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Diploma thesis

Economic Diplomacy in selected countries

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Honorary declaration

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Economic Diplomacy in Selected Countries

Ekonomická diplomacie ve vybraných zemích

Souhrn

Tato diplomová práce se zabývá definováním diplomacie a soustřeďuje se na poddruh diplomacie a to diplomacii ekonomickou. Jsou zde popsány různé faktory, které určují ekonomickou diplomacii jako součásti obecné diplomacie, která nabývá stále větší důležitosti. Dále je popsán vývoj a reakce strategií ekonomické diplomacie na aktuální politickou a ekonomickou situaci. Ekonomická diplomacie hraje významnou roli při vytváření a udržování strategických mezinárodních kontaktů pro udržení či posílení lokální ekonomiky. Proto se práce dále zabývá praktickým příkladem využití ekonomické diplomacie ve vztazích mezi Českou republikou a Egyptem. Součástí praktické části je také analýza trendů vývozu a dovozu mezi ČR a Egyptem a analýza vztahu mezi HDP České republiky a vývozem do Egypta. V neposlední řadě zkoumá konkrétní příklady česko-egyptských vztahů.

Klíčová slova: diplomacie, ekonomika, import, export, bilaterální vztahy, Egypt

Summary

This diploma thesis defines diplomacy in general terms and specifies on economic diplomacy. Different factors that influence economic diplomacy as a part of classic diplomacy are described and analysed. It describes development and reactions of economic diplomacy to actual political and economical situation. The economic diplomacy is gaining more and more importance in creating and maintaining strategic international contacts for enhancing economic cooperation. This thesis deals with a case study of economic diplomacy between the Czech Republic and Egypt. Part of the empirical part is trend analysis of imports and exports and correlation analysis between GDP of the Czech Republic and exports to Egypt. At last the thesis is analysing concrete examples of Czech-Egyptian relations.

Keywords: diplomacy, economy, import, export, bilateral relations, Egypt

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1. Introduction

This thesis describes the economic diplomacy standards and its application in the relations between the Czech Republic and the Arab Republic of Egypt. It studies the general rules and history of diplomacy and after that focuses on the economic diplomacy. The aim is to understand deeper the procedure of negotiation between the two states and observe the relation and power of the influencing factors, such as the recent economic and political development in the Czech Republic or Arab spring movement and recent situation in Egypt. The economic diplomacy makes important part in international business as it enhance cooperation, gives the first basic information about each party and provides convenient business conditions for national economic entities.

The topic of Czech – Egyptian relation is of my interest already for a very long time. My father worked in Cairo 6 years and therefore I and my family had the possibility to visit Egypt every year. Thanks to this possibility I had consequently experienced working for the Egyptian Embassy in Prague as well as for the hotel Marriott in Sinai, Egypt. These working and other personal experiences inspired me to elaborate the Czech – Egyptian topic as my diploma thesis from the diplomatic point of view.

2. Aim and Methodology

Examine the Czech foreign trade strategy in general and with regards to Egypt; evaluation of the trends in exports and imports to/from Egypt; assessment of the Arab spring impacts on bilateral relationship between CZ and EG. Examine the hypotheses no.1: *The bilateral relations were/are affected by the Arab spring.* Hypothesis no. 2: *There exist relationship between exports to Egypt and the development of the Czech GDP.*

Methodology – Analyse relevant available literature and data. Primary and secondary analysis will be carried out. After the literature review, an empirical study and calculations follow. Data were gained from Czech statistical office; Eurostat and other relevant statistical offices. For examination of the trends in export and import the index numbers were used. **Index numbers** study the separate changes constituting the development within a time interval. There are two ways available for studying the comparison within a time series. Comparison of the development to a fixed basis is called *fixed base index series*; comparison of each of the levels in the time series to the one preceding is called *chain base index series*. (Connor, 1937). Regression and correlation analysis for the hypothesis no. 2 is used. The strength of a linear relationship between two variables indicates the **Pearson correlation coefficient**. The positive sign means positive relationship between the two variables; they develop in the same sense. If the regressor grows, the regressand grows too, when the regressor decreases, the regressand decreases too. (Dalgaard, 2008) The semi-standardized questionnaire will be analysed for assessing the hypothesis no. 1. The questionnaires were sent to Czech and Egyptian representatives. Results were afterwards reviewed and analysed.

3. Literature review

3.1. Diplomacy

Diplomacy is the ability and practice of negotiating between representatives of groups or states. Usually it is referred to international diplomacy, mainly the interaction of professional diplomats with regard to issues of peace-making, trade, war, economics, culture, environment and human rights. International treaties were negotiated by diplomats. In an informal or social sense ‘diplomacy is the employment of tact to gain strategic advantage or to find mutually acceptable solutions to a common challenge’ concluded by phrasing statements in a non-confrontational, or polite manner (Barston, 2006). Diplomacy represents relations on two levels – official government-to-government communication and private as one-to-one discussions.

In the very early beginning of the diplomatic practise diplomats were sent only on specific negotiation and returned immediately after the conclusion of their mission. The main purpose was to exchange messages between societies safely and reliably. The diplomats were usually relatives of the ruling family, which gave them the legitimacy and power to deal with other states. An exception to this pattern was the relationship between the Pope and Byzantine Emperor in 8th century. The envoy of Pope was present permanently in Constantinople.

Origins of modern diplomacy can be found in states of Northern Italy in early Renaissance, where the first embassies were established in 13th century. At the beginning rulers objected to host foreign representatives as they were afraid of domestic information leakage and intervention. On the other hand they were interested in receiving such information in respect to others. (Langhorne, 1998) The leading player was the city state of Milan, lead by Francesco Sforza who established embassies to other cities in Northern Italy. The same practise followed cities of Venice, Florence and other important players. Spreading of permanent embassies and frequency of negotiations put the basis of diplomatic traditions.

Furthermore the envoys of Milan were sent to France in 1455, however the representatives of France were not accepted in Milan, due to fear of espionage. The situation changed when France and Spain became more involved in Italian politics and economics, and the emissaries

were recognized. In 1487 Spain sent as first its representatives to the Court of England. By 16th century permanent missions meant standard diplomatic component.

Many of the contemporary diplomacy standards come from this time. The highest position of representatives had the ambassador. It was almost always a nobleman. They played an important role in the hosting nation life having large residences and hosting celebrations. Ambassadors usually had little foreign and diplomatic experience therefore they needed to be supported by large number of diplomatic staff. These were professionals sent on longer assignments to gain knowledge about the host country. Some of them even dedicated to espionage. The need of educated staff increased the demand for studies of international law, languages or history on many European universities.

The ranking among ambassadors themselves was according to the nation they represented. In Catholic countries the highest rank had emissary from Vatican followed by representatives of kingdoms, duchies and principalities. The lowest importance was put on envoys from republics. (Diplomats, 2012)

In 1780s almost all European states were establishing proper foreign ministries to coordinate embassies and their staff, even though the powers and competitions of this department were very vague. This trend arrived and spread even through Eastern Europe and Russia.

A fall of diplomatic power and importance in general was during the French Revolution when Napoleon installed his own rules, did not acknowledge the diplomatic immunity and imprisoned several British diplomats.

In 19th century the evolution in communications and creation of international organizations was a response to need to sustain peace. Furthermore diplomacy had to start dealing the organizations focused on humanitarian and environmental matters.

In 1815, the Congress of Vienna established an international system of diplomatic rank. The main concern of the Vienna congress was to remove Napoleon from further active participation in international politics and how to protect the world from future damages. Diplomacy had developed as means by which sovereign rulers communicated with other rulers. The idea was to set a way on which the rulers could communicate internationally and on regular basis. There were two ideas. First suggested a treaty should be signed in order to give special force and legitimacy to the settlements. It would be called the Treaty of General Guarantee. The second was a suggestion of the Czar of Russia, to implement a simplified

version of the tenets of Christianity. This would be called the *Holy alliance*. (Langhorne, 1998). Both means tried to unify states to work on international security. The Holy alliance was signed in 1815 even though some parties did not believe in its efficacy.

This and many previous factors and negotiations influenced the future development of the diplomacy and diplomatic procedures. At present the future development is influenced by changing nature and increasing numbers of principals and participants in the global system. This increasing complexity of factors brings several factors that need to be considered when negotiating with other parties: power, size and efficiency of states, activities and associations they are represented in, participation in international organisations. Appearance of private organizations that develop their own diplomacy both between themselves or with other states need to be considered. Furthermore aspects of globalisation that resulted in setting up international organizations helping states to gather together and deal, negotiate and result proper situation.

The modern diplomacy is strongly influenced by the development of technology and change from cable, telegraph to voice and wireless communication. Participants have more access to different information and the development of mass media requires different approach to country dealing and diplomacy.

Contemporary diplomacy needs to deal with new tasks such as to prevent destruction, reform or establishment of human authorities, environmental concerns and trade and commercial interests. They need to be organized across the whole globe, in different time zones and cultures. This tendency lead to the development of more specific types of diplomacy, such as cultural diplomacy, commercial diplomacy or economic diplomacy.

The term economic diplomacy connects the general diplomacy and the economy. Or more precisely it uses the 'power' and ability of diplomatic professional to defend their country interests, welfare and economic security and prosperity. The economic diplomacy is about the process of decision-making and negotiation (Nicholas Bayne, 2007). It is driven by a mix of political and economic factors and became one of the most important types of the diplomacy.

The main actors in the economic diplomacy are states that through negotiations gain their economic prosperity and welfare and define their interests. Other important actors with still increasing power and importance are the non-state players, such as big corporations, international institutions and even non governmental organizations.

3.2.Economic diplomacy

As for the characteristics of diplomacy itself, which is very broad and variable science, there is not only one precise definition. It can be defined as *'the conduct of relations between states and other entities with standing in world politics by official agents and by peaceful means'* (Bull, 1995) Another possible definition is done by Barston (2006) *'Diplomacy is concerned with the management of relations between states and between states and other actors'*.

Economic diplomacy is concerned with international economic issues and has broad scope and purpose. It is combining national interest and decision-making with regard to other states' interests and all the conditions of the globalized world economy. States cannot define their tax, employment or even international policy as they want. After the World War II, the Bretton Woods system of international economic institutions create a platform where economic specialists and diplomats can interact and set international rules assuring the economic growth on international level and with respect to other states. Economic diplomats are not only states or governments, they are all organisations, ministries, parliaments, independent agencies and sub-national bodies that are all engaged in the economy. The main object of interest of economic diplomacy is the process of decision-making and negotiation. In economic diplomacy, the process is of higher importance than the structure of power in shaping the outcome. This depends on process as well as other factors, such as structural or institutional. This distinguishes it from other international political economy (Nicholas Bayne, 2007).

The contemporary world economy is more integrated and the power of leading actors is becoming more and more equal, the process of carrying on negotiations is more important. Not any more the trade and world economy is led by one leader such as the United States. Even organizations being on position of a leader, such as OECD have to face the growing power of the developing world and emerging economies' organizations, such as China, India and Brazil. For negotiations it means to find solutions and build coalitions for broader number of countries and actors. This gives way to carry on negotiations in the form of forum (Princen, 2005). What matters is the way how all participants interact. Behind this there is a theoretical background.

According to N.Bayne and S. Woolcock (2007) there can be defined two/three basic theories of approaches in the economic diplomacy. The aim of the theories is to make certain

background and framework to help diplomats in sorting-out complex factors that shape the decision-making process. They should help to identify main explanatory factors and consider which of them are most important. Theories are based on the consideration that systemic, societal and state-centred factors are shaping national policy and economic relations between states. The Bayne and Woolcock define two main approaches *systemic, domestic*.

The *systemic* theories regard the international system as decisive in explaining events. They concentrate on relations between states as single entities and the distribution of power. The realist theory sees the intention to maximise power of their state as the leading factor in the international relations. The state power is to shape the outcome of negotiations. Usually it presumes one state as a leading power. Such a leader ensures the results of negotiations and concludes multilateral cooperation. Multilateral relations are kept until the leader loses its advantage. In absence of a leader in international trade, states move to the Free Trading Areas that enable state to state cooperation on practical same level of power. The power-based analysis deals with the assumption that power and economic benefit will shape outcomes of international negotiations. The power is relative and quite difficult to measure. In trade it can be measured by relative market size. As Strange (1988) says, the power can be divided into four main components: finance, production, knowledge and information. Examples of the leading power would be the United States and the OECD countries that through their leadership in other institutions such as WTO and IMF influence the agenda of economic diplomacy.

Domestic theories look within the state for decisive factors. These can be either societal or state-centred. Societal factors include interests that shape national policy preferences in any negotiation. Analysis of certain sector's interests is done to observe how it interacts on international level and the balance between different interests.

