLER TEX PORTUGAL, LDA	09/11/1995	Landim	35 759	255	1	72	Manufacture of other technical and industrial textiles
PROMET INTERNACIONAL UNIPessoal, LDA (ZONA FRANCA DA MADEIRA)	24/08/2012	Funchal	12 285	3	0	2	Non-specialised wholesale trade
UNIS - MARKETING E CONSULTORIA ECONÓMICA E COMERCIAL, SOCIEDADE UNIPessoal, LDA (ZONA FRANCA DA MADEIRA)	17/08/2000	Funchal	362	9	1	4	Business and management consultancy activities
LYSAPLAST PORTUGAL, UNIPessoal, LDA	16/08/2010	São João da Madeira	348	10	0	2	Manufacture of other plastic products
ÂNGULOTRANS PARENTE, LDA	18/09/2013	São Mamede de Infesta	100	1	0	0	Buying and selling of own real estate
DEDICADOÁISIS, UNIPessoal, LDA	25/11/2014	Praia da Areia Branca	n.a.	n.a.	0	2	Buying and selling of own real estate

Table 12: Czech firms doing business in Portugal. Source: Sabi (2016).

Furthermore, information collected during the internship at the Portuguese embassy in Prague, plus data from Sabi, shows that only ten Portuguese firms are doing business in the Czech Republic (Table 13). Kurt O. John and EPOLI are operating only in Portugal and in the Czech Republic, according to their

respective Web sites. Parfois is also present in the Czech market but as a local franchise.

The reduced number of Portuguese companies operating in the Czech Republic and Czech companies in Portugal, confirm the results of the analysis of the investment data between the two countries.

Portugal		Czech Republic	
Name	Line of business	Name	Line of business
Carlos Manuel Pereira Barbosa de Andrade	Other Sectors - other	Kurt O.John s.r.o.	Fashion - Footwear and components
Efacec Capital, SGPS, SA (Grupo EFACEC)	Energy and Environment - others Energy and Environment	Efacec Praha s.r.o.	Energy and Environment - equipment for transport and distribution of energy
EPOLI - ESPUMAS DE POLIETILENO, SA	Chemicals and Petrochemical products - others Chemicals and Petrochemicals	Epoli (Czechia), s.r.o.	Chemicals and Petrochemicals - Plastic and Rubber
ERT Têxtil Portugal, SA	Fashion - Non manufactured textiles	ERT AUTOMOTIVE BOHEMIA S.R.O.	Vehicles and components - Components for the Automotive Industry
Frezite - Ferramentas de Corte, SA	Industrial Equipment and Products - Machines and Equipments for Processing Industry	Frezite s.r.o.	Industrial Equipment and Products - Machines and Equipments for Processing Industry
Logoplaste - Consultores Técnicos, SA	Industrial Equipments and Products - Packages	LOGOPLASTE Czech, s.r.o.	Industrial Equipments and Products - Packages
MOTA-ENGIL, SGPS S.A.	Services and Distribution - shared services or support	MOTA-ENGIL CENTRAL EUROPE Česká republika, a.s.	Services and Distribution - Building and Public works
Pro Tempore Com. Intl. E Serviços Ltda.	Services and Distribution - Other services and distribution	Moracell s.r.o.	Home - Other household products
Simoldes Plásticos, SA	Vehicles and components - Components for the Automotive Industry	Simoldes Plásticos Czech s.r.o.	Equipment and Industrial Products - Molds
VORTAL- Comércio Electrónico, Consultadoria e Multimédia S.A.	Technology and Innovation - ICT	Vortal Connecting Business	Technology and Innovation - ICT

Table 13: Portuguese firms doing business in the Czech Republic. Source: elaborated by the author based on information gathered during the internship at the Portuguese embassy and on Sabi (2016).

5.2. The internship at the Embassy of Portugal in the Czech Republic

The description and discussion of the results is made through a critical analysis of the information gathered during the internship. Here are presented all the activities developed at the Portuguese embassy.

By the time of the internship, the embassy had the following employees: the Ambassador, who is the only diplomatic agent; a Chancellor; two Administrative assistants; one Political Attaché; and three Interns. Cooperating with the embassy were also one Product Manager for the Tourism of Portugal and a non-resident Trade Commissioner from AICEP, who is living in Warsaw, Poland. The organisational chart is presented in Figure 5.

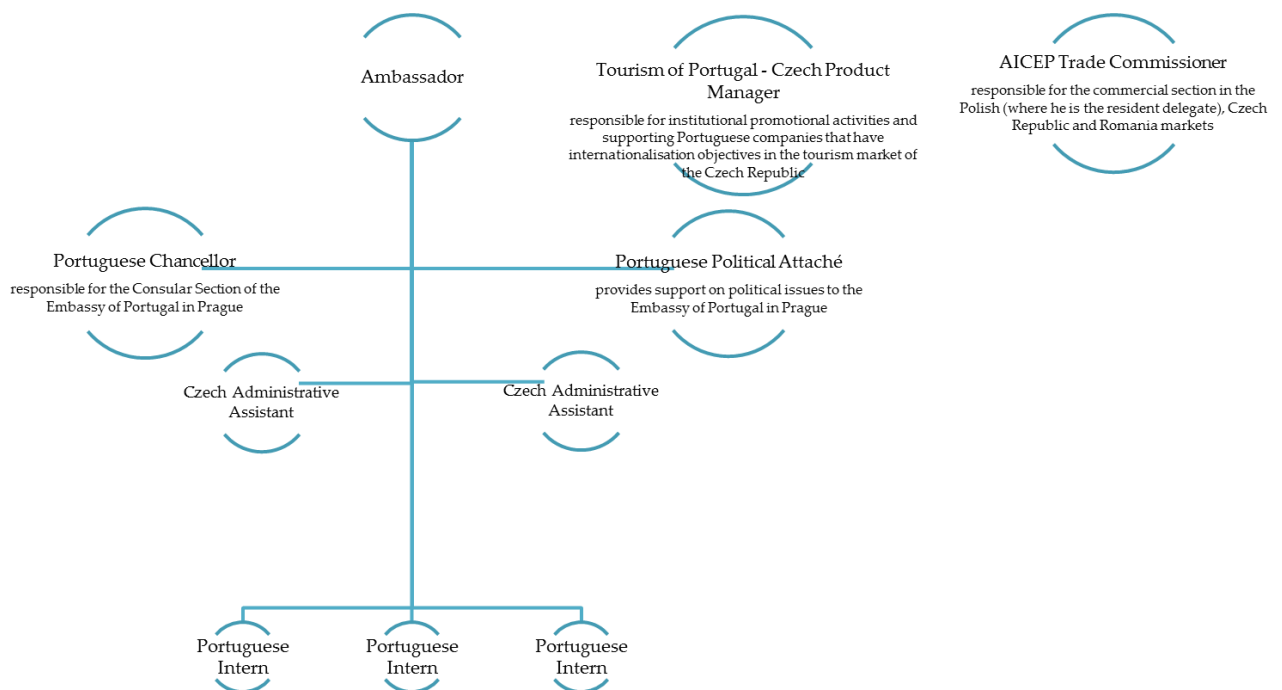


Figure 5: Organisational chart of the Embassy of Portugal in the Czech Republic, during the period of my internship. Source: elaborated by the author of this thesis.

It is important to highlight that there is no physical presence of the AICEP delegation in the Czech Republic. In 2008 a management method of markets by region was developed and implemented. In the Central and Eastern Europe it

was created a Business Centre in Warsaw, because the Polish market was considered one of the most important for Portugal. Therefore, a joined coordination of AICEP delegation in Poland with the Czech Republic and Romania was implemented. During my internship, the AICEP delegate responsible for the Czech Republic's market only visited the country once. The Ambassador is the responsible person with whom the AICEP delegate cooperates in the Czech Republic.