3.2.1. Modern economic diplomacy

In modern times international relations are strongly affected by the *globalisation*. The globalisation influences organisation of international economic relationships around the world. Economic, social and political spheres of societies and citizens are affected. People started to conclude supra territorial relations. Firms were engaged in rapid expansion through mergers and acquisitions or joint ventures. Transnational companies needed to coordinate their positions via enhanced lobbying efforts in international regulatory and governance

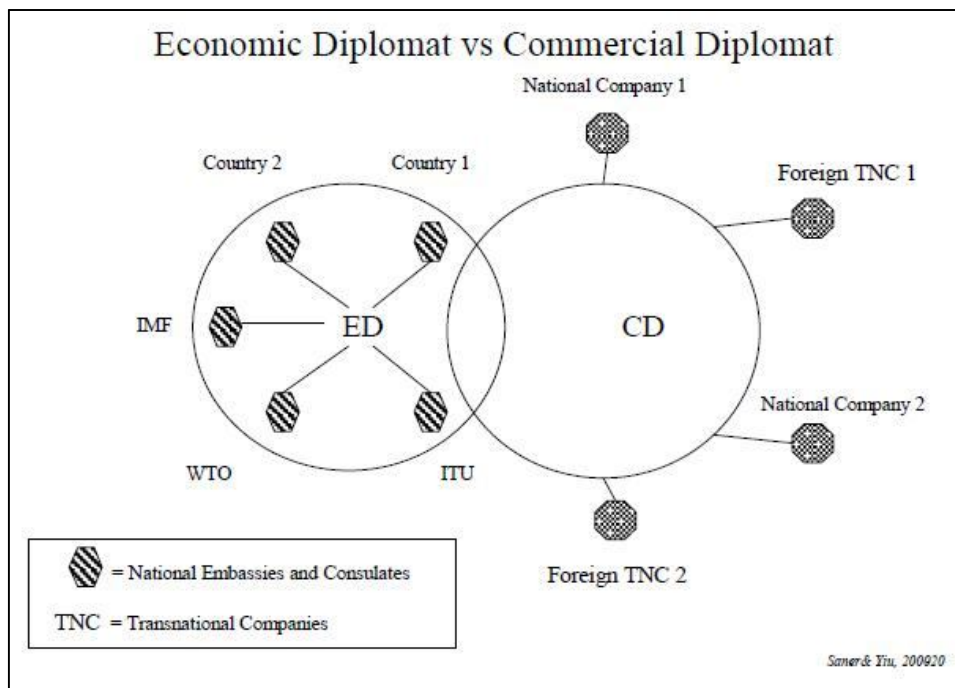
bodies. Nation states tend to seek cooperation with other like-minded states in order to enforce and protect their interests. States have to cooperate and be part of international institutions such as the WTO or the North Atlantic Free Trade Agreement (NAFTA). Important players of international interaction and interdependency are the non-state actors. They enter economic policy debates by lobbying across nations to influence international economic policy making. They represent the criticism and confrontation between citizens and their governments on various socio-economic and environmental policy issues. Enterprises and governments need to find ways to interact with non-state actors, the NGOs. These groups monitor and evaluate the performances of governments and enterprises and demand transparency of their actions. They express public opinion in order to demand greater social and international solidarity (Scholte, 2000).

Modern diplomacy has to act in a way to satisfy needs and protect intentions and interests of all of the main actors. The new diplomacy is applying intelligence and tact to conduct official relations between the governments of independent states. Diplomats based on traditions and principles of national Ministries of Foreign Affairs are facing need for change in their profession. “Diplomacy has undergone changes in terms of definition, qualification and role expectation of what a diplomat is or is not supposed to do“ (Raymond Saner, 2006). The participation of non-state actors and economic development of a country are important in the distinction between internal affairs and foreign policy. The more a country is developed and industrialised, the more is increasing multi-actor participation in diplomacy, foreign economic relations and public affairs. Diplomats and civil servants of MFA are confronted with new actors and new working methods. Furthermore the Ministry of Foreign Affairs is partially losing its monopoly over the diplomatic services. With country participation in different international and supranational organizations, other Ministries have gained of importance. Examples are e.g. Ministry of Economic Affairs taking part in IMF or World Bank, the Ministry of Trade in the WTO or Ministry of Labour in the International Labour Organisation (ILO). In the environment of globalised market and business conduction, it's important to link competencies and tactic of MFA diplomats with the experience and resort need of other Ministries representatives. Increased globalisation evoked development of business meeting standards. It is important not only to know business and legal conditions, but as well regulations and traditions of counterpart country. Moreover diplomats or international representatives have to learn how to deal with the non-state organizations.

The movement and enlargement of the area of competence of diplomacy required differentiation of its definition. Melissen (1999) provides definition of contemporary diplomacy: “Diplomacy is defined as the mechanism of representation, communication and negotiation through which states and other international actors conduct their business“. Modern diplomacy is characterized by simultaneous participation of multiple state and non-state actors. Due to the multilateralism and complexity of area in which is used the diplomatic service had caused differentiation and creation of more specialized types of diplomacies. As for this, new diplomatic actors can be divided according to their role as follows. The Economic Diplomacy belongs to the division of diplomatic roles in charge of *Economic and Commercial Policy*. Diplomats need to act as national agents in multinational organizations such as WTO, IMF or OECD to protect and represent national economic and commercial interests. This involves experts and participation of ministries specialised on economic and financial/commercial matters. There is though difference between Economic and Commercial diplomacy. **Economic Diplomacy** “*is concerned with economic policy issues, such as work of delegations at standard setting organisations such as WTO and BIS. Economic diplomats also monitor and report on economic policies in foreign countries and give the home government advice on how to best influence them. Economic Diplomacy employs economic resources, either as rewards or sanctions, in pursuit of a particular foreign policy objective. This is sometimes called economic statecraft*“ (Raymond Saner, 2006). Other interest of national governments is to support proper economic development and provide own enterprises advice, legal assistance or incentives. The **Commercial Diplomacy** therefore describes “*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. It includes the promotion of inward and outward investment as well as trade. Important aspects of a commercial diplomats’ work is the supplying of information about export and investment opportunities and organising and helping to act as hosts to trade missions from home. In some cases, commercial diplomats could also promote economic ties through advising and support of both domestic and foreign companies for investment decision*“ (Raymond Saner, 2006).

The following Figure 1 is showing the difference between Economic and Commercial Diplomacy.

Figure 1: Economic vs Commercial Diplomacy



Source: (Raymond Saner, 2006)

The CD in the figure stands for Commercial Diplomat who represents the interest of this country, helps enterprises and reports to Ministry of Foreign affairs. The ED means Economic Diplomat who represents his country in other countries (through embassies or consulates) or at international economic and financial organizations such as WTO, IMF, and WB. Reports to MFA and influences other countries' economic policies.

Other newly emerged types of diplomacy are connected to the roles within multinational enterprises or non-governmental organisations. In the multinational enterprises sphere was individuated *corporate diplomacy* and *business diplomacy*. The NGO diplomacy is divided into National and Transnational NGO diplomacy.

Businesses can actually offer many useful information and strategies to the *public diplomacy*, as Holmes (2006) suggests. The government should defend national interests and citizens as a business or NGO tend to defend their concerns. For a business is important to receive an active feedback from its customers. Gathering information is important for a government as well. The second key thing is credibility. Without it a business goes bankrupt soon and so an untrustworthy government will weaken its negotiation power.

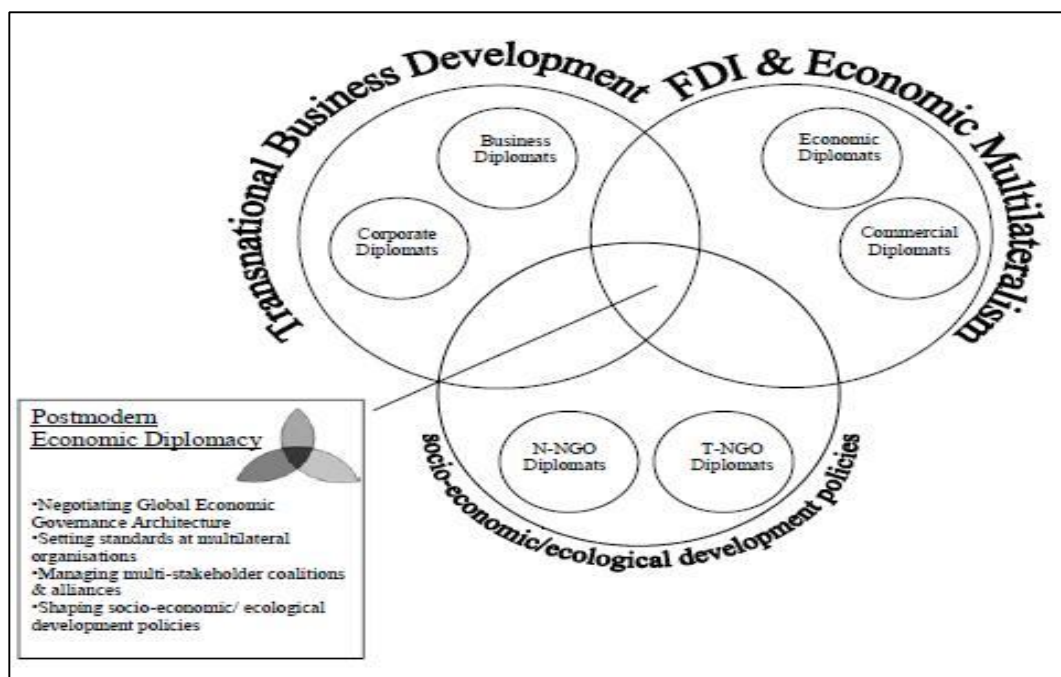
All new types interact within the international relations and negotiation area. There are several tasks common to all new types of Diplomats. To develop interests of their proper

countries and to fulfil a set of objectives the modern diplomats aim to (Raymond Saner, 2006):

- Create conditions for economic development by influencing political, economic and social policies, taking into account needs of other stakeholders
- Cooperate with rule-making international bodies, whose decisions and acting affect trade and financial regulations
- Prevent potential conflicts with other governments, NGO's and other economic actors. Trying to minimize political and economical risks
- Promote and safeguard image and reputation of own country via international media.
- Hold dialogue with all stakeholders who might be impacted by economic development and globalisation.
- Maintain legitimacy and credibility in the eyes of the public and their own communities.

The common areas of function and aims are as well shown in the Figure 2 below.

Figure 2: Common tasks for all Diplomats



Source: (Raymond Saner, 2006)

3.3. Conception of Foreign policy

Foreign policy is also referred to as foreign relations policy. The name implies that the main focus is to maintain and strengthen relations between countries to protect national interests and gain national goals. The main strategy of foreign policy is to interact with other countries and in current globalized world, to deal with non-state actors. Most preferably the accomplishment of national interests is done through peaceful cooperation. The goals and strategies of foreign policy are subjects to decision making process of the head of government, Parliament and the Minister of Foreign Affairs.

First notions of relations policy can be found since the beginning of human society. It begins from the interaction between selvage tribes, through first scientific description of social human affairs of Aristotle, to more complex studies and strategies of Machiavelli, E. Kant and other philosophers.

Contemporary conception of foreign policy deals with questions who to maintain security, prosperity and democratic order. Basic goals of foreign policy makers are as well membership and recognition in international organizations such as EU, NATO, OBSE, OECD. Moreover strengthening relations with state's neighbours, cooperation and development of economic relations with other states and also contribution to global problems solving are the main goals of foreign policy.

To fulfil set goals the foreign policy can use different means, such as diplomacy, business or ideological means and sometimes military means. (Drulak, 2000)

3.4. Conception of the Czech Republic foreign policy

The Czech Republic has only a short history of existence on its own. Since the separation of the Czechoslovakia, the Czech Republic has employed several conceptions of foreign strategy. This thesis is focusing on the last two, which are the core stones of the international foreign policy.

The current Conception of the Czech foreign policy was created by the Ministry of Foreign Affairs and was approved by the Czech government on 20th July 2011.

3.4.1. Aims of the Czech foreign policy

The main aim: security and prosperity of the Czech Republic and its inhabitants

The main purpose of the Czech foreign policy is to assure the security and prosperity of its inhabitants and protect the interests of Czech entities abroad. To gain this aim, the foreign policy is active in three main dimensions – political, security and economic. The policy is based on the national rules and values; and according to the Czech constitution.

The Czech Republic is promoting its interests and goals as a part of the European and world communities. It is ready to participate in the security protection and development of the community's natural, cultural, tangible and intangible richness as a part of the European common inheritance.

The Czech policy is realised through the European integration process, Euro Atlantic alliance and bilateral agreements. The aim of the foreign policy is to create and strengthen the political and economic cooperation which facilitates peaceful and sustainable development, based on the traditional Czech democracy.

3.4.2. The Czech Republic and current international environment

Dependency on high quality multilateral cooperation

The Czech Republic follows its good position and reputation of the former Czechoslovakia. The reputation benefits as well from the peaceful separation of the latter into two independent states. (Affairs) The Czech Republic belongs to the middle sized countries in Europe. The country characterized as one with an *open economy* where exports and services represent high share of the national Gross domestic product and without proper sources of many basic raw material, is strongly dependent on the external environment – international cooperation and its quality. Therefore the Czech Republic is member of many international organisations. It entered the NATO in 1999. Thanks to these memberships it can promote and defend its interests. It also brings liability to security protection issues of other members. The current international environment is result of interaction between many factors such as sovereign states, coalitions, international institutions and NGO's. Among the current security issues belong terrorism, dissemination of weapons of mass destruction, cybernetic attacks, regional conflicts in the Euro-Atlantic zone and its surroundings, corruption, negative aspects of

migration, consequences of natural or industrial disasters. The importance of international multilateral cooperation increases in environment of intensive globalisation processes, liberalisation of global economy and quick development of science and technologies.

3.4.3. Principles of Czech Foreign Policy

Democratic state

The Czech Republic applies values of European civilization and sets as its priority development of democratic state, base on freedom, equality, justice, tolerance and solidarity. Democracy is understood as well as a principle mean of developing relations among states. (Affairs)

Continuation and internal consensus

The international policy is based on traditional Czech basic values. According to the conception the Czech Republic considers inalienability of basic human rights, general international law and the principle of the governance of law. In concordance with the UN Charter, the Czech Republic uses mainly peaceful means and methods when communicating with other states. It respects and applies principles and norms of international law and promotes cooperation based on reciprocal convenience.

3.4.4. Means of Czech Foreign Policy

Main means: The basic main means of the international policy are:

- bilateral diplomacy as itself or as a part of multilateral diplomacy
- activities following from the membership in international organizations (EU, NATO) that enforce security and placing of the country in the Euro-Atlantic area
- activities following from membership in other multilateral organisations (OSN, OBSE) that enforce interests of the country
- means to enforce economic interests (monitoring, analysis of market development in different countries, support of Czech economic subjects abroad)
- regional cooperation
- consular services as a part of foreign services

Public means:

- parliamentary diplomacy, non-state and public activities (regional activities, universities and non-governmental organisations' activities)
- entrepreneurial contacts, mutual investments and joint ventures (often independent on the state structures but influencing the perception of the CZ)
- cooperation in the field of science, research and education
- cultural and media contacts
- presentation of the Czech Republic

Education – an important mean for development of international relations is the support of cooperation between educational and research institutions in CZ and abroad, including scholarships and exchange programmes for students and research employees

3.4.5. Priorities of the Foreign Policy of the CZ

Basic priorities of Czech foreign policy for the next period

- enforce the security of CZ, analyse threats and act against
- promote industrial and commercial interests of CZ abroad, including energetic security
- strengthen positive image and perception of CZ abroad
- develop good relationships with neighbouring states
- strengthen relationships with international organisations and focus on economic aspect of foreign policy
- support maintaining of human rights and democracy

3.4.6. Tasks and themes of Czech Foreign policy

The current conception defines its main tasks as building and maintaining relationships on multilateral and bilateral level. The multilateral level is represented and applied by the memberships of international multilateral organisations such as United Nations, European Union, North Atlantic Treaty Organisation, Organisation for Economic cooperation and development and many others. Through this membership the Czech Republic can participate

in important international meetings, can influence the international decision making and can express and promote its interests.

At the bilateral level the Czech Republic is cooperating and seeking alliances with either major players such as the United States, Russia and China, or its neighbours – Slovakia, Germany, Poland, Austria and Hungary. The country also seeks partnerships in the developing economies and non EU states. Czech Republic will focus on new developing economies with growing potential. The country will develop relations in trade, cooperation in investments and security questions, with respect to the differences in political and economic organisation, cultural habits. The Czech Republic focuses on countries of Middle East and North Africa. These countries are important as the main suppliers of raw material. Unfortunately those countries also represent instability and security risks. The Czech Republic develops its bilateral agreements as well as acts under the EU or NATO policy. The interest of the CZ is development of Middle East and North Africa countries to support the stability of the region. The outcome should be increasing prosperity, improved economic integration and better functioning of political systems in the neighbourhoods of the EU.

3.4.7. Promotion of economic and commercial interests of the CZ

Importance of promoting/enforcing economic interests of CZ

Among the main priorities of the Czech foreign policy belongs the promotion of Czech economic interests abroad. This comes from the export character of the country's economy. In many of the bilateral relations, mainly out of the European space, the economic and commercial interests are the main reason for presence and work of the Czech diplomatic services. Economic relations are not only about export, but they are concerned with services, investments and development cooperation and intercultural contact development, such as tourism. The present diplomatic services create conditions for development of economic and commercial relations to which the spreading of information and relevant support is connected.

Support of economic interest in developing countries

Important are as well the territories outside the OECD or EU, even though the CZ is exporting there less than 10% of the total export. Nevertheless these territories have strong potential to grow and strengthen their economic situation. For this reason the Czech diplomacy will

monitor development trends in different countries and improve the knowledge of possibilities to export.

The Czech Republic will apply two dimensions of support in the bilateral relations with these countries. The first dimension is politico-economic. Here the diplomatic services will mainly help with gathering contacts with adequate representatives, enforce better condition for business of Czech entities and help with the realization of conferences, fairs and other events useful to promote Czech business. Moreover the foreign services will provide political and economic consulting to Czech businesses interested in entering market in specific countries. The Czech Republic will actively protect and promote its interests towards third countries by use of several commercial means such as commercial contracts, contract of investment or agreements on sector cooperation between states.

The second dimension used by the foreign services is commercial. Here the possibilities of diplomacy are rather limited because of more practical character. Direct support to export, trade and services and concrete evaluation and elaboration of commercial opportunities are the main forms of acting. The main players are the Ministry of trade and industry, Ministry of regional development and foreign representation agencies such as CzechTrade, CzechInvest or CzechTourism. Activities of Czech diplomacy for export support will be connected with the International competitiveness strategy of the Czech Republic for the period 2012 -2020 (Republic, 2012).

3.4.8. The Czech Republic and states of Asia, Africa, Australia and Latin America

Basis for relations with states of Asia, Africa, Australia and Latin America

The Czech Republic is developing bilateral relationships with states from these zones based on the principle of reciprocal convenience, mainly in the industrial and economic sphere. The Czech Republic supports initiatives to increase stability and safety of specific regions.

During political dialogue puts importance on maintaining the principle of inalienability of human rights and considers it as a strong factor of trustworthiness when thinking of long term relations.

The Czech Republic pays attention to country with which already the Czechoslovakia had developed strong industrial and economic relations. It will develop cooperation and follow commercial and investment possibilities.

Relations with states of Middle East and Northern Africa

The Czech Republic continues to support peaceful cooperation with Middle East and promote political and economical guaranties to maintain regional stability. The grounds are resolutions of the Security Council of UN, supported by policies of European Union on safety and cooperation. The Czech Republic supports actions focused on elimination of threats from distribution of weapons of mass destruction and dictatorial regimes.

3.4.9. External economic relations of the Czech Republic

Economic diplomacy, pro-export policy

The Czech Republic enforces the economic dimension of its foreign policy. It develops different activities to create better conditions for economic development. It focuses on promoting its interests in bilateral relations and integration in international organizations. The focus will be put on effective utilisation of EU member state. Economic diplomacy focuses on enriching of commercial policy of national government.

Economic diplomacy in bilateral relations

Taking care of bilateral relations is the main area of focus of Czech diplomatic missions abroad. Activity of Economic Diplomats is focused on creating conditions for developing favourable commercial contacts and deals. Moreover meetings of state representatives, high state officials and entrepreneurs on concrete external economic questions are of economic diplomacy responsibilities.

Economic diplomacy in multilateral relations

The Czech Republic is maintaining its position and strengthening relations thanks to its membership in international economic organisations, such as OECD, MMF and WTO.

Emphasis on sustainable development

The Czech Republic is emphasizing meeting the environmental and social standards when concluding new economic cooperation. In special consideration is put global aspect of maintaining the principle of sustainable development in international dimension.

Uniformity of Foreign Service in economic diplomacy

The Foreign Service of the Czech Republic supervises activity of institutions and agencies providing supporting services to foreign commerce, export and investments in order to achieve higher efficiency. Attention is put also on improvement of information systems enabling the Czech businesses access information about commercial possibilities abroad.
(Affairs)

3.4.10. Public diplomacy

Power of human contact, width of action and role of media

The success of the foreign relation policy depends on interaction and communication between state administration and political and public sphere. Important are relations with Parliament of the Czech Republic, political parties, academic sphere, research institutions, non-governmental organization and broad public. The goal is to communicate the mission and main aspects of foreign policy and to support those activities.

Main goals of public diplomacy abroad

The main interest of CZ is to increase the awareness of the country and overcome common prejudice, stereotypes, negative approaches and opinions.

Presentation of the CZ abroad

The aim of public diplomacy is to present the Czech Republic as developed democratic country with rich culture, interesting history and proper identity. Country with human capital based on knowledge and potential in innovations, which is trustworthy partner in political, safety and economic relations. Country is good place for investments, respected member of international organisations and security and economic structures.

To gain wider thematic variety and proportionality the cooperation with regions and cities will be enlarged and improved.

Public diplomacy and cultural relations

Culture is one of the most important means of expressing national identity. In foreign presentation prevail traditional means as cultural agreements, cooperation in protection of world cultural heritage and spreading of traditional values from our history. To improve the visual aspect new media and technologies are used.

Support to education, science, research and technology

The support of education, science, research and new technologies are crucial prerequisites for maintaining the economic growth on the long term, competitiveness and at the end social stability.

3.4.11. Foreign Service

Foreign Service applies and carries out aims and goals of the foreign policy of the Czech Republic. The condition to its success is high level of specialisation and professionalism. This is gained by systematic education of diplomats, sequence in carrier growth and creating conditions for harmonizing professional and personal life.

The Czech Republic will adapt the number of its representative offices to its interest. It will cooperate closely with other countries, mainly with the neighbours. Importance is strongly put on security of representative offices and their personnel, mainly in the most risky countries.

The Foreign Service will consider the development of international situation and will cooperate with other resorts to guarantee help, assistance and support to Czech citizens and subject abroad (Republic, 2012).

3.5. Export Strategy of the Czech Republic

Export strategy is a document that promotes the increase of Czech exports and proposes tools useful for entrepreneurs and complying to the rules of market economy. The strategy for 2006 – 2010 is based on principles set out in fundamental Strategies of the Czech Republic (list is available in attachment no. 9.1). The strategy is describing general concept, conditions and trends; it is not dealing with individual commodities. These are subject of sectorial policies. The strategy until 2010 is based on analysis of supports for exports used in EU and USA. The

strategy seeks new opportunities to increase the international competitiveness of the Czech Republic.

According to analyses done, the "success is based on direct assistance to companies abroad, goal-directed promotion of the country and individual lines of business and active work of people posted by the state to serve the companies". (MPO, Export Strategy of the Czech Republic, 2005)

The vision of this strategy is: **Promote the Czech Republic in the world through trade and investments.**

The strategy suggests proper system and institutional framework to support the exporting companies. Reducing barriers, supporting exports, giving access to information and contacts as well as monitoring and defence of exporters' interests are the main principles to be followed. Furthermore the state should provide effective services and tools of the export policy. Some of the most important are: provision of information and consultancy services, trade missions to selected countries, negotiation with foreign institutions, organization of workshops, offering financial services, investment consultancy and presentation of trade opportunities and marketing of the country.

The documents states as well particular goals of the current strategy. These involve help and assistance to companies by creation of conditions for trade, building up position of the Czech Republic in international market, preparation of the local economy for success in international competition. To this purpose the diplomatic pressure and promoting Czech interest is put on foreign market entities.

Specific goals and projects are shown in the Figure 3 on the following page.

Figure 3: Goals and Projects of the Export Strategy

Promote Czech Republic in the world through trade and investments			
I. More opportunities for entrepreneurs			<i>State</i>
1. Facilitation of trade conditions	2. Activities in key markets	3. Building up of brand name of the Czech Republic in the world	
II. Provide professional and efficient support			<i>Clients</i>
4. Efficient assistance for exporters	5. Increase of exports of services	6. Increase of direct investments and acquisitions abroad	7. Development of export alliances
III. Improve and develop the quality of services			<i>Processes</i>
	8. New system of services provided by the state for exports	9. Customer Centre for Exports	
IV. Increase capacities for exports			<i>Resources</i>
10. Network for exports	11. Extension of financial services for Czech exports	12. The Export Academy	

Source: (MPO, Export Strategy of the Czech Republic, 2005)

All activities, services and communication must reflect customer-oriented and partner approach to commercial entities. All services are of guaranteed quality and certified by the ISO 9001:2000.

Projects are usually coordinated by the Ministry of Industry and Trade and implemented by other Ministries according to the topic. As an example the project number two was selected. Project *Activities in key markets* is focused in developing strategy to strengthen market position in countries of special importance and to penetrate new markets with high potential.

Basic project description is as follows in Figure 4.

Figure 4 Project no.2

Project	Activities in key markets
Coordinator	The Ministry of Industry and Trade
Implemented by	The Ministry of Industry and Trade, embassies, CzechTrade, Czech Centers
Start date	April 2006
Purpose	<ul style="list-style-type: none"> ▪ Identify and on an ongoing basis update key markets for exports and investments ▪ Develop strategies and action plans for the promotion of commercial and economic interests in the territory
Target status	<ul style="list-style-type: none"> ▪ Flexible territorial priorities ▪ Co-ordinated and uniform strategies for the promotion of interests ▪ Increase of pro-export events in key markets
Criteria	<ul style="list-style-type: none"> ▪ Extent of fulfillment of goals set out in territorial strategies and action plans ▪ Increase of the number of events and the satisfaction of Czech companies.

Source: (MPO, Export Strategy of the Czech Republic, 2005)

The project distinguishes two basic types of partner countries, **priority countries** and **countries of special importance**.