The main goals of Portuguese economic diplomacy are established by the Ministry of Foreign Affairs and by the Ministry of the Economy, as previously mentioned in chapter 2. On the basis of the established goals, each Portuguese embassy abroad combined with the local AICEP delegation and with the local representation of Tourism of Portugal, have to define actions for the respective market based on the general economic diplomacy goals proposed by the Portuguese Ministries. Embassies have to present the "Strategy and Action Plan" to AICEP's headquarter, in October. Later in November, AICEP's headquarter has to propose a plan and a budget for each year of activity to the MFA and the MEE.

Therefore, annually, the Embassy of Portugal in the Czech Republic defines the actions to implement locally, regarding the goals of economic diplomacy, under a "Strategy and Action Plan". The activities are defined by the embassy in agreement with the AICEP Trade Commissioner in Poland and with the Czech Republic's Product Manager of Tourism of Portugal.

The Strategy and Action Plan for the embassy of Portugal in 2016 was defined on the basis of the guidelines issued by AICEP's headquarter and on the previous Plans. It was coordinated and developed by the Ambassador, with the support of the local Product Manager of Tourism of Portugal, the AICEP Trade Commissioner in Poland and the embassy's Interns. The Plan was elaborated

between September and November 2015 and then it was sent to AICEP's headquarter.

This 2016 Strategy and Action Plan describes the market in the Czech Republic and justifies its importance for Portuguese exports and for attracting investment to Portugal. An economic analysis was carried out, including a characterization of the Portuguese business presence, the investment flows in the Czech Republic and the Czech business presence and investments in Portugal. A further analysis of the potential sectors for export promotion and Portuguese investment flows, was conducted.

The proposed actions for 2016 at the Embassy of Portugal in the Czech Republic were the following:

- 1) Identify the target sectors for the promotion of exports and investment flows: the embassy considers as target sectors the Automotive and Components Industry, the Fashion Industry (apparel with fashion and design components), Agri-food Sector (emphasis on the wines, olive oils and gourmet products), the field of Science, Research and Innovation; the Energy Sector, particularly renewable energy, and the Construction Sector;
- 2) Identify regions/locations/target areas to carry out activities for the promotion of Portuguese companies and attracting investment;
- 3) Contribute to Portuguese firms' internationalization, identifying potential investors and investment actions, and promoting Portugal as an investment destination;
- 4) Create opportunities to stimulate or build business networks involving Portuguese companies, including Portuguese communities;
- 5) Promote the Portuguese tourism in the Czech Republic;

The selection of the referred sectors to boost Portuguese investment in the Czech Republic was based on the analysis of investment flows and trade relations

between both countries, considering the target sectors in the Czech Republic and the power of action of the Portuguese companies in these areas of activity.

To further address the significance of some of the referred sectors of investment, I was responsible to elaborate a report about the Agri-food and Wine sectors in the Czech Republic. The purpose of these reports was to identify Portuguese business opportunities in the Czech market. To complement the information on each report, Czech importers of Portuguese products, specifically wines, fruits and vegetables were contacted. The Agri-food report was recently published in AICEP's Web site, to serve as an information tool for potential investors. Also, an analysis of the Science, Research and Innovation area was also made to provide specific information about this subject in the Czech Republic to the Portuguese National Innovation Agency.

Despite the diversity of Portuguese businesses' activities in the Czech Republic, the number of Portuguese subsidiaries in the country is reduced (ten firms). Consequently, the embassy believes that there is no critical mass to create a business network.

The location decision for a firm is important, as it was previously discussed in chapter 3. The Portuguese embassy analyses information about the regions of the Czech Republic compiling the strengths that each location has, such as its strategic location in relation to neighbour countries (Germany, Austria, Slovakia and Poland), the skills and education level of the labour force, the traditional sectors of specialization and the location of important trade fairs.

As presented in the previous subchapters, the investment relations between Portugal and the Czech Republic are reduced. Also, the Czech Republic is one of the most successful economies in terms of attracting FDI rather than at promoting it. Furthermore, the activities developed in the investment arena were not significant during the internship period. Contacts with Portuguese firms (eleven contacts) were made during the preparation of the International Christmas

Festival (activity described in Appendix 3). Firms were asked to supply products to be sold at the Festival. At the same time, they were invited to visit the Czech Republic, in order to collect personalized information about the market.

During my internship there were no contacts from Portuguese firms interested in investing in the Czech Republic neither a Czech contact that wanted to invest in Portugal. The only contacts received in that time were from two Czechs that requested the contacts of Portuguese producers from the textile and agri-food sectors. These requests were presented to AICEP's headquarter in Lisbon, to an employee who is part of the team of the Institutional Relations and International Markets. Afterwards the information was delivered to the Portuguese embassy and then the embassy responded to the requests. My experience confirms that the economic relations between both countries are feeble.

The Portuguese embassy is in permanent contact with the Portuguese community, participating in the activities developed by them. During the internship I had the opportunity to approach the Portuguese community through contact with local Portuguese entrepreneurs, in particular with a Portuguese who has a café in Prague, a Czech who owns a clothing store in the form of a franchising, selling Portuguese clothing brands. Contacts with other Portuguese living and working in the Czech Republic were also made.

The fact that the AICEP's representation in the Czech Republic has only one employee responsible for the Tourism of Portugal and a Trade Commissioner who is residing in Warsaw limits the ability to develop network actions and lobbying in the business environment, as well as with the authorities and relevant Czech organisations.

Through the implemented actions, the embassy identifies and analyses the market characteristics and their players. The purpose of these actions is that in the future a richer representative structure in terms of human resources has at its disposal data to enable it to start working.

The Portuguese embassy aims to develop actions that do not require financial costs beyond those that derive from a normal diplomatic activity (e.g. organization of visits and accompanying promotional business events, corporate meetings and target partners). Based on the goals identified above, the actions that the Portuguese embassy is able to undertake are:

- Support with the organization and participation of Portuguese businesses in fairs and promotional events in the Czech Republic, including gastronomy and cultural festivals;
- Identify business opportunities;
- Facilitate and implement meetings between local, public or private entities, and Portuguese companies visiting the Czech Republic, by providing counselling and an approach to the Czech market. Also, monitoring new projects and discussing difficulties that Portuguese companies have in the Czech Republic.

All these actions are currently undertaken by the Ambassador.

5.3. Two Portuguese investments in the Czech Republic

In this subsection is made a discussion of the results collected after the internship through interviews. Mota-Engil and Logoplaste were the two interviewed Portuguese firms with investments in the Czech Republic.

This information is presented following the topics addressed in the literature review: the role of an IPA and an embassy as well as their services at supporting firms' investments abroad; the importance of Government's incentives perceived by firms; and the relevance of an IPA's Web site.

When Mota-Engil and Logoplaste were interviewed about AICEP's role when they entered the Czech Republic, both say that they demanded AICEP's services. The interviewee from Logoplaste do not remember which service exactly the firm required in 2005, but he claims that "it was general relation and support". When

Mota-Engil entered the Czech market in 1997, the company demanded AICEP's services to obtain market information about the Czech Republic and to be informed about the credit facilities and the loans at reasonable interest rates, provided by the Portuguese Government, to support the company's internationalization. Later in 2002, Mota-Engil was receiving AICEP's support at presenting the firm's line of business to private or public companies in the market, presenting Portugal and the country's economy. "We asked always to the AICEP delegate if he could help us setting meetings with the General Manager of Roads, with a private firm that heard of us. So, it worked as a commercial support" said the interviewee.

Despite the effort the Portuguese embassy makes to accomplish the economic diplomacy goals established for the Czech Republic, the availability of human and financial resources is hindering its capacities. Similarly, according to the interviewee from Mota-Engil "the Portuguese embassy should have a larger budget, in order to create more and better events that promote Portugal, and it should also have more human resources, especially a Cultural Attaché to organize the cultural events".