Priority countries have high potential for the growth of trade cooperation. Countries of special importance are those where there is already a commercial and economic cooperation and the potential for its extension is not so high. To the latter group belong the EU countries, as they represent 86% of total export.

Among the priority countries belong: Argentine, Brazil, Bulgaria, China, Egypt, Chile, Croatia, India, Canada, Mexico, Romania, Russia, Saudi Arabia, the United Arab Emirates, Serbia and Montenegro, Turkey, the Ukraine, the USA and Vietnam. (MPO, Export Strategy of the Czech Republic, 2005).

The selection was made based on multi-criteria assessment such as volume of trade, rate of growth of trade, risk rating, etc. Furthermore the interest of entrepreneurs was taken into account. In the current Export Strategy (2012-2020) among priority countries belong Brazil, China, India, Iraq, Kazakhstan, Mexico, Russia, Turkey, Ukraine, USA and Vietnam.

A group of countries in interest was set. To this group belong: Angola, Argentina, Australia, Azerbaijan, Belarus, Egypt, Ethiopia, Chile, Ghana, Croatia, Israel, Japan, JAR, Canada, Columbia, Morocco, Moldavia, Nigeria, Norway, Peru, Senegal, Singapore, SAE, Switzerland and Thailand.

This list was created based on the requirements of business representations. It will be periodically updated according to the current situation and interest. First actualization is planned by the end of 2014. (MPO, Export Strategy of the Czech Republic, 2012)

Local embassies and CzechTrade will be responsible for obtaining and processing necessary information. All processed materials is available to entrepreneurs on the web portal BusinessInfo.cz.

Contemporary Export strategy is stressing the importance of diversification of exports to countries outside the EU. The current EU market is influenced by the economic crisis and higher level of competition. The Czech Republic should take the opportunity to orientate part of its export to third countries. This should guarantee an increase of 50% of export volume by 2020, increase in number of exporters by 25% by 2020. Moreover Czech exporters should move to segments with higher added value and increase the volume of export of services by 20%.

To support this goals the strategy (2012) sets three main pillars of development. The first is *Reporting service for export*, second *Development of export* and the third one is *Development of commercial opportunities*.

All these three pillars should support the export activities by facilitating access to information for export, provide commercial contacts and statistics, report of markets and market analyses, develop infrastructure and human resources. Help the competitiveness by providing export education; consultancy specialized on export, financing exports. Act in a manner to enlarge the demand for Czech export, investments for export, prepare marketing, branding and lobbying base for exports, develop corresponding trade policy and find a solution to potential problems. (MPO, Export Strategy of the Czech Republic, 2012)

3.5.1. Access of European businesses to third markets

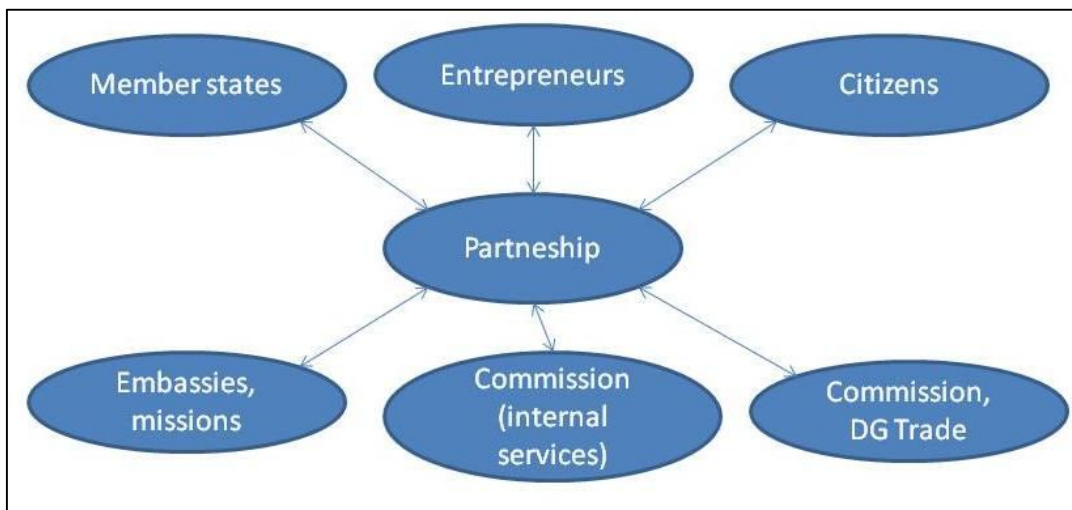
European Union is in general promoting open markets with free competition. European firms are exposed to press from the open market. On the other hand they experience trade barriers

when doing business with third countries. Based on this fact the Initiative for support European businesses has put removing these barriers as its goal.

Market access strategy

The founding idea of removing trade barriers with non EU countries was presented in 1996, when the European Commission announced its Market Access Strategy. In 2007 the strategy enforces so called ***Strengthened partnership*** as the only mean to remove trade barriers which does not lead to protectionalism. Strengthened partnership uses cooperation between EU, member states and the business sector.

Figure 5 Strengthened partnership players



Source: Access of European businesses to third markets, MIT

This market access team identifies and eliminates potential barriers. It also plays notification role when a new barrier is being processed. Information gathered by the MAT is registered in Market Access Database. In this database users can find all necessary data and information about market conditions in third countries (Šustrová, 2010).

Market barriers

As market barriers can be defined many obstacles, not only customs but many non-tariff barriers. The customs are being controlled and kept lower, but the non-tariff barriers are used very often.

Some examples of trade barriers are e.g. customs, customs declaration, technical norms and regulation different from the WTO standards, limitation of access to raw material, limited

protection of intellectual property, barriers to trade of services and foreign direct investments, unfair use of state subsidies.

Market Access Database

The database was created by the European Commission and is an excellent source of internal information needed for business. Among the most important information searched are: applied tariffs, export guide – import formalities, statistical database with general overview of trade between EU and non-member states, trade barriers database and as well a complaint register. The register works from 2007 and allows users submit a complaint of limiting trade barriers and the Commission will take it under investigation.

Cases of successful removing of barriers – 2009

Egypt – removal of ban on GPS technology import. Law on telecommunication from 2003 required governmental licence before importing GPS technology to Egypt. After several bilateral meetings with European and American institution this ban was cancelled in April 2009.

Philippines&Indonesia – partial removal of ban on beef meet import. Because of fear from BSE, local government banned import of beef meet. After meetings on political and expert level, the market opened to some of EU member states. Currently the EU is still negotiating complete ban for all member states.

Brazil – toys matching process. From 2007 Brazil enforced law limiting toys import. Negotiations with Brazil was held as well on the WTO level e lead to partial removal in2008 and after further press from EU and other commercial partners, the ban was completely cancelled in October 2009.

Ukraine – removal of 13% import duty. Import duty on automobile components and refrigerators was removed in September 2009, thanks to the cooperation between EU, WTO, USA and Japan (Šustrová, 2010).

3.6.Egyptian foreign trade

The Arab Republic of Egypt does not have an official document stating the country's foreign trade strategy. Following information is put together from different official trade web sites.

Egyptian export strategy

According to the Ministry of Industry and Foreign Trade, Egypt is focusing on development of its exports. The country wishes to utilize its competitive advantage in manufacturing industries and its geographical location. Export of services especially commercial services and tourism, transportation, business services represents high share as well.

The major trade partners of Egypt include EU and USA, with shares of total export 30% and 10% respectively. Other trade partners are countries from South East Asia and other Arab countries. (Ministry of Industry and Trade, 2009)

The Egyptian Exports Development Strategy sets its goal of enhancing and promoting exports during next decade. Negotiations on removing barriers to export are in process to stimulate competition of Egyptian products. It is focused on research, marketing education and communication between exporters and their counterparts.

A Ministerial Committee was established under law no.1283 to improve competitiveness of Egyptian exports. The committee consists of Minister of Agriculture, Minister of Foreign Trade, Minister of Finance, Minister of Transportation and Minister of Civil Aviation. The goal of this board is to remove barriers for exporters.

Industrial Development Authority

The Authority was established under the Decree of the Minister of Industry and Technological Development in 2000. The Authority is responsible for implementing industrial policies set by the Ministry and for motivating and encouraging investments in industrial sector.

The Authority's mission is to "enhance growth rate nationally and regionally through cooperation and coordination with partners to facilitate industrial expansion, enable the private sector to develop industrial zones and ensure an effective, organized and friendly business environment." (IDA, 2006)

To fulfil the mission fundamental principles were set: *customer orientation, transparency, commitment, efficiency* and *continuous learning*. Furthermore the Authority sets general goals to achieve. Some of examples are shown in the list.

- 1) Maximize contribution of Egyptian industry to the GDP
- 2) Continuous development and improvement of the industry

- 3) Collection of industrial data and publication of current industrial production, sources of raw material and exports
- 4) Enhance the competitiveness of Egyptian industrial products
- 5) New job opportunities
- 6) Contribute to establishment of local manufacturing companies

(IDA, 2006)

From these goals follow main activities of the Authority, such as gathering and processing reliable economic and industrial data, setting general policies necessary for development of industrial zones, determining land for industrial purposes and coordinate its utilization, setting rules and conditions for private sector to establish and providing them space in industrial zones or registering companies and experts operating in development and updating of engineering systems.

The research and statistical data as well as general information about tax system, industrial zones and land availability are available to potential investors and local or foreign companies on the Authority website.

Egyptian International Trade Point

Egyptian International Trade Point is an organization that provides information and services to businesses. It is a section of the Ministry of Trade and Industry and member of many international networks, such as World Trade Point federation network, ITC network or ECS network. Its objective is to create new markets for Egyptian products, support the development of Egyptian export or reduce operation costs. The organization provides general trade information, specific statistical data and moreover specialises in e-commerce and e-promotion. (MIFT)

For investment information the General Authority for Investment can supply enough reliable information about the current position of Egypt's industrial sectors. These data are accompanied by list of Economic Free zones or information of law and regulations.

3.7.Egyptian Foreign Policy

As regards the foreign trade policy, the Arab Republic of Egypt does not have an official document stating the country's Foreign Policy. Following information is put together from different official web sites

Egyptian foreign policy has long tradition, mainly due to the geographical position of the country, which has been a crossroad for Arab commerce for centuries. Moreover factors such as population size, military strength and diplomatic experience help the country to have a significant position in the Middle East and Africa.

The main orientation of the country's policy is due to its location to surrounding and near Middle East and North Africa countries. Relations are represented by the membership in the Arab League, whose headquarter is in Cairo and Secretary General is traditionally Egyptian. Egypt has good relations with western neighbour Libya and southern Sudan, although there were some problems. The initial cooperation was interrupted by Egyptian pro-west policy and completed with Libyan-Egyptian war in 1977, as result of the worsening relations from the Yom Kippur war in 1973. The cooperation was reinitiated in 1989, since when the two states are jointly developing their oil and natural gas industries.

Egypt plays an important peace-making role in the Israeli-Palestinian conflict. President Hosni Mubarak intervened several times personally to promote peace negotiations. In 1996, in Sharm El-Sheik, he hosted the Summit of the Peacemakers which attended as well President Bill Clinton. Another important summit was held in 2005 which was attended by Egypt, Israel, Palestinian Authority and Jordan. (Service)

Moreover is Egypt, developing relations with Iran, Iraq, Jordan and cooperating with Morocco.

In near history, Egypt started to cooperate with European Union. The cooperation is based on Euro-Mediterranean Partnership agreement, founded in 1995 in Barcelona. The partnership promotes relations between the EU member states and currently 16 Mediterranean Partners – Albania, Algeria, Bosnia and Herzegovina, Croatia, Egypt, Israel, Jordan, Lebanon, Mauritania, Montenegro, Morocco, Palestinian Authority, Syria, Tunisia and Turkey. (European, 2008). In 2008 the agreement was renamed to Union for the Mediterranean. Current aims of UfM are de-pollution of the Mediterranean Sea, establishment of maritime

and land highways to improve connections, prevention to disasters and focus on Mediterranean Business Development Initiative. This helps small regional businesses, individualises their needs and provides technical support.

The European Union and Egypt have concluded bilateral legally binding agreement on cooperation under the European Neighbourhood Policy in 2004. EU represents Egypt's biggest trade partner with share on exports 42% and share on import 37% (2004). Major export commodities are energy, textiles and clothing, agricultural products and chemicals. Imports from EU are machines for energy generating, chemicals, transport equipment and food and agricultural products. (European, 2008)

In general, trade relations with EU are satisfactory although there are a few specific market access issues. Mainly on food products export as there are subjects to strict EU quality norms.

The last, but not less important partner of the Arab Republic of Egypt are the United States. This cooperation arose after the end of the Arab-Israeli war in 1973, when president Anwar Sadat had seen a condition to further Egyptian development in enhancing US-Egyptian relations. At the beginning the cooperation was mainly military aid after the war and both Egypt and Israel became a non-NATO US ally in 1989 (until 2012). Egypt participated as a main player in the peace process and considered as main partner to maintain continued availability of Persian Gulf energy sources and to secure Suez Canal. This cooperation brought Egypt a status of the strongest military power on the African continent and as such it supported its foreign policy in the region (Global Security).

The partnership is now facing slight tensions when Egypt refused to support US invasion to Afghanistan and send troops to Iraq in 2003. Furthermore the current political unstable situation is not favourable to enhancing of cooperation.

4. The presentation of countries

4.1. The Czech Republic economic presentation

The Czech Republic as such, was founded on 1st January 1993 after the splitting of Czechoslovakia. The Republic had to get used to economic independency and free trade. Before the splitting, Czechoslovakia was used to manage its economy and industrial production by the central planning rules, received from Russia, during the communistic era. By the time the Republic got to know how to use its cultural and natural heritage, it became one of the most visited places from the ex-communistic republic and confirmed its position on the European market. The Czech Republic joined the NATO in 1999. From 2004 it is a member of the European Union and the Schengen area. The national GDP of the Czech Republic is 3055 billion CZK (approx. 125 bil. Euro). The main goods that the Czech Republic exports are manufactured goods used in the production of automobiles, furniture and electrical appliances. Czech exports were worth 245 billion CZK in January 2013. The main partners are European Union countries, especially Germany. The imports were worth 213 billion CZK in January 2013 (Czech Statistical Office, 2013). The main imported attributes are machinery and transportation equipment, raw materials, fuels and chemicals. The major import partners are European Union countries, China, Russia and Japan. The Czech Republic has a population of 10 513 209 inhabitants (census to 30.9.2012). For this figure, the rate of unemployment is 7.2% (2012). The latest inflation rate is at 1.9% in January 2013. The highest inflation rate was recorder directly after the founding of the Republic in 1993 at a level of 21.9% (Economics, 2010)

4.2. The Arab Republic of Egypt presentation

Egypt is situated in North Africa and borders with Red sea and Mediterranean Sea from east and north and with Sudan to south and Libya to west. The country's surface is 1.002.450 km² and population accounts for 83 082 869 inhabitants.

The history of Egypt comes to 250 000 years BC when it had been a homeland to primitive man, who was hunting animals. On 4000 BC around the river Nile, irrigation and first settlements gave birth to one of the most important and strong historical civilization. The Nile Valley area was divided into two kingdoms, one northern with a red crown as a symbol and

other southern with white crown. The kingdoms were unified by king Memphis who founded and established the City of Memphis the capital. (Affairs)

In 2560 BC the Great Pyramid of Giza was built on request of King Khufu. During the reign of Pharaoh Ahmose (1560 BC), Egypt became an empire that controlled the majority of ancient world. Under the control fell Nubia, parts of Libyan Desert and North Sudan.

Since 332 BC Egypt suffered from the Greco-Macedonian attacks, lead by Alexander the Great. In 331 BC he founded the City of Alexandria that became one of the biggest cities in the Ancient world. After several centuries under Greco-Macedonian and then Ptolemaic domination, Egypt became part of the Roman Empire in 30 BC.

Romans were conquered by Persians and finally by Byzantines in 629 AD. After the fall of Romans and Byzantines many different countries exchanged on Egypt's throne. Between 968 and 1171 AD the reign was controlled by the Fatimids who established Cairo as the capital.

In 1250 came to force the original category of warrior slaves, the Mamluks, who further controlled the country until 1517 thanks to their strong army. In 1517 Egypt was taken over by Ottomans.

French commander Napoleon Bonaparte met a strong opposition from Al-Azhar and the popular resistance in 1789. The French occupation witnessed several battles against Egyptian popular resistance helped by Mamluks and Ottomans. The occupation finished in 1801 after two big revolutions in Cairo (1798 and 1800).

The invasion of French troops helped the Egyptian nation to realize their rights and led to the selection of a new governor Muhammad Ali and foundation of Modern Egypt in 1805. Moreover during the campaign many scientific discoveries were conducted which contributed the deciphering the Rosetta Stone and the Hieroglyphic scripts.

Governor Muhammad Ali gave grounds to the modern Egypt. He built a strong army, established shipbuilding in Bulaq and shipyard in Alexandria. He reformed agriculture and built dams and canals, factories to support the army and feed the residents. He also worked on guarantying security on internal routes to support foreign trade.

Important feature fore foreign trade is the creation of artificial Suez Canal opened in 1869. The canal increased country's importance as it connects the West and East trade.

From 1882 until the WWI in 1914 Egypt was under a dominance of the British. In 1922 Egypt became independent with British military basis still present in the country. In 1952 disagreements culminated in Revolution of July 23rd. On June 18th 1953 Egypt declared itself a republic. (Affairs)

4.3.Economic presentation of Egypt

The Republic has slightly but increasing economic growth. The country is for centuries gaining from its strategic position enabling it to run commerce with Europe, Middle East and even further Asian countries. From the year 1957 until 2012 exports are facing high fluctuations with the average value of 440.8 ml USD, reaching the highest value in 2008 of 2991.2 ml USD and the lowest value of 12.63 ml USD in 1959. (Egypt)

The major exporting commodity is crude oil followed by agricultural products (oranges, rice, and dried onion), chemicals, metals, cotton and textiles. The principal trade partners for exports are United States, Italy, China and United Kingdom.

The imports are of more stable trend with the highest value of 6497.8 ml USD n 2012 and lowest value of 33.5 ml USD in 1957. The average value of imports is 1021.8 ml USD. Main imported good are fuels, foodstuff, cereals, machinery and electric equipment. Major trading partners for imports are United States, Switzerland, Germany and United Kingdom.

Current inflation rate is 6.3% (Feb. 2013) and the rate was decreasing from July 2011 when the level of inflation rate was 12.2%. The highest level of inflation was determined in AUG 2008 and reached 23.6%.

The unemployment rate is currently the highest with level of 12.5% in March 2012. In 2010 the unemployment rate was fluctuating around 9%. (Economics, 2010)

5. Empirical part: Case Study of Czech-Egyptian Relations

5.1. Czech - Egyptian relations

The earliest tracts of Czech citizens on Egyptian territory date to 15th century when mainly travellers and missionaries went to Egypt and Middle East to promote Christianity and travels and commerce. In 19th century traveller Ignac Samuel Pallme from Czech town Rumburk lived in Egypt for 30 years and carried on his business.

Under the crown of Austria - Hungarian Empire gain the advantage of having consulates in Cairo, Alexandria, Suez and later on Port Said. Many German, Slovak and Czech people travelled and lived in Egypt for different purposes. In 1870 Czech writer Jan Neruda travelled to Egypt and described his experience in his column *Pictures from abroad* (1872). Czech-Egyptian cooperation was kept also on cultural level. Egyptian traditional architecture inspired many designers and artists who utilized for example in villa of František Bílek. Collection of fine arts and antiques was donated to prince Metternich and afterwards to Museum of town Olomouc. The collection contained gifts from ruler Muhammad Ali. Other collections are placed in castles of Kynžvart, Orlik, Opočno, and Konopiště and in Naprstek's museum in Prague.

1920 - 1952

During the interwar period 1920 - 1952 Czechoslovakia had maintained good relationship with Egyptian monarchy. In 1920 in Alexandria was founded new Czechoslovak consulate to support interest of all Czechoslovak citizens and promote bilateral relations and economic growth. In that time the embassy in Egypt was the only one on the African continent. The Czech-Egyptian relations were kept on high level. In 1927 Czechoslovak president T.G. Masaryk visited Egypt and in 1929 king Fu'ad visited Prague. (Ladislav Bařeš, 2009)

Relations after 1948 were rather cold, especially when Czechoslovakia decided to support Palestine and deliver guns to Israel during the Palestinian war in 1948-1949.

Egypt was principal supplier of cotton. First commercial agreement was concluded in 1930. Relations interrupted by the Second World War were restored and in 1951 a Commercial and payment agreement was signed. Czechoslovakia should supply weapons to Egypt, but the government did not approve it.

Moreover to commercial relations scientific and cultural interest and relations developed between Egypt and Czechoslovakia. František Lexa (1876-1960) was the founder of Czech Egyptology. In 1925 he founded Egyptian seminar at the Charles University.

1952 - 1970

From year 1955 relations improved even though Czechoslovakia was closely coordinated by the Soviet Union. Czechoslovakia concluded four agreements on weapons supply to Nasir's regime. The supply accounted for 921 mil CZK from which soviet part formed 523 mil and Czech part 398 millions. Main articles were aircrafts, armed vehicles, tanks and other weapons. Following this contract training of Egyptian professionals started at the Military Academy of Antonin Zapotocky in Brno. In 1956 three other contracts were closed. After the Suez crisis had Egypt more focused on cooperation with Soviet Union. In 1958 Military Technical College was founded in Cairo. Egyptian officers could study on PhD level in Brno.

From mid 50s improved even non military relations. Commercial cooperation developed and revenues increased from 140 mil CZK in 1950 to 320 mil CZK in 1960 and finally yield 624 million CZK in 1970. Main investments were sugar refinery in Edfu or sugar cane mill in Ermat. On the other hand the Czechoslovakia was main importer of Egyptian cotton. In 1959 Czechoslovak cultural centre was opened in Cairo. Cultural collaboration developed in mutual project of Czechoslovak Institute of Egyptology with parallel centers in Prague and Cairo. Cooperation peaked in November 1966 when President Antonín Novotný visited Egypt. Prague Spring in 1968 temporary limited Czech-Egyptian cooperation, because Egypt accepted Soviet occupation of Czechoslovakia. Czech archeological group received a concession to excavate in zones of Abusir, where in 1974 focused on Ptahshepses's mastaba.

Mutual relations are supported as well by teaching of Czech language, which started in 1953 at the High School of Languages by prof. Z. Žába. Furthermore Czech language and literature is taught on the Ain Shams University in Cairo. Reciprocally Czech Arabists concentrated their interest more on Egyptian language, literature and Medieval and modern history. In 1965 prof. Rudolf Veselý published Egyptian Colloquial Arabic teaching book. Principal works of several famous Egyptian writers (Nagib Mahfouz, Taha Husein, Ramman Sharawi) were translated to Czech language. After agreements on economic, scientific, technical and medical cooperation many Czech experts lived in Egypt.

1971 - 1989

In 1976 President Anwar Saddat terminated the Egyptian-Soviet agreement on friendship and cooperation. This decision has as consequence diminishing on Czechoslovak-Egyptian political relations. In 1977 Czech experts were called out from the Military Technical College in Cairo and supplies of weapons were cancelled. As a response to this action President Saddat banned export of cotton to Soviet Union and Czechoslovakia. In this period Czechoslovakia focused on actions that were not politically oriented such as development of Institute of Egyptology in Cairo, construction of complex of Czechoslovakian embassy (which is one of the biggest embassies in the Arab world) and support of tourism.

Situation started to improve from 1981 when Hosni Mubarak was appointed President of Egypt. In 1983 Czech Minister of Foreign Commerce Bohumil Urban visited Cairo and in 1986 Egyptian Minister of Foreign Affairs Abd al Magid visited Prague. In spring 1989 Czechoslovakia received approval from Soviet Union to export tanks and armed vehicles to Egypt. In 1984 another bilateral agreement on economic cooperation was signed and the turnover had an increasing tendency from 82 mil. CZK in 1980 to 209 mil. CZK in 1985. Major part of export to Egypt represents investment complexes such as power stations, sugar refineries, machinery and cylinder material. Imports from Egypt were mainly cotton and consumer goods. (Ladislav Bařeš, 2009)

Czech archeological team received concession to explore in areas of Abusir and Sakkara. Findings and collections from excavation are of interest of Naprstek's Museum. Czech Arabist continued visiting university in Cairo and Czech language was still taught on Ain Shams University.

1990 - present

After splitting of Czechoslovakia, the Czech Republic maintained bilateral relations on high level. In 1992 President Vaclav Havel visited Cairo and in 1994 President Hosni Mubarak visited Prague. In January 1995 Prime Minister Vaclav Klaus, in 2000 Minister of Foreign Affairs Jan Kavan, in 2003 Prime Minister Jan Špidla, in 2004 Cyril Svoboda and in 2006 Jiří Paroubek made their state visits to Egypt. In 2008 former President Vaclav Klaus visited Cairo. Egyptian authorities visited Czech Republic in 2007 and 2008 when Minister of Foreign Affairs Ahmad Abu al-Ghait travelled to Prague.

Recent heads of missions in Egypt are ambassadors Jakub Karfik (2002 - 2006), Miloslav Stašek (2006 - 2010) and Pavel Kafka (2010 - present). Egyptian Republic was represented by ambassadors Abdel Rahman Megahed (2001 - 2003), Mohamed Moustafa Kamal (2003-2007), Amal Mostafa K. Mourad (2007-2011), Mohamed Ibrahim Abdel Hakam (2011 - present). Egyptian embassy in Prague gains support of Mrs. Marcela Fišerová who works as a secretary to Egyptian Ambassador since 1970. (Affairs)

In year 2001 the association CzechTrade founded its office in Cairo. Main exporting activity still represent power stations, factories for china and ceramics, technology for refining crude oil and chemical industries. Moreover were exported waterworks and irrigation systems, cars, turbine engines and agricultural machinery.

In 2006 was signed Implementation Program on Cultural and Education. The activity of Czech Institute of Egyptology proceeded and was lead by Professor Miroslav Verner. In 2008 President Vaclav Klaus inaugurated exhibition *Discovering Ancient Egypt - Fifty years of the Egyptian-Czech Collaboration in Archeology*.