A general opinion is that an AICEP delegation must be located in the Czech Republic, with sufficient human resources to focus on the promotion and attraction of investment, and on the cultural promotion of Portugal. The Mota-Engil's interviewee emphasized that "the Portuguese embassy in Prague should have a resident AICEP delegate, because if the Polish market continues as a priority and all the human resources are there, the Czech market will never be important and it does not help us at all". From the firm's perspective, the absence of an AICEP's delegate is prejudicial, since there are no synergies between Portuguese firms doing business in the Czech Republic, as an example the CFO refers: "our major competitors in the construction sector are the Austrians, Italians, Frenchs and Spanish, and all of them have a supportive group of

investors, which are Hotel chains, Carrefour chains, Tesco chains, Shopping Centres. This means that they have builders and investors in the same vicinity. For example, Skanska from Sweden is here for IKEA, Skanska from Poland is in Poland for IKEA. That is, there are these synergies.” With this example the interviewee wanted to clarify that there is an important role that IPAs have when providing business intermediation among their country’s firms.

Also, it is perceived that the information provided to Czechs about Portugal is not sufficient neither adequate. Czech importers of Portuguese wines referred that the main barrier when selling Portuguese wines is that Czech people do not know nothing about Portugal. The opinion of Mota-Engil’s CFO is that “the role that AICEP had/has in this market is mainly in the promotion of tourism and of Portugal, the promotion of trade relations between Czech and Portuguese firms, as the cork and the wine sectors”. It is further important to increase and improve the marketing propaganda about Portugal and present Portugal not only as an ideal country for holidays as well as a better place to invest in, with better infrastructures, highlighting Portugal’s competitive advantages.

In one of the informal interviews conducted during the internship, a Portuguese that is working in a Czech company referred that whoever is living in the Czech Republic senses plenty of opportunities, although not always the image of this country transmitted from the media or even from AICEP is truthful to reality, stressing that the information transmitted to Portuguese investors about the Czech market is unsatisfactory.

The incentives provided by the Portuguese Government³¹ were considered an important factor to take into account when firms took the decision to invest abroad. Mota-Engil and Logoplaste claimed that they entered the Czech market to expand into the Central Eastern Europe Region. Both firms main motivation

³¹ The Czech Government has also incentives to firms’ investments but neither of the interviewed companies referred that this was a motive to invest in the Czech Republic.

to invest in the Czech Republic were market-seeking, and business facilitation (incentives provided by the Government) and economic determinants (regional market characteristics). These were the main drivers of the decision to locate the investment in the Czech Republic.

As the delegate of AICEP in Prague is residing in Warsaw (Poland), the interviewees were asked if in their opinion this location had/has any relevance regarding the support provided to their firms in the Czech Republic. Logoplaste answered that the delegate current location did not affected neither affects the support given to the firm. On the contrary, Mota-Engil says that this absence of a local AICEP delegate affects the support given to the firm: “since AICEP delegate left the Czech Republic, AICEP stopped working. I believe there is not a clear strategy defined to AICEP in Prague, because the focus is in Warsaw”.

With the absence of an AICEP delegate in the Czech Republic, the supporting activities provided to the Portuguese firms are responsibility of the Ambassador. From Mota-Engil’s perspective “the support given to firms is made in two ways: one through AICEP and the other through the embassy. Nowadays AICEP is not here, so there is no support at all”. Even though the services of AICEP are not available, the firm nowadays does the activities that it used to do with AICEP delegate with the Ambassador. Mota-Engil considers useful the aid provided by the Ambassador, and believes it is a good support to Portuguese firms operating in the Czech Republic. The Mota-Engil’s CFO concludes saying that the Portuguese investors that go to the Czech Republic are only a few, and he claims that maybe the reason for that is because there is no promotion in Portugal, nor incentives, nor supportive structures from AICEP and from the Portuguese embassy in the Czech Republic.

On the topic of AICEP’s Web site, with regard to the usefulness of information concerning FDI in the Czech Republic, the CFO of Mota-Engil confirms that he visited the Web site, but not recently. The interviewee says: “In the past I used to

make some downloads of the economic information available, but then I realized that the information was outdated (data from 3 years ago), and so I stopped visiting the site. Sometimes we use the videos made by AICEP introducing Portugal, to show in our presentations to other firms". Although the interviewee finds interesting the Web site in terms of promotion, he evaluates the available economic information as weak and outdated, claiming that "even if it was updated, I believe that would not change anything. It does not have an extensive use". The country manager of Logoplaste never visited the Web site of AICEP. Despite the opinion of the interviewee – lack of content of AICEP's Web site – the GIPB report characterized AICEP as a good practice Web site.

Chapter 6

Conclusion

This research work aims to define and comprehend what is the role of the Portuguese embassy, including AICEP, in achieving the main Portuguese economic diplomacy goals in the Czech Republic.

At the empirical level, this thesis presents the results from the observed trade and investment statistics between Portugal and the Czech Republic, the information gathered during the internship period, and the analysis of the interviews made to Portuguese firms doing business in the Czech Republic.

The Portuguese embassy establishes local economic diplomacy objectives in terms of actions to develop the Portuguese economic relations and business activity in the Czech Republic. Without the physical presence of an AICEP delegation in the Czech Republic and the geographic distance to AICEP's delegation in Warsaw, the Portuguese embassy has a central role. However, the lack of human resources at the Portuguese embassy, which has only one diplomat (the Ambassador) who is responsible for economic diplomacy, limits the embassy's scope in the achievement of the national economic diplomacy goals in the Czech Republic. These are considered to be major constraints regarding the promotion and support of bilateral trade and investment relations between the two countries.

Despite the small investment flows between Portugal and the Czech Republic, there are some signs (e.g. in the wine sector) that the Czech market has a great potential for the expansion of Portuguese companies. The firms that are currently operating in the Czech market are companies from sectors with high potential for foreign investment in the Czech Republic, such as the fashion industry,

energy & environment, chemicals & petrochemicals, vehicles and components, equipment & industrial products, and technology & innovation.

The Czech market appears very dynamic, with a Gross Domestic Product (GDP) growth since 2012. In 2015, the Czech Republic had a GDP growth of 4.2%.

The GIPB report evaluated AICEP's Web site as a good-practice. Nevertheless, one entrepreneur stated that the content of economic information in AICEP's Web site should be improved and updated, and the information about the Czech Republic as an investment destiny is unsatisfactory in terms of the AICEP's Web site content.

Recommendations combined with findings from my experience at the Portuguese embassy and some suggestions by Portuguese firms and other entrepreneurs in the Czech Republic are:

- 1) An AICEP delegation with a working team in Prague could be a valuable support to Portuguese firms established in the Czech market, to attract new Portuguese entrants into the Czech Republic, and to promote Czech investment in Portugal. AICEP could play a crucial role as an investment intermediary, promoting relationships and synergies amongst Portuguese firms doing business in the Czech Republic.
- 2) The achievement of economic diplomacy goals requires several resources, and after looking for a greater efficiency in the use of public resources (combining the resources of AICEP delegations with the embassies' resources) it would make sense cooperate with private actors, such as bilateral Chambers of Commerce and business associations.
- 3) The promotion of Portugal through cultural events and the promotion of the country, were pointed as important activities to develop by the Portuguese embassy. Czechs know little about Portugal, and improving Portugal's visibility in the Czech Republic is one of the first

steps to increase the chances for the country to be considered as a future trade partner or investment and tourism destination by Czech firms and Czech people. A suggestion is that the Portuguese embassy should have a Cultural Attaché to promote the Portuguese culture in the Czech Republic.