Furthermore focus of cooperation was on tourism. In 2007 Egypt visited 210 000 Czech tourists and the Czech Republic ranks among the most important touristic partners of Egypt. (Ladislav Bařeš, 2009)

President Vaclav Klaus and Ambassador Alexander Slabi visited Cairo in 2008 during preparations to Czech Republic's presidency to the European Union. Czech Ambassador was received by Assistant to Foreign Minister Fatma el Zahra. The principal issues were related to future cooperation between EU and Arab group as a part of the Mediterranean Union initiative on renewable energy, environment and cultural dialogue. (MFA, 2008)

According to Egyptian Ministry of Foreign Affairs the last official visit to Egypt was in February 2010 when former President Vaclav Klaus and the First Lady met their counterparts in Cairo. The Egyptian side was represented by the visit of Minister of Petroleum Mr. Sameh Fahmi to participate in the 'Southern Corridor' Summit.

5.2.Czech-Egyptian economic relations

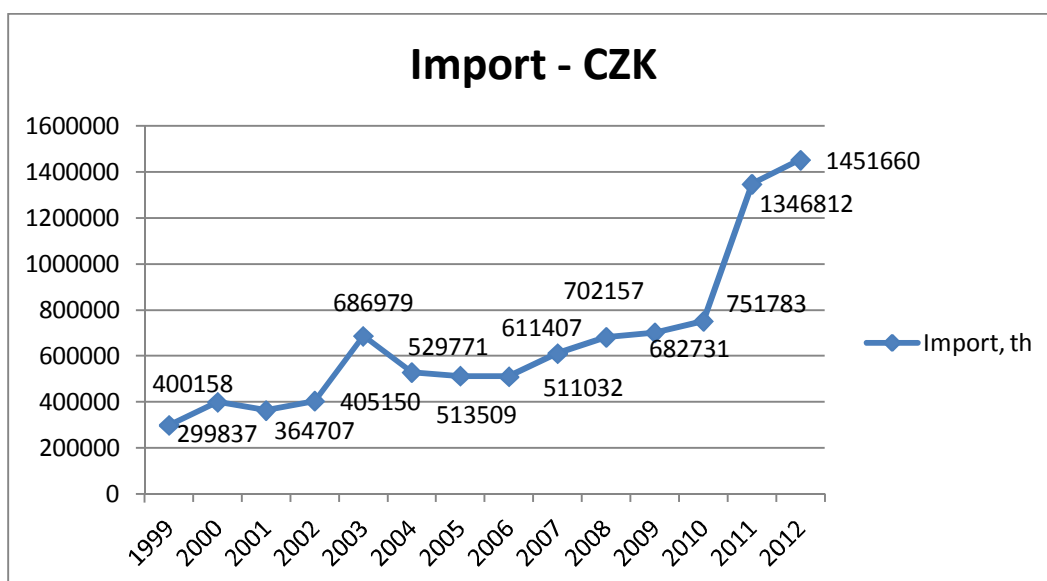
The Czech Republic is establishing its economic relations with Egypt since its split up from Czechoslovakia in 1993. In November 1993 was signed Memorandum on Cooperation between The Ministry of Industry of the Czech Republic and The Ministry of Electricity and Energy. During the cooperation Egypt became stable trade partner on the African continent, with complex investments exports. Main power stations, irrigations systems and water treatment stations and sugar cane processing plants in Upper Egypt were almost completely delivered and installed by Czech manufactures (Czech, 2005). The bilateral cooperation is working based on several bilateral agreements concluded between the two countries. Main agreements are regarding cooperation in Science and Technology (1966), Veterinary field (2000), in Agriculture and Food Industry (1997), in Promotion and Protection of Investments (1994) or Convention for the Avoidance of Double Taxation (1995).

Businesses are supported by mutual organizations such as The Czech - Egyptian Business Council established in year 2000 or The Czech - Arab Chamber of Commerce. Moreover entrepreneurs can refer to Economic or Commercial section of their Embassy in the partner country, where they should receive basic information needed for establishing business or trading partnership with the partner country. Further assistance should be provided by the agency CzechTrade which has its office in Prague and in Cairo as well. (Czech Trade , 2009)

Main export items from the Czech Republic to Egypt are cars, pumps, machines and accessories, iron & steel products, electrical appliances, glass and glassware, cigarette paper and tires. (Czech, 2005) And main imported items from Egypt are cotton, aluminum bars, cotton T-shirts, plastic products, imitations of pearls and gems, dried and fresh vegetables. (SIS)

Trends in bilateral trade between the two countries are visible in the graphs below that process data from the Czech Statistical Office. Data are available in Attachment no. 9.2.

Graph 1 Import from Egypt to Czech Republic

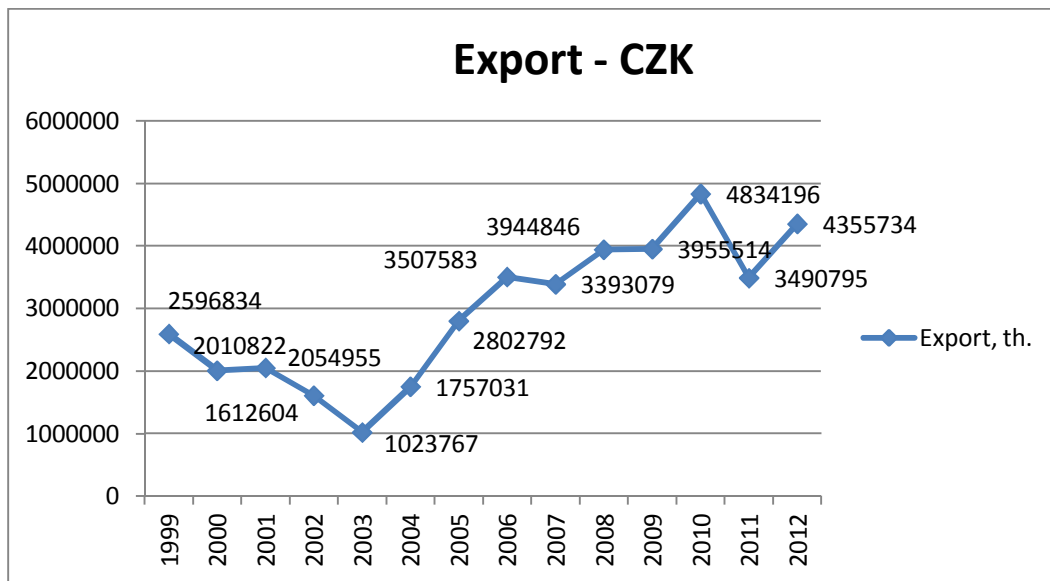


Source: own processing

From this graph is apparent that the imports have positive trend and are still increasing. The most significant increase has been between years 2010 and 2011, when imports increased from 751 783 (ths.) to 1 346 812 (ths.). This was caused by the crisis in Egypt and higher inflation and prices.

Significant part of Czech-Egyptian economic relations represents tourism. Mainly Egyptian destinations were sought by the Czech tourists. Peak in arrivals was in years 2007 and 2008 when 206 729 and 268 189 Czechs arrived to Egypt. Main destinations are Sharm as Sheik, Hurghada, Cairo and river cruises. Travelers from Egypt record highest number in 2007 when 3822 Egyptians arrived to the Czech Republic on touristic purpose. (SIS)

Graph 2 Exports from the Czech Republic to Egypt



Source: own processing

Exports to Egypt show increasing trends as well. Nevertheless the amount is lower than numbers apparent in imports and the trend shows to be more fluctuating. There is a significant drop in year 2010/2011 caused by the uprising in Egypt and unstable economic and political situation in the country. Therefore the Czech exporters were uncertain about the local situation and concerned about their merchandise. Not to mention lower purchasing power of the Egyptian counterparts.

5.3. Arab Spring in Egypt

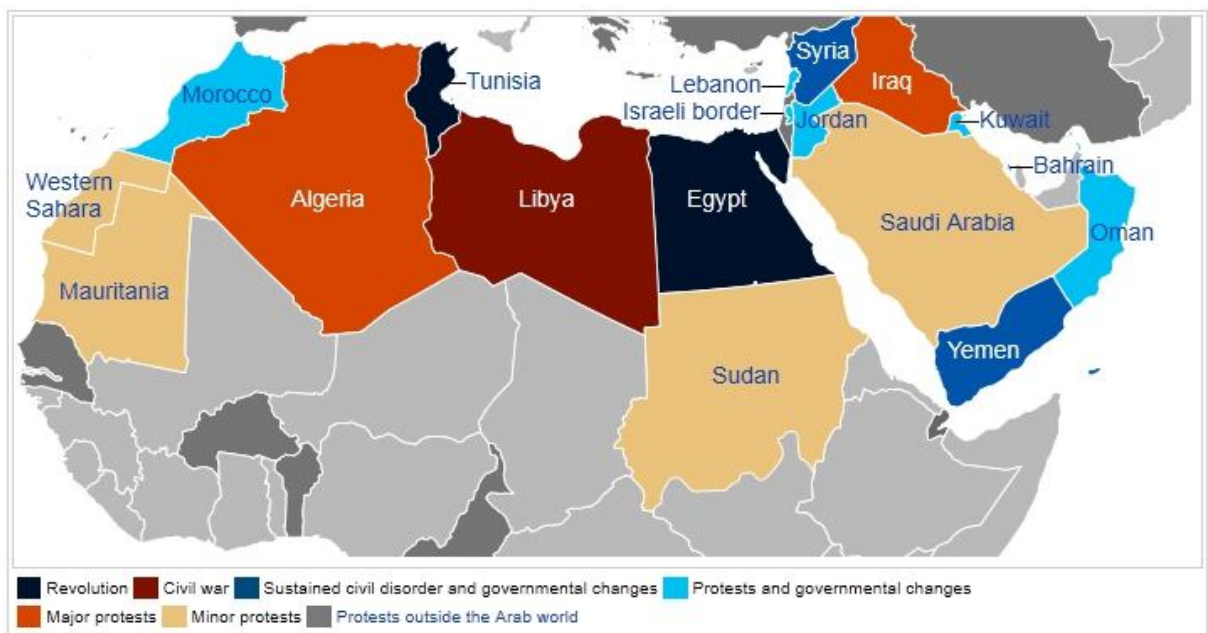
Arab Spring is popular term connected with wave of demonstrations and protests in the Arab world that started in December 2010. The main flow of demonstrations and political changes were in Tunisia, Egypt and Yemen, accompanied by uprisings in Bahrain and Syria, Algeria, Iraq, Jordan, Kuwait or Morocco.

Protests were caused by general disappointment and dissatisfaction of citizens. Among the main reasons was poor economic growth, corruption or human rights violation. As some of the starters were Iranian election protests against disputed victory of President Mahmoud Ahmadinejad and Kyrgyz revolution caused by deporting President Bakiyev and following ethnic tensions between Kyrgyz and Uzbeks can be individuated. Moreover insufficient redistribution of wealth and increasing food prices have played a significant role. Social media served as a mean of communication for organizing protests and strikes. As a result to

protests and demonstrations several governments, Prime Ministers or even presidents resigned and send to trials for their incorrect actions. In some countries protests lead to civil wars which continue until today.

Countries affected by the Arab Spring are geographically shown in the figure below.

Figure 6: Map of Arab Spring



Source: http://en.wikipedia.org/wiki/Arab_Spring

In Egypt the Arab Spring demonstrations lead to resignation of formal President Hosni Mubarak and to general government overthrow. Protests started on 25 January 2011 and were targeted to end corruption, injustice and especially regime of Mubarak that lasted for 30 years. Moreover to resignation of president was achieved resignation of Prime Minister, dissolution of the Parliament, dismissing of State Security Investigations Service and dissolution of the National Democratic Party which ruled the country for several years. (Houissa) In May 2012 were held elections to replace Mubarak. With 51.7% won Mohammed Morsi from Muslim Brotherhood over 48.3% of Ahmed Shafiq. (Hamid, 2012)

5.4.Situation after Arab Spring

Despite the hard revolutionary period Egypt managed to maintain its economic stability to higher level than its neighbours. It was possible thanks to the growth generated in the past decade when investments were stimulated. Nowadays Egypt is facing lack of confidence that is threatening capital investments as well as tourist arrivals. These facts have as consequence

an increase of unemployment rate to 12.6%, targeting mainly workers of the touristic fields (IMF, 2012). Moreover the situation is lowering national reserves of foreign currency.

Figure 7 Selected Economic Indicators

Egypt: Selected Economic Indicators, 2009/10-12/13				
	2009/10	2010/11	Est. 2011/12	Proj. 2012/13
GDP growth, percent	5.1	1.8	2.0	3.0
CPI inflation, percent	10.7	11.8	7.3	12.3
General government balance, excl. grants, percent of GDP	-8.2	-10.1	-11.8	-10.3
Current account, excl. grants, percent of GDP	-1.7	-2.3	-3.0	-3.0
Fiscal financing needs, excl. grants, US\$ billion 1/	18.5	25.1	31.6	31.7
External financing needs, excl. grants, US\$ billion 2/	7.1	11.5	11.7	12.7
Public debt, percent of GDP	73.2	76.4	79.7	81.1
External debt, percent of GDP	12.4	11.8	10.1	14.5
Reserves to short-term debt, percent 3/	306	297	326	327
Reserves in months of imports of goods and services 3/	6.9	4.7	2.7	3.0

Sources: Egyptian authorities; and IMF staff estimates.

1/ Budget deficit, excluding official grants, plus public external amortization. Assumes full domestic rollover.

2/ Current account deficit, excluding official grants, plus amortization.

3/ Official reserves including central bank foreign currency deposits held at banks.

Source: IMF, *Arab Countries in Transition: Economic outlook and Key Challenges*

Risks that the country has to face and consider are prolonged political uncertainty, worsening of security situation and failure to enhance corrective policies that would gain confidence and help economic recovery and increase in reserves of national and foreign currency.

Two years after the revolution protest in Egypt are still ongoing. Nowadays Egyptians protest against current President Mohammad Morsi, who is backed by the Muslim Brotherhood. Current president is accused from not following the goals of the revolution in 2010. In addition to economic crisis, Egypt is weakened by current political situation. The power of Muslim Brotherhood is increasing despite the disagreement of population and majority of political actors. Nowadays, protests are held against the new constitution which is based and promoting the Islam law Sharia. (Reuters, 2013)

The inflation rate is decreasing mainly due to governmental holding down the prices of food and fuel via subsidies. This is what IMF puts as condition to cut in order to receive a \$4.8 bn aid to help the recovery from the economic crisis.

The development of inflation rate is shown in graph on the following page.

Graph 3 Inflation rate in Egypt



Source: Bloomberg, taken from beyondbrics

Another issue that Egypt has to face and would like to receive support from the IMF is the decreasing in foreign exchange reserves. The Central Bank is trying to keep the exchange rate on 6EGP/USD. The trend is shown in the graph no. 4 below.

Graph 4 Egyptian foreign currency reserves



Source: Bloomberg, taken from beyondbrics

Current exchange rate is 6.7608 Egyptian Pound per 1 USD (Yahoo, 2013)

To further support and analysis of the development of Czech-Egyptian economic relation, professionals from different institutions were asked to fill in a questionnaire. The list of questions that were sent to officials from CzechTrade, CzechInvest companies and Czech and Egyptian embassies' economic departments is the following.

Czech-Egyptian economic relations

1. To which age category do you belong?
 - a. under 25
 - b. 25-35
 - c. 35-50
 - d. over 50
2. What is your gender?
 - a. Female
 - b. Male
3. What is the level of your education?
 - a. Secondary
 - b. University
4. Have you ever visited Egypt?
 - a. Yes
 - b. No
5. What was the purpose of your visit?
 - a. Leisure
 - b. Business
 - c. Other
6. Have you heard the term Arab Spring?
 - a. Yes
 - b. No
7. What actions, activities, and events do you connect with this term?
8. Is, according to you, the current situation different after the Arab Spring?
 - a. Yes
 - b. no
9. If yes, how far and in which direction? Tourism, political/economical representation...
10. What was the reaction of local businesses/entrepreneurs to Arab Spring? Regarding less exports to CZ/EG, different type of information requested...

11. Would you visit Egypt after Arab Spring? In current situation.
12. Please state main reason why would/ wouldn't you visited Egypt after Arab Spring?
13. Which company/institution do you work for?
14. How long lasts this cooperation?
15. How many firms on average contact you in order to gain information about doing business in CZ?
16. According to you, what are the main risks in current situation that might impede mutual economic cooperation?
17. Nowadays, the situation in Egypt is still unstable. How do you see future cooperation between the Czech Republic and Egypt?

Out of all the respondents addressed only two replies were received from the Czech Ministry of Industry and Commerce and from the Economic department of the Czech Embassy in Cairo. The respondent from the Ministry stated that he had been to Egypt on business purpose, had heard about the term Arab Spring and has a university degree. As events or actions connected with Arab Spring he mentioned cancellation of visit of Egyptian Minister of Industry and Commerce and general decrease of turnover in mutual trade. According to his opinion the situation before and after Arab Spring has changed. The main areas of change are suspension of economic reforms in the country and unclear situation of the government and elections. As the reaction of Czech businessmen the respondent stated *concern*. The respondent would visit Egypt after the Arab Spring and the main reason is perspective of cooperation. He also sees the future potential of bilateral cooperation as good. Nevertheless he also stated that the main threat for future cooperation is unstable government. Respondent is cooperating with Egypt for 3 years and is contacted by Czech entrepreneurs 1-2 times monthly.

The Economic Attaché belongs to the age group above 50 years and is currently living in Egypt. He poses a university degree. He states that he has heard the term Arab spring and describes it as an attempt of having more liberal regime and to improve the economic situation of the country. According to him, the situation after the Arab Spring has change, in particular the respondent mentions change in the political leadership of the country, temporary economic decline, gaining of freedom for certain population groups. Moreover he states that the unstable situation is negatively affecting the tourism. To the question "What was the reaction of Czech business to the Arab Spring?" he describes the unstable political situation and economic crisis as one of the main causes of the decline in exports from the

Czech Republic. The respondent would visit Egypt after the Arab Spring and he states that Egypt is still an interesting trade partner for Czech companies. The need for political stability and implementing of favourable economic reforms is according to the respondent main necessity for future cooperation between Czech businesses and Egyptian partners. He states that the Czech Republic has been cooperating with Egypt on long term and universal level and therefore after stabilisation of political situation, he presumes, maintaining of good bilateral relations in the future. The respondent is living in Egypt since January 2013 and is contacted by entrepreneurs 8 times a month.

5.5. Questionnaire analysis

In order to explore and study the change and general knowledge about the Czech-Egyptian genera/economic relations, the method of standardised questionnaires that include multiple and open questions.

There were four groups of two types of target respondents whom the questionnaires were adapted to. First type of respondents is the general public in the Czech Republic and in Egypt as well. To these respondents a less specific and more general questionnaire was sent. The second group consisted on professionals from different institutions and embassies. This group was addressed with a more economy oriented questionnaire. In this section the more general questionnaires will be analysed. Complete questionnaires with answers are to be found in attachments. Respondents were sent the following questionnaires.

Czech-Egyptian relations – Czech side

1. To which age category do you belong?
 - under 25
 - 25-35
 - 35-50
 - over 50
2. What is your gender?
 - Female
 - Male
3. What is the level of your education?
 - Secondary
 - University

4. What is your current working position?
5. Have you ever visited Egypt?
 - Yes
 - No
6. What was the purpose of your visit?
 - Leisure
 - Business
 - Other
7. When was your last visit to Egypt?
8. Could you describe overall experience, impression you've gain in Egypt?
9. Have you heard the term Arab Spring?
 - Yes
 - No
10. What actions, activities, and events do you connect with this term?
11. Would you visit Egypt after Arab Spring in current situation?
 - Yes
 - No
 - Not sure
12. Please state main reason why would/ wouldn't you visited Egypt after Arab Spring?

Czech-Egyptian relations – Egyptian side

1. To which age category do you belong?
 - under 25
 - 25-35
 - 35-50
 - over 50
2. What is your gender?
 - Female
 - Male
3. What is the level of your education?
 - Secondary
 - University
4. What is your current working position?

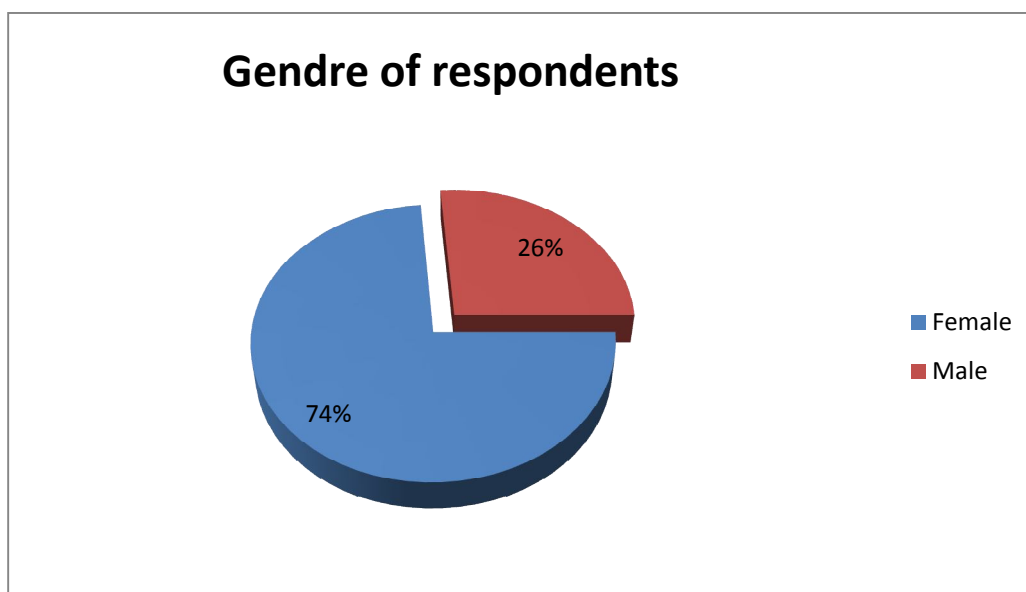
5. Have you ever heard about the Czech Republic? (former Czechoslovakia)
 - Yes
 - No
6. If yes, what have you heard? What are the items/events you associate with the CZ?
7. Have you ever been in the Czech Republic?
8. If yes, what was the purpose of your visit?
 - Leisure
 - Business
 - Other
9. How would you describe your cooperation with the Czech people? Specify any experience whether you have met somebody from the CZ or have heard something about the country.
10. What city do you come from?

Out of these questionnaires the following results were analysed.

Czech-Egyptian relations – Czech point of view

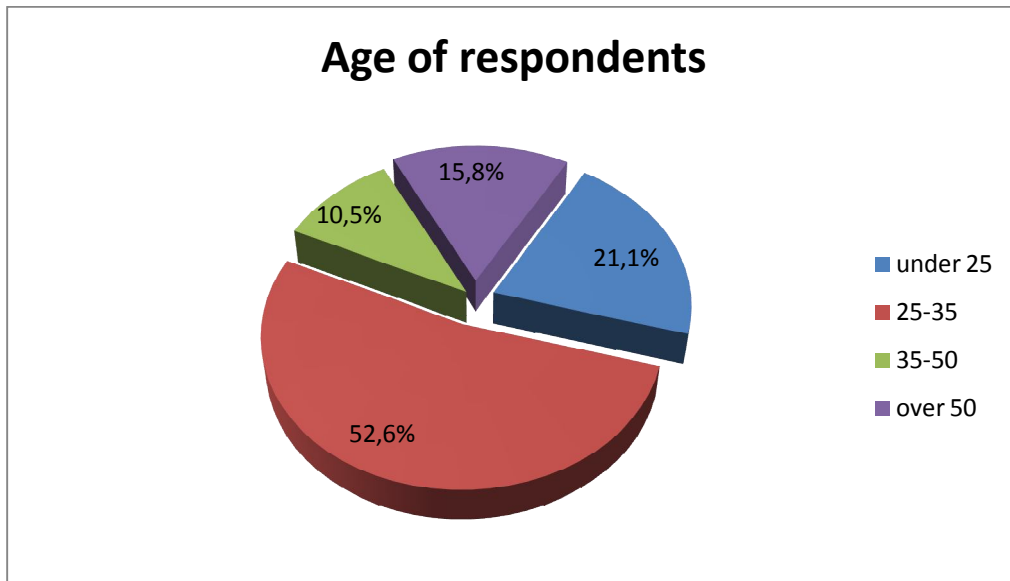
On the Czech side of questionnaires the number of received answers was higher. The total of received replays is 21. Some of the results obtained from the questionnaires are shown in graphs below. More specific analysis of open questions and relations are described further down.