- 4) The information transmitted to Portuguese investors about the Czech market is unsatisfactory in the opinion of Portuguese that are working in the Czech Republic. The organization of events, such as fairs and showrooms, where the network of contacts of the embassy and AICEP are helpful to find potential investors in Portuguese businesses and also to promote Portuguese products in the Czech market, are suggestions that were collected during my experience in the Portuguese embassy.

The absence of an AICEP delegation at the Embassy of Portugal in the Czech Republic was a limitation, since it led my research to focus mainly in the work of the Portuguese embassy, without having an experience and acquaintance of the work developed by an embassy in cooperation with a local AICEP delegation.

Another major limitation of this work regards to the reduced number of interviews arranged with Portuguese firms operating in the Czech Republic.

Future research could focus on the role the Portuguese embassy and AICEP may have played in the location decisions of a Portuguese firm that has recently invested in the Czech Republic. It could be useful to understand how the relationship between the firm and the embassy/AICEP was established and developed from the very first contact – even before the investment decision – until the present moment. Attracting FDI, supporting FDI and after investment care may well require different capabilities, resources and activities from the embassy, AICEP and the firm.

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Appendices

Appendix 1: aicep Portugal Global overseas network. Source: elaborated by the author of this thesis based on information retrieved from aicep (2016)

AFRICA	ASIA	CENTRAL AND SOUTH AMERICA	EUROPE	NEAR AND MIDDLE EAST	NORTH AMERICA
Algeria	Azerbaijan	Argentina	Austria**	Iran	Canada
Angola - Luanda	China - Beijing	Brazil - Rio de Janeiro	Belgium	Israel	Mexico
Cape Verde	China - Macau	Brazil - São Paulo	Bulgaria*	Saudi Arabia	United States of America - New York
Congo	China - Shanghai	Chile	Croatia*	United Arab Emirates	United States of America - San Francisco
Egypt	East Timor	Colombia	Cyprus*		
Equatorial Guinea	Indonesia	Cuba	Czech Republic**		
Ethiopia	Japan	Panama	Denmark		
Guinea Bissau	Malaysia	Peru	Finland**		
Libya	Singapore	Uruguay	France		
Morocco	South Korea	Venezuela	Germany		
Mozambique	Thailand		Greece		
Namibia			Hungary		
Nigeria			Ireland*		
São Tomé and Príncipe			Italy		
Senegal			Luxembourg*		
South Africa			Netherlands		
Tunisia			Norway**		
Zimbabwe			Poland**		
			Romania**		
			Russia		
			Serbia*		
			Slovakia**		
			Slovenia*		
			Spain - Barcelona		
			Spain - Madrid		
			Sweden**		
			Switzerland		
			Turkey		
			Ukraine*		
			United Kingdom		
			Vatican*		
Subtotal	18	11	31	4	4
Total			78		

*are referenced in AICEP's Web site but there is no information on the delegation abroad

**there is only one Trade & Investment Commissioner for more than one foreign market (Austria + Slovakia; Finland + Norway + Sweden; Czech Republic + Poland +

Note: if we do not take into account the foreign markets that do not have information on aicep's Web site, plus the markets that are responsibility of only one commissioner, the total of aicep's foreign networks is 65

Appendix 2: Embassies of Portugal abroad. Source: elaborated by the author of this thesis based on information retrieved from República Portuguesa (2016)

<i>Geographical area</i>	<i>AFRICA</i>	<i>AMERICAS</i>	<i>ASIA</i>	<i>EUROPE</i>	<i>OCEANIA</i>
Algeria		Argentina	China	Austria	Australia
Angola		Brazil	India	Belgium	
Cape Verde		Canada	Indonesia	Bulgaria	
Democratic Republic of the Congo		Chile	Iran	Croatia	
Egypt		Colombia	Irsrael	Cyprus	
Ethiopia		Cuba	Japan	Czech Republic	
Guinea-Bissau		Mexico	Republic of Korea	Denmark	
Libya		Peru	Qatar	Finland	
Morocco		United States	Saudi Arabia	France	
Mozambique		Uruguay	Singapore	Germany	
Namibia		Venezuela	Thailand	Greece	
Nigeria			Timor-Leste	Holy See	
São Tomé e Príncipe			United Arab Emirates	Hungary	
Senegal			Pakistan	Ireland	
South Africa				Italy	
Tunisia				Luxembourg	
Zimbabwe				Netherlands	
				Norway	
				Poland	
				Romania	
				Russia	
				Serbia	
				Slovakia	
				Spain	
				Sweden	
				Switzerland	
				Turkey	
				Ukraine	
				United Kingdom	
<i>Subtotal</i>	17	11	14	29	1
<i>Total</i>			72		

Appendix 3: Diary of activities carried out during the internship at the Embassy of Portugal in Prague

	Descrição da tarefa/principais informações obtidas com a tarefa realizada	A pedido de	Reportado a
SETEMBRO 2015			
<i>Reunião com a Sra. Embaixadora, com o Delegado da AICEP na República Checa, e com a Diretora de Relações Institucionais e Mercados Externos</i>	Esta reunião teve o propósito de apresentar a AICEP e os serviços que a agência presta e, recolher as seguintes informações: motivos que levaram à extinção das atividades da AICEP na República Checa, com a deslocação do Delegado responsável para a Polónia; serviços da AICEP na República Checa; sectores de atividade com maior importância no mercado Checo. Foram apresentadas ainda propostas a desenvolver no decorrer dos estágios, tendo eu ficado encarregue de abordar o tema “internacionalização”, com especial enfoque nos sectores de atividade agroalimentar e vinhos.	Sra. Embaixadora	Sra. Embaixadora; Delegado da AICEP na República Checa; Diretora de Relações Institucionais e Mercados Externos
<i>Elaboração de um mapa das feiras e salões internacionais, a decorrer ao longo do ano de 2016 na República Checa</i>	Esta informação foi recolhida e tratada para ser disponibilizada na base de dados de feiras internacionais no <i>Web site</i> da AICEP. Visita à feira WOOD Tec em Brno, na República Checa, para análise da potencialidade deste mercado para empresas portuguesas na República Checa. Foi conclusivo que este é um mercado de oportunidade para a participação e promoção da indústria portuguesa, sobretudo pelo atual foco de Portugal no sector I&D.	Sra. Embaixadora; Funcionária da Direção de Relações Institucionais e Mercados Externos da AICEP Portugal, em Lisboa	Sra. Embaixadora; Funcionária da Direção de Relações Institucionais e Mercados Externos da AICEP Portugal, em Lisboa
<i>Elaboração dos objetivos do plano de estágio</i>	Os objetivos do plano de estágio foram estabelecidos com base nas indicações dadas pela Sra. Embaixadora, pelo Delegado da AICEP e pela Diretora de Relações Institucionais e Mercados Externos. Estes objetivos consistiam em: apoiar na implementação da estratégia de diplomacia económica da Embaixada de Portugal em Praga e apoiar as empresas portuguesas presentes e interessadas no mercado Checo; acompanhar a política comercial e iniciativas de empresas nacionais; elaborar um guia prático para os sectores Agroalimentar e Vinhos; participar e apoiar eventos destinados à promoção de Portugal, organizados pela Embaixada; caracterizar o modo de funcionamento das entidades checas responsáveis pela internacionalização empresarial.	Sra. Embaixadora	Sra. Embaixadora
<i>Acolhimento e acompanhamento de</i>	Funções da nova estagiária: Apoio em diversas áreas de interesse na embaixada de Portugal;	Sra. Embaixadora	Sra. Embaixadora

<p><i>uma estagiária, que está a frequentar a licenciatura em Relações Internacionais na Universidade Anglo-Americana, em Praga.</i></p>	<p>Estabelecimento da ponte de contacto entre a embaixada de Portugal e entidades empresariais na República Checa, na língua local; Colaboração na análise de documentação em língua checa</p>		
<p><i>Organização do Bazar Internacional do Corpo Diplomático 2015</i></p>	<p>Evento de solidariedade, organizado pelas esposas dos diplomatas na República Checa, a realizar-se no dia 29 de Novembro em Praga. A Embaixada de Portugal este ano terá um <i>stand</i> com produtos típicos portugueses, sobretudo relacionados com a gastronomia e artes da mesa portuguesa.</p> <p>As minhas funções no planeamento deste evento consistiram no contacto com empresas checas que importam produtos portugueses (maioritariamente são empresas que importam vinhos) e, ainda o contacto com empresas portuguesas para solicitar a participação das mesmas neste evento, através da contribuição com produtos para que possam ser vendidos no <i>stand</i> de Portugal.</p>	<p>Sra. Embaixadora; Political Attaché</p>	<p>Sra. Embaixadora; Political Attaché</p>
<p>OUTUBRO 2015</p>			
<p><i>Pesquisa de empresas portuguesas com potencial para se expandirem para a República Checa e, contacto a convidar para uma visita técnica ao mercado checo</i></p>	<p>Estabelecimento de contactos por <i>e-mail</i>/telefone, de forma a demonstrar o interesse e a disponibilidade da Sra. Embaixadora em receber visitas de empresas Portuguesas ao mercado checo.</p>	<p>Sra. Embaixadora</p>	<p>Sra. Embaixadora</p>
<p><i>Análise do sector dos Vinhos</i></p>	<p>Elaboração de um relatório de análise das oportunidades de mercado na República Checa para os vinhos Portugueses.</p>	<p>Sra. Embaixadora; Delegado da AICEP na República Checa; Diretora de Relações Institucionais e Mercados Externos</p>	<p>Sra. Embaixadora; Delegado da AICEP na República Checa; Diretora de Relações Institucionais e Mercados Externos; Funcionária da Direção de Relações Institucionais e Mercados Externos da</p>

			AICEP Portugal, em Lisboa
<i>Visita à Feira Internacional de Vinhos, em Praga, onde estavam presentes dois stands com vinhos portugueses</i>	Estiveram presentes nesta feira dois <i>stands</i> com vinhos portugueses, sendo que um dos stands pertencia a um importador Português e o outro stand a um importador Checo. Foi realizada de uma entrevista aos responsáveis pelos <i>stands</i> , de forma a compreender o funcionamento e a aptidão do mercado Checo a este produto Português.	Sra. Embaixadora	Sra. Embaixadora
<i>Análise das relações económicas entre Portugal e a República Checa</i>	Análise de dados estatísticos acerca do investimento e trocas comerciais entre Portugal e a República Checa.	Sra. Embaixadora	Sra. Embaixadora
<i>Elaboração de um relatório sobre a ANI (Agência Nacional de Inovação) e de um dossier relativo ao sector da Ciência e Inovação na República Checa</i>	A constituição de um <i>dossier</i> da área da inovação, tinha em vista a exploração de hipóteses para aprofundar as relações bilaterais com a República Checa. O relatório do sector da Ciência, Investigação e Inovação na República Checa tinha o propósito de fornecer informação adicional sobre esta área de atividade para Portugal.	Sra. Embaixadora	Sra. Embaixadora
<i>Organização do Bazar de Natal 2015 (continuação)</i>		Sra. Embaixadora; Political Attaché	Sra. Embaixadora; Political Attaché
<i>Apresentação aos alunos do Departamento de Línguas Românicas da Universidade de Economia de Praga - VŠE, para promover a cultura portuguesa e testemunhar acerca da vida e tradições académicas em Portugal</i>		Sra. Embaixadora	Sra. Embaixadora
<i>Caracterização da Czech Trade, congénere da AICEP na República Checa e, estabelecimento de contacto com o responsável do desk de Portugal, de forma a obter mais informações acerca</i>	Deste contacto resultaram informações sobre as atividades da Czech Trade, nomeadamente informação relativa aos principais sectores de exportação na República Checa.	Sra. Embaixadora	Sra. Embaixadora

do funcionamento desta entidade

NOVEMBRO 2015

Plano de Ação e Estratégia para 2016

Apoio na elaboração do plano, incorporando as seguintes atividades: verificação das empresas portuguesas que se encontram na República Checa; elaboração dos objetivos de diplomacia económica a integrar no Plano de Ação e Estratégia para 2016; descrição das relações comerciais entre Portugal e a República Checa, com detalhe de quais os sectores com maior potencial para investimento na República Checa (ex.: sector da indústria têxtil (moda e design), sector dos vinhos, sector agroalimentar, sector da construção, sector da energia (em especial, as energias renováveis)).

Sra.
Embaixadora Sra.
Embaixadora

Visita à 3rd Annual Tasting of Portuguese Wines em Praga

Contacto com todos os distribuidores de vinho português presentes neste evento.

Sra.
Embaixadora Sra.
Embaixadora

Entrevista com um arquiteto Português que trabalha na Škoda, na República Checa

Apresentação do seu trabalho enquanto arquiteto na Škoda; partilha de informação com base na sua experiência pessoal e profissional na República Checa acerca das oportunidades de negócio.

Sra.
Embaixadora Sra.
Embaixadora

Realização do Bazar de Natal 2015

Sra.
Embaixadora; Sra.
Embaixadora;
Political Political
Attaché Attaché

Reunião com o CFO da Mota-Engil, na República Checa

Nesta reunião foram discutidos os seguintes tópicos: apresentação da área de negócios da empresa e de alguns projetos de construção em curso na República Checa; abordagens adotadas quando a Mota-Engil entrou na República Checa; análise geral do sector da construção na República Checa e principais entraves para o sector da construção neste mercado; referência à indústria têxtil, indústria do calçado e indústria agroalimentar e vinhos, como sectores de elevado potencial na República Checa.

Sra.
Embaixadora Sra.
Embaixadora

DEZEMBRO 2015

Análise do sector Agroalimentar

Elaboração de um relatório de análise das oportunidades de mercado na República Checa para os produtos agroalimentares Portugueses, com enfoque nos seguintes produtos: azeite, frutas e legumes

Sra.
Embaixadora; Sra.
Embaixadora;
Delegado da Delegado da
AICEP na AICEP na
República República
Checa; Checa;
Diretora de Diretora de
Relações Relações
Institucionais Institucionais
e Mercados

		e Mercados Externos	Externos; Funcionária da Direção de Relações Institucionais e Mercados Externos da AICEP Portugal, em Lisboa
<i>Elaboração de base de dados com contactos de empresas Portuguesas</i>	Este documento servia o propósito de organizar os contactos fornecidos pela AICEP Portugal, de empresas Portuguesas.	Sra. Embaixadora	Sra. Embaixadora
JANEIRO 2016			
<i>Entrevista com um importador Checo de vinhos portugueses</i>	Recolha de informação relativa ao comércio de vinhos Portugueses na República Checa, de forma a compreender a posição do mercado Checo neste sector. Estas informações foram recolhidas para complementar o relatório do sector dos vinhos.	Sra. Embaixadora	Sra. Embaixadora
<i>Entrevista com o Diretor técnico de uma empresa Checa importadora de frutas e legumes portuguesas</i>	Recolha de informação relativa ao comércio de frutas e legumes Portuguesas na República Checa, de forma a compreender a posição do mercado Checo neste sector. Estas informações foram recolhidas para complementar o relatório do sector agroalimentar.	Sra. Embaixadora	Sra. Embaixadora
<i>Visita à Oficina Comercial Espanhola, na República Checa</i>	Recolha de informação acerca do funcionamento da Oficina Comercial Espanhola, como ferramenta de suporte às empresas espanholas que pretendem entrar no mercado Checo.	Sra. Embaixadora; Sr. Chanceler	Sra. Embaixadora; Sr. Chanceler

Appendix 4: Interview model

Firm	Mota-Engil	Logoplaste
Interviewer	Ana Neiva	Ana Neiva
Interviewee	Dr. Pedro Rocha Gonçalves	Dr. Roman Hromádka
Position of the interviewee	CFO at Mota-Engil in the Czech Republic	Country Manager at Logoplast in the Czech Republic
Time of the interview	13h06 (40 minutes in duration)	16h14 (20 minutes in duration)
Date	23/03/2016	04/04/2016
Place	Via Skype	Via Skype
Language	Portuguese	English

A. Guião de entrevista – versão em português

1. Há quantos anos trabalha na Mota-Engil?
2. A Mota-Engil entrou na República Checa em 1997, estou certa? Quais os motivos que levaram a Mota-Engil a expandir-se para a República Checa? Porquê a República checa?
3. Quais as principais barreiras ao investimento quando a Mota-Engil entrou neste mercado?
4. Quando tomada a decisão de expansão, houve procura dos serviços da AICEP e/ou Embaixada de Portugal em Praga? (Por exemplo: obter informação acerca do mercado Checo; saber quais os principais concorrentes do sector da construção a operar no país; procurar incentivos de apoio para a internacionalização nesse mercado; solicitar uma missão empresarial para ficar a conhecer o mercado na República Checa.)
 - a. Se sim, que tipo de apoio foi dado à empresa e de que forma?
 - b. Se não, porquê? Recorreu a outras entidades? Alguma entidade Checa (Czech Invest, por exemplo)? Porquê?
 - i. Caso tenha recorrida a alguma entidade de apoio ao investimento Checa, que serviços foram prestados por essa entidade? Como compara os serviços prestados com os serviços da AICEP?

Caso a AICEP tenha prestado serviços à Mota-Engil:

- 4.1) O processo de investimento na República Checa foi mais rápido do que inicialmente planeado?
- a. Se sim, como avalia o papel desempenhado pela AICEP? Numa escala que varia entre extremamente útil e dispensável.
- Escala: extremamente útil _ _ _ _ _ dispensável
- 4.2) Que papel desempenhou a AICEP na decisão de localização na República Checa?
- 4.3) Qual o serviço mais importante que a AICEP prestou à Mota-Engil? O que fez e o que deveria ter feito?
- 4.4) Como classifica o papel de apoio prestado pela AICEP/ Embaixada de Portugal?
5. Existiu algum apoio financeiro por parte do Estado Português na internacionalização da Mota-Engil para a República Checa?
- a. Se sim, como avalia a importância desse incentivo para o processo de internacionalização da Mota-Engil, numa escala que varia entre extremamente útil e dispensável?
- Escala: extremamente útil _ _ _ _ _ dispensável
- b. Se não, que impacto teve no investimento realizado? Na sua opinião, de que forma poderia o Estado Português auxiliar as empresas na sua internacionalização, para além do que já existe?
6. Tem conhecimento se existe algum apoio, por parte do Governo Checo, ao acolhimento de empresas estrangeiras? A Mota-Engil recebeu algum apoio por parte do Governo Checo ou de alguma entidade Checa quando entrou nesse mercado?

7. O Delegado da AICEP em Praga está a residir em Varsóvia, na Polónia. Da sua experiência, essa localização teve/tem alguma relevância no apoio prestado à Mota-Engil na República Checa?
8. Já visitou o *Web site* da AICEP Portugal Global? Como avalia o *Web site* no que respeita à utilidade de informação para o IDE da Mota-Engil na República Checa?
 - a. Quais os pontos fortes e pontos fracos do *Web site* da AICEP?
9. Considera que o papel de apoio e suporte às empresas Portuguesas localizadas na República Checa, por parte da Embaixada de Portugal, é suficiente? É útil? Tem alguma sugestão quanto à actividade da Embaixada na atracção e promoção de investimento, que poderia ser útil?

B. Guião de entrevista – versão em inglês

1. For how long have you been working in Logoplaste?
2. In what year did Logoplaste entered the Czech Republic? What are the reasons that led the company to expand to the Czech Republic? Why choose the Czech Republic?
3. Which were the main investment barriers when Logoplaste entered this market?
4. When the decision to expand into the Czech market was made, did Logoplaste demanded AICEP's or the Portuguese embassy's services in Prague? (For example: information about the Czech market; the main competitors in your firm's line of business operating in the country; search for incentives to support the firm's internationalization in this market; request a business mission to get to know the market in the Czech Republic)
 - a. If Yes, what kind of support was given to the company, and how?

- b. If not, why? Resorted to other entities? Some Czech entity (Czech Invest, for example)? Why?
 - i. In case you have appealed to any Czech entity to support your firm's investment, what services were provided by that entity? How do you compare those services provided with the services of AICEP?

In case AICEP has rendered services:

- 4.1) With the aid of AICEP, the investment process in the Czech Republic was faster than originally planned?
 - a. If yes, how do you evaluate the role of AICEP? On a scale ranging from extremely useful to expendable, please mark which option is appropriate for Logoplaste.

Scale: extremely useful _ _ _ _ _ expendable
 - 4.2) What role did AICEP played when Logoplaste chose the Czech Republic as an investment location?
 - 4.3) What was the most important service provided by AICEP to Logoplaste? Which service was that and in which way did AICEP provided it? Should AICEP provide that service in a different way than the one it was addressed?
 - 4.4) How would you rate the supporting role provided by AICEP/Embassy of Portugal?
5. Did Logoplaste receive any financial support from the Portuguese Government when decided to expand to the Czech Republic?
- a. If yes, how do you evaluate the importance of this incentive to the internationalization process of the company? On a scale ranging from

extremely useful and expendable, please mark which option is appropriate for Logoplaste.

Scale: extremely useful _ _ _ _ _ expendable

- b. If not, what was the impact it had on the investment? In your opinion, how could the Portuguese State assist companies in their internationalization, beyond what already exists?
6. Are you aware if there is any support by the Czech Government to new entrant foreign companies? Has Logoplaste received some support from the Czech Government or of any Czech entity when entered into this market?
7. The delegate of AICEP in Prague is residing in Warsaw, Poland. From your experience, had/has this location any relevance regarding the support provided to Logoplaste in the Czech Republic?
8. Have you ever visited the Web site of AICEP Portugal Global? How do you evaluate the Web site with regard to the usefulness of information concerning FDI from your company in the Czech Republic?
 - a. What are the strengths and the weaknesses of AICEP's Web site?
9. Do you consider that the supporting role provided to the Portuguese firms operating in the Czech Republic by the Embassy of Portugal is enough? Is it useful? Do you have any suggestions about the activities, concerning the attraction and promotion of investment, performed by the Portuguese embassy?

Appendix 5: Inward and Outward FDI flows by country and by sector in the Czech Republic, in 2014. Source: Czech National Bank (2014)

FDI Inward Flows	
Year 2014	
Geographical and economic zones	Total EUR thousand net values
TOTAL WORLD	4 454 496,7
EUROPE	4 179 195,6
<i>of which</i>	
Belgium	439 927,3
Denmark	22 187,3
Finland	778,2
France	848 555,2
Ireland	18 575,4
Italy	130 480,0
Luxembourg	1 167 613,9
Germany	2 943 635,0
Netherlands	-2 728 694,8
Portugal	8 111,7
Austria	25 778,0
Spain	-400 967,5
Sweden	78 144,4
United Kingdom	53 372,2
Cyprus	1 222 017,3
Latvia	525,5
Hungary	78 464,3
Malta	-9 472,3
Poland	465 674,9
Slovenia	-16 697,6
Slovakia	69 732,6
Bulgaria	139,9
Romania	-99 679,0
Norway	1 904,0
Switzerland	-69 798,4

FDI Outward Flows	
Year 2014	
Geographical and economic zones	Total EUR thousand net values
TOTAL WORLD	-399 046,5
EUROPE	-412 697,6
<i>of which</i>	
Belgium	6 453,9
Denmark	-831,1
France	-1 978,2
Ireland	10 010,6
Italy	-523,1
Luxembourg	102 242,1
Germany	373 895,3
Netherlands	-524 648,4
Austria	-8,3
Spain	1 247,3
Sweden	-8 611,2
United Kingdom	-17 708,2
Cyprus	-391 269,8
Hungary	8 843,8
Malta	31 878,3
Poland	-157 458,9
Slovenia	18,5
Slovakia	88 507,1
Croatia	207 071,7
Bulgaria	18 494,8
Romania	-131 027,6
Iceland	1 624,1
Liechtenstein	54 910,8
Norway	-181,1
Switzerland	2 746,9

FDI Inward Flows	
Year 2014	
Sectors	Total EUR thousand
	net
AGRICULTURE, FORESTRY AND FISHING	5 483,8
MINING AND QUARRYING	-205 770,2
MANUFACTURING	1 678 442,7
<i>of which</i>	
Food products, beverages and tobacco products	-139 997,3
Textiles and wearing apparel	25 465,8
Wood, paper, printing and reproduction	123 757,9
Petroleum, chemicals, pharmaceutical, rubber and plastic products	226 957,7
Basic metals and fabricated metal products	393 792,1
Computer, electronic and optical products	-9 043,1
Manufacture of machinery and equipment n.e.c.	248 622,6
Manufacture of motor vehicles, trailers and semi-trailers	709 512,8
Manufacture of other transport equipment	60 683,8
Other manufacturing (leather, furniture, electrical equipment, repair and installation)	38 690,3
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	-739 629,4
WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	60 466,0
CONSTRUCTION	114 052,3
TOTAL SERVICES	3 549 423,8
<i>of which</i>	
WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	43 618,3
TRANSPORTATION AND STORAGE	-170 475,4
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	-9 891,9
INFORMATION AND COMMUNICATION	177 196,0
FINANCIAL AND INSURANCE ACTIVITIES	1 358 290,5
REAL ESTATE ACTIVITIES	1 222 096,5
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	1 902 052,3
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	-982 493,3
EDUCATION	369,3
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	4 946,3
ARTS, ENTERTAINMENT AND RECREATION	-3 487,6
OTHER SERVICE ACTIVITIES	7 203,0
TOTAL except for private purchases and sales of real estate	4 462 469,0
Private purchases and sales of real estate	-7 972,3
TOTAL	4 454 496,7

FDI Outward Flows	
Year 2014	
Sectors	Total EUR thousand
	net values
AGRICULTURE, FORESTRY AND FISHING	157,8
MINING AND QUARRYING	-93,0
MANUFACTURING	414 472,0
<i>of which</i>	
Food products, beverages and tobacco products	214 223,4
Textiles and wearing apparel	-4 908,2
Wood, paper, printing and reproduction	-1 631,7
Petroleum, chemicals, pharmaceutical, rubber and plastic products	1 918,5
Basic metals and fabricated metal products	101 438,6
Computer, electronic and optical products	7 747,5
Manufacture of machinery and equipment n.e.c.	26 644,5
Manufacture of motor vehicles, trailers and semi-trailers	66 348,8
Manufacture of other transport equipment	-780,3
Other manufacturing (leather, furniture, electrical equipment, repair and installation)	3 471,0
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	-634 082,8
WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	-4,2
CONSTRUCTION	-3 551,9
TOTAL SERVICES	-175 944,4
<i>of which</i>	
WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	69 951,0
TRANSPORTATION AND STORAGE	3 880,5
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	45,3
INFORMATION AND COMMUNICATION	-66 587,3
FINANCIAL AND INSURANCE ACTIVITIES	-869 534,8
REAL ESTATE ACTIVITIES	183 783,0
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	502 626,2
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	1 103,8
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	243,1
ARTS, ENTERTAINMENT AND RECREATION	2 952,7
OTHER SERVICE ACTIVITIES	-4 407,9
TOTAL except for private purchases and sales of real estate	-399 046,5
TOTAL	-399 046,5

Appendix 6: FDI inward and outward flows between the Czech Republic and Portugal. Source: OECD (2016)

FDI Inward Flows	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Direct Investment of the Czech Republic in Portugal	0,0	0,0	-2,1	3,9	1,5	0,0	1,9	12,3	-11,1	0,8	1,0
Direct Investment of Portugal in the Czech Republic	1,1	-4,8	0,3	-14,1	-11,9	7,0	5,5	-27,2	5,6	20,8	..

Unit: US Dollar, millions

FDI Outward Flows	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Direct Investment of Portugal in the Czech Republic	126,2	0,1	-80,3	4,3	17,5	0,0	2,2	9,7	9,9	10,6	1,1
Direct Investment of the Czech Republic in Portugal	..	..	..	..	200,8	..	..	..	..	1,1	..

Unit: US Dollar, millions

Appendix 7: FDI inward and outward positions between Portugal and the Czech Republic. Source: OECD (2016)

Inward FDI	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Direct Investment of the Czech Republic in Portugal	0,66	0,76	-2,60	..	5,51	5,44	8,39	35,30	10,87	..	17,46
Direct Investment of Portugal in the Czech Republic	9,04	25,33	37,64	36,14	30,47	32,96	38,31	56,97	39,56	48,67	..

Unit: US Dollar, millions

Outward FDI	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Direct Investment of Portugal in the Czech Republic	146,57	159,58	14,76	..	21,86	9,73	22,00	39,15	20,13	..	38,06
Direct Investment of the Czech Republic in Portugal	..	..	166,83	198,21	229,85	..	..	..	..	..	..

Unit: US Dollar, millions

Annexes

Annex 1: Government measures in the 1990s. Source: Simões & Silva (2012), p.

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Government Measures in the 1990s

Government measure	Description
Portuguese Companies Internationalization Fund	Investment promoted by Portuguese companies with significant internal market share in home industries with multinational growth strategies.
Business Restructuring and Internationalization Funds	Using FDI to increase the added value of national exports activities or to establish foreign branches. Strengthening of the national economic structure competitiveness and business efficiency: New business and modernization and expansion of existing productive units.
Economic Cooperation Fund	Special Interest Rates: In constituting start-ups or subscribing to existing ones, national or abroad, or by developing branch offices, affiliates or agencies. Fund incentives: Actions taken to help business and economic cooperation through the preparation and promotion of economic information and training.
Official Support for Credit Risk Coverage in Foreign Operations	Exports credit insurance: Operations arising from exports of goods and services mostly national in origin. FDI insurance: Applied to capital used to create or acquire businesses or shares, or developing branch offices, affiliates or agencies; repatriation or reinvestment of investment profits.

Annex 2: Government measures since 2000. Source: Simões & Silva (2012), p.

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Government Measures Since 2000

Government measure	Description
The National Strategic Reference Framework (2007-2013)	Incentives to the qualification and internationalization of small businesses: Investment projects to contribute to the promotion of business competitiveness through an increase in productivity, flexibility and active response and presence of small businesses in the global market. Innovation incentives: Investment and productive innovation projects that contribute to the promotion of innovation in firms, through the production of: new goods, services and processes; internationalization; technological improvement; qualified entrepreneurship and structural investment in areas with large growth potential. Collective Action Support: To complement incentive systems orientated towards businesses, aiming to boost their results by creating or improving conditions that will materialize in public goods with the objective of obtaining social gains and economic drag effects.
Internationalization financial supports—Bank collaboration protocols negotiated by AICEP	Development of initiatives and financial instruments that contribute to the growing internationalization of Portuguese companies, providing special attention to export growth and providing business investment to strengthen competitiveness and corporate image of national companies in international markets.
Internationalization financial supports—Credit lines: Concessions	To deepen bilateral cooperation between Portugal and other countries through the reinforcement of business partnerships in developing common interest projects.
Internationalization financial supports—Credit lines: Commercial	To deepen commercial relations between Portugal and other countries through the strengthening of Portuguese exports to foreign markets.
Internationalization financial supports—By sector	Supports to farming and external promotion of wines.
Internationalization financial supports—Several instruments	Credit insurance; Patent internationalization support line; Internationalization fiscal benefits; Mutual insurance; Risk capital.

Annex 3: Inquiry-Handling: GIBP Defines Practice Standard. Source: The World Bank Group (2012), p.28

CATEGORY	WHAT IT MEANS
<i>Best Practice</i> (81-100%)	IPI provided a well-presented, thorough response. Attempted to go beyond answering the questions to advocate for the location's selection, then diligently followed up on the project's progress. Maximizes the chance of staying at the top of the investor's list.
<i>Good</i> (61-80%)	Answered all questions in good detail and made a partial business case, but could have been more thorough in document development and follow-up. Chances of staying on investor's list depend on the level of service and diligence of competitors with similar profiles.
<i>Average</i> (41-60%)	Provided a reasonable response that attempted to answer all of the investor's questions but lacked depth and had several gaps. Did not try to present a business case. Chances of staying on the list are seriously diminished, with some opportunities probably lost.
<i>Weak</i> (21-40%)	Provided a very limited response, answering few of the investor's questions or merely referring questioner to the Web site. Given the minimal level of assistance and information on which to base a decision, the location will most likely be dropped from consideration.
<i>Very Weak</i> (0-20%)	Did not provide a response. Performance assessed at below 10 percent indicate that little or no contact could be made via email or telephone. IPI will not be regarded as a viable business partner, leaving a very poor impression of the location.

Annex 5: Ease of doing business in Portugal. Source: The World Bank Group (2016), p.228

PORTUGAL		OECD high income		GNI per capita (US\$)			
Ease of doing business rank (1–189)		23	Overall distance to frontier (DTF) score (0–100)		77.57	Population (m)	21,320
						10.4	
Starting a business (rank)	13	Getting credit (rank)	97	Trading across borders (rank)	1		
DTF score for starting a business (0–100)	96.28	DTF score for getting credit (0–100)	45.00	DTF score for trading across borders (0–100)	100.00		
Procedures (number)	3	Strength of legal rights index (0–12)	2	<i>Time to export</i>			
Time (days)	2.5	Depth of credit information index (0–8)	7	Documentary compliance (hours)	1		
Cost (% of income per capita)	2.2	Credit bureau coverage (% of adults)	16.1	Border compliance (hours)	0		
Minimum capital (% of income per capita)	0.0	Credit registry coverage (% of adults)	100.0	Domestic transport (hours)	6		
				<i>Cost to export</i>			
Dealing with construction permits (rank)	36	Protecting minority investors (rank)	66	Documentary compliance (US\$)	0		
DTF score for dealing with construction permits (0–100)	76.42	DTF score for protecting minority investors (0–100)	56.67	Border compliance (US\$)	0		
Procedures (number)	14	Extent of conflict of interest regulation index (0–10)	6.0	Domestic transport (US\$)	598		
Time (days)	113	Extent of shareholder governance index (0–10)	5.3	<i>Time to import</i>			
Cost (% of warehouse value)	1.3	Strength of minority investor protection index (0–10)	5.7	Documentary compliance (hours)	1		
Building quality control index (0–15)	11			Border compliance (hours)	0		
		✓ Paying taxes (rank)	65	Domestic transport (hours)	6		
Getting electricity (rank)	25	DTF score for paying taxes (0–100)	78.54	<i>Cost to import</i>			
DTF score for getting electricity (0–100)	84.73	Payments (number per year)	8	Documentary compliance (US\$)	0		
Procedures (number)	5	Time (hours per year)	275	Border compliance (US\$)	0		
Time (days)	52	Total tax rate (% of profit)	41.0	Domestic transport (US\$)	598		
Cost (% of income per capita)	37.0						
Reliability of supply and transparency of tariffs index (0–8)	7	Enforcing contracts (rank)	20	Resolving insolvency (rank)	8		
		DTF score for enforcing contracts (0–100)	73.01	DTF score for resolving insolvency (0–100)	84.79		
Registering property (rank)	27	Time (days)	547	Time (years)	2.0		
DTF score for registering property (0–100)	80.26	Cost (% of claim)	13.8	Cost (% of estate)	9		
Procedures (number)	1	Quality of judicial processes index (0–18)	12.5	Recovery rate (cents on the dollar)	73.4		
Time (days)	1			Strength of insolvency framework index (0–16)	14.5		
Cost (% of property value)	7.3						
Quality of land administration index (0–30)	21						

Annex 6: FDI inward and outward flows – Portugal. Source: Banco de Portugal (2016), p.183

Fonte / Source: Banco de Portugal

10⁶ euros

	Investimento de Portugal no exterior (IPE)			Investimento do exterior em Portugal (IDE)			Investimento direto líquido			
	Total	Títulos de participação no capital	Instrumentos de dívida	Total	Títulos de participação no capital	Instrumentos de dívida	Total	Títulos de participação no capital	Instrumentos de dívida	
	Portuguese investment abroad			Foreign investment in Portugal			Net direct investment			
	Total	Equity	Debt instruments	Total	Equity	Debt instruments	Total	Equity	Debt instruments	
	1	2	3	4	5	6	7	8	9	
13	-1 538.8	2 789.3	-4 328.1	2 012.1	1 146.0	866.1	-3 551.0	1 643.3	-5 194.2	
14	3 096.5	3 042.0	54.5	5 738.8	5 233.4	505.3	-2 642.3	-2 191.5	-450.8	
15	7 363.7	732.9	6 630.8	5 437.5	1 596.7	3 840.8	1 926.2	-863.8	2 790.0	
14	Jul	583.9	437.3	146.6	800.8	718.5	82.4	-216.9	-281.2	64.3
	Ago	-206.4	-48.1	-158.4	189.1	436.6	-247.5	-395.6	-484.7	89.1
	Set	-955.2	-364.9	-590.3	114.6	190.3	-75.6	-1 069.8	-555.1	-514.7
	Out	541.4	-191.0	732.4	-1 037.4	-241.6	-795.8	1 578.8	50.6	1 528.2
	Nov	-1.8	92.2	-94.0	584.4	276.1	308.4	-586.2	-183.9	-402.3
	Dez	693.6	608.1	85.6	1 153.0	863.6	289.4	-459.4	-255.5	-203.8
15	Jan	381.8	91.2	290.7	700.0	356.8	343.2	-318.2	-265.6	-52.5
	Fev	-121.7	58.5	-180.2	58.8	398.3	-339.5	-180.5	-339.9	159.4
	Mar	-110.7	-682.2	571.5	-5.5	184.1	-189.7	-105.2	-866.4	761.2
	Abr	-24.1	-124.8	100.7	-444.5	142.6	-587.1	420.4	-267.4	687.8
	Mai	81.9	47.8	34.1	48.9	-92.8	141.7	33.1	140.6	-107.5
	Jun	4 510.2	630.0	3 880.2	5 480.7	945.0	4 535.6	-970.5	-315.0	-655.4
	Jul	243.8	210.0	33.9	52.9	119.5	-66.6	191.0	90.4	100.5
	Ago	296.3	304.0	-7.8	108.1	170.5	-62.4	188.1	133.6	54.6
	Set	1 466.2	257.9	1 208.2	605.0	247.5	357.5	861.2	10.5	850.7
	Out	-158.3	-7.0	-151.3	21.1	86.0	-64.9	-179.4	-93.0	-86.4
	Nov	231.6	188.0	43.7	-683.0	-1 100.3	417.2	914.6	1 288.2	-373.6
	Dez	566.7	-240.4	807.1	-504.8	139.4	-644.2	1 071.5	-379.8	1 451.3