Graph 5 Gender of respondents



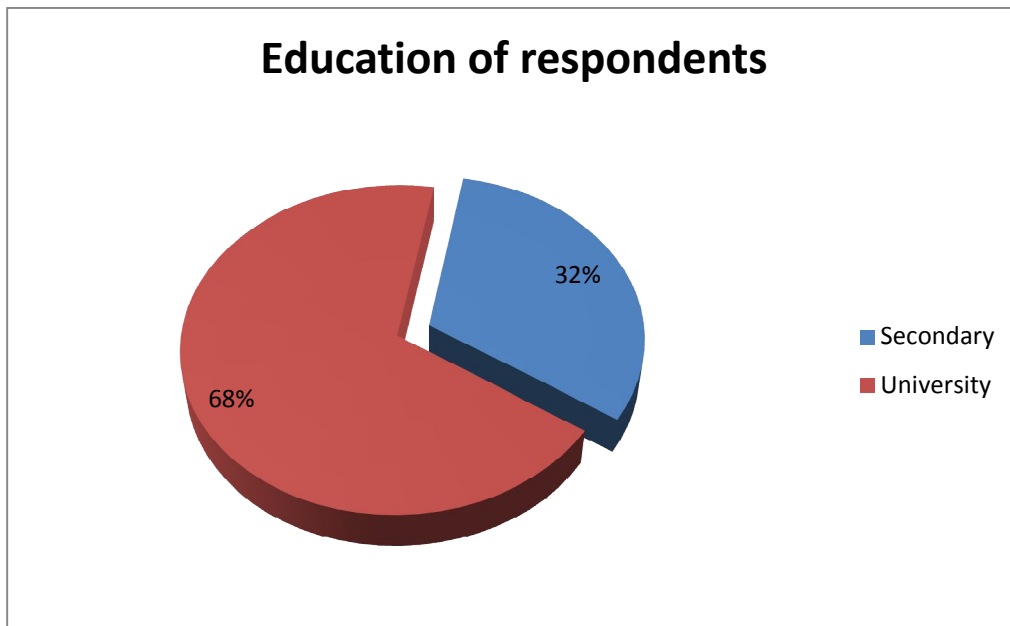
Source: own processing

Graph 6 Age of respondents



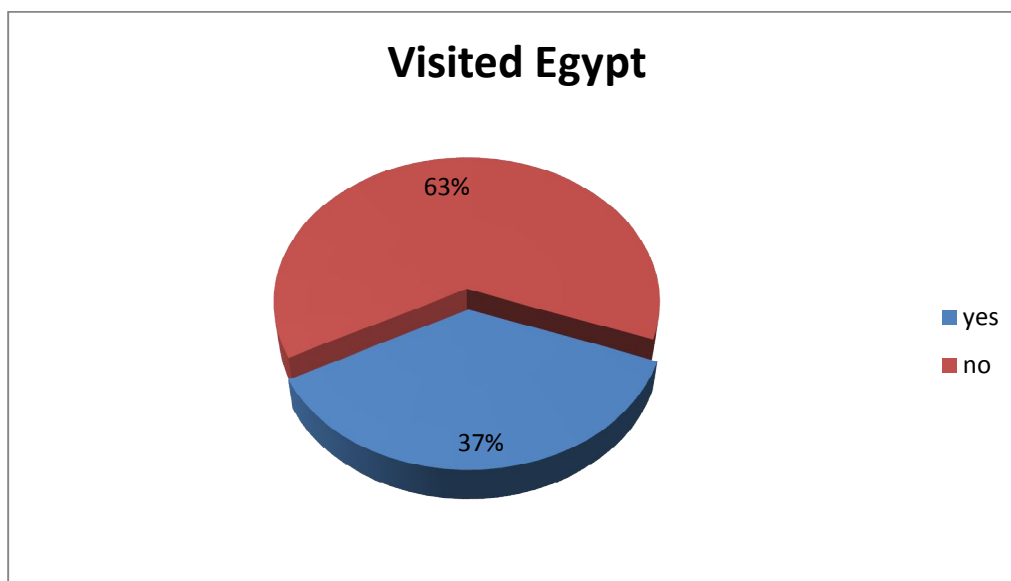
Source: own processing

Graph 7 Education of respondents



Source: own processing

Graph 8 Share of respondents who visited Egypt



Source: own processing

Experiences described are generally positive. Main area of their experience come from the tourism and touristic place visited. Respondents mention positive attitude of hotel staff and majority of local people, tidy and well kept luxury hotels and weather as the main positive attributes they connect with Egypt. Tourism attractions such as pyramids and beautiful sea or nature in general are mentioned as well. One respondent shows negative perception and is not willing to return again. Respondents, who were not in Egypt often state that it is due to the current political instability, negative references from people who visited Egypt, or that they are not inspired by the destination as such. Respondents that have visited Egypt are either sure or considering that they would go there again. Those who were not in Egypt before the Arab Spring are not willing or considering to visit Egypt now. Only one respondent, who is interested in scuba diving, would visit Egypt in current situation. The overall evaluation is rather positive or neutral. Strictly negative impressions have only 21%.

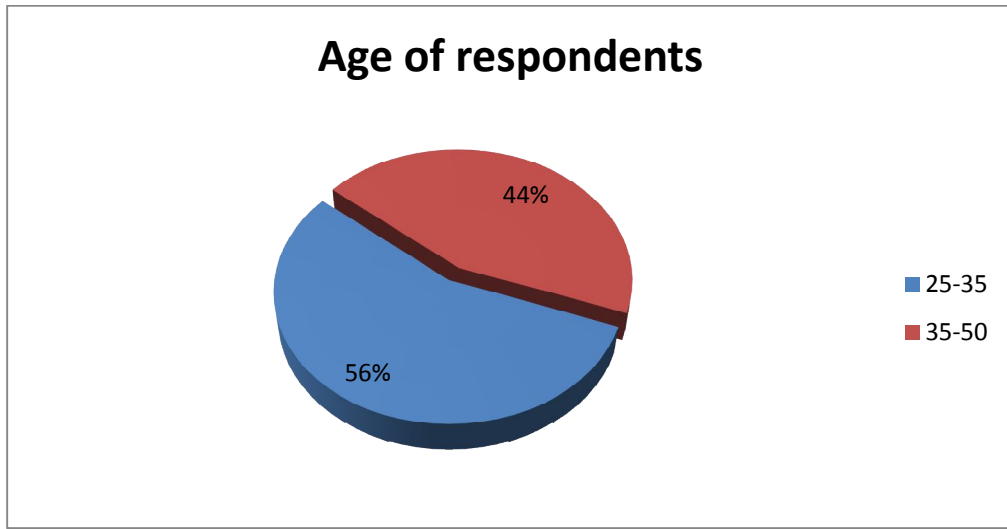
Out of the total number of respondents 68% have heard the term Arab Spring, 32% have not. Within the group which have heard about the term, majority of respondents are holders of a university degree. Respondents with secondary education who are younger than 25 years have not heard about the term at all. Only one respondent with secondary education and younger than 25 years heard about the term Arab Spring. The main terms, events connected with the term Arab Spring are according to the respondents protests, disorders, end of Mubarak's government, putsch, Czech tourism that had to cancel their trips

Respondents who stated they would visit Egypt after the Arab Spring mentioned as their main reason either visit their friends or discover natural beauties or to compare the situation.

Czech-Egyptian relations – Egyptian point of view

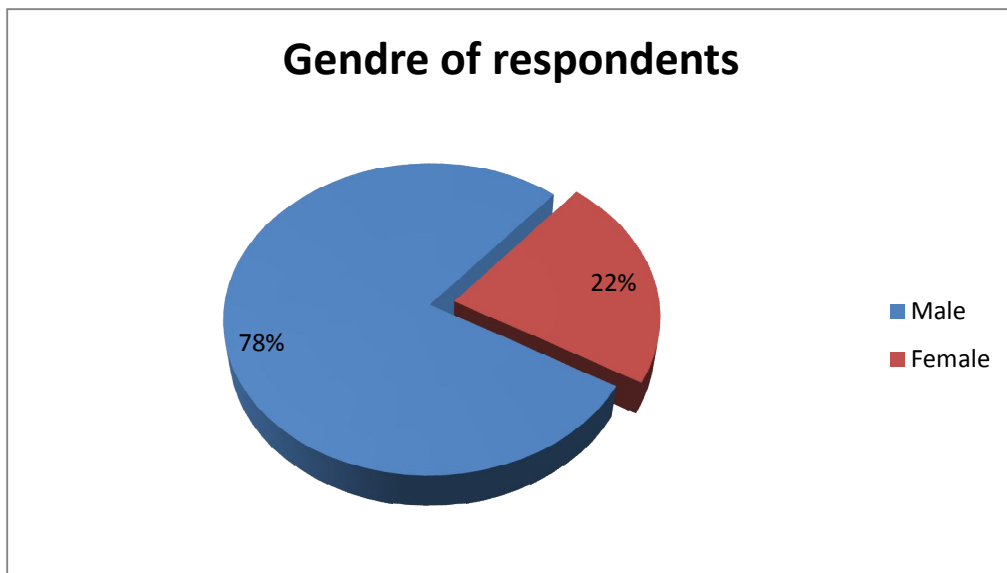
The total number of replays received is 9. All of the respondents are having a university degree. Some outcomes from the surveys are shown in the following graphs.

Graph 9 Age of respondents



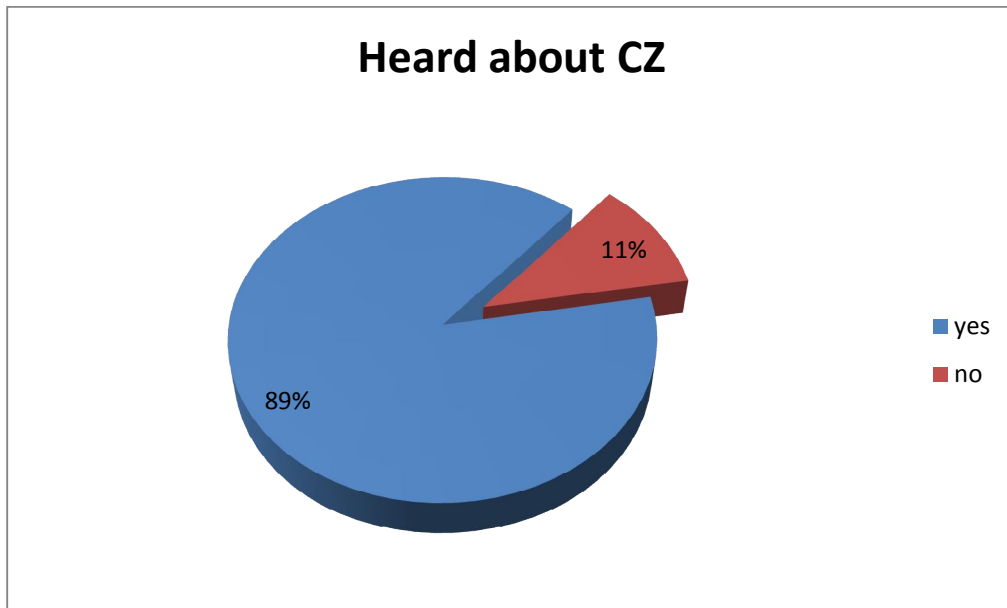
Source: own processing

Graph 10 Gender of respondents



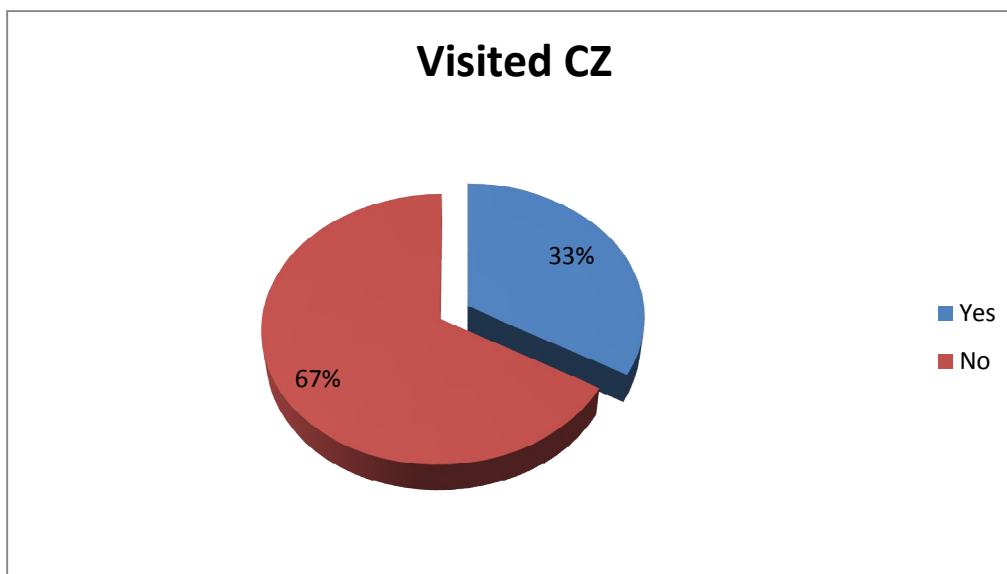
Source: own processing

Graph 11 Respondents who have heard about Czech Republic



Source: own processing

Graph 12 Respondents who visited Czech Republic



Source: own processing

Generally the awareness about the Czech Republic is that it was a communist country, occupied by Russia and Germany with rich history and many historical monuments. One respondent remarked also possibility to go for a physical or medical treatment, referring probably to Karlovy Vary spa town. Respondents generally know that the Czech Republic separated from Czechoslovakia and that its inhabitants belong to the Slave group of nations.

From all respondents only one had visited Czech Republic and it was on leisure/tourism purposes. To the question: *"How would you describe your cooperation with the Czech people?"* they have characterised Czechs as kind, warm and friendly people, nice to work with. Majority of respondents have personal experience with Czech people or know somebody who runs business with the Czech side.

5.6.Index numbers

From the study of fixed base index series, calculations are available in Attachments no. 9.3., 9.4., it is possible to say that while the exports from the Czech Republic to Egypt increased by 68% the imports from Egypt gained values of more than 4 times higher.

The chain base index series, again available in Attachments no. 9.3., 9.4., show the separate annual changes within the studied period 1999-2012. The change range in imports from Egypt is from -33% to 79%, while in exports to Egypt range from -34% to 72%.

Significant change in imports was in 2006 when the level changed the least within the studied period, only by 3% compared to year 2005. The higher increase in imports is apparent between year 2010 and 2011, when the imports increased by 72 %. On the opposite the highest negative change was between years 2003/2004 when imports dropped by 93 %.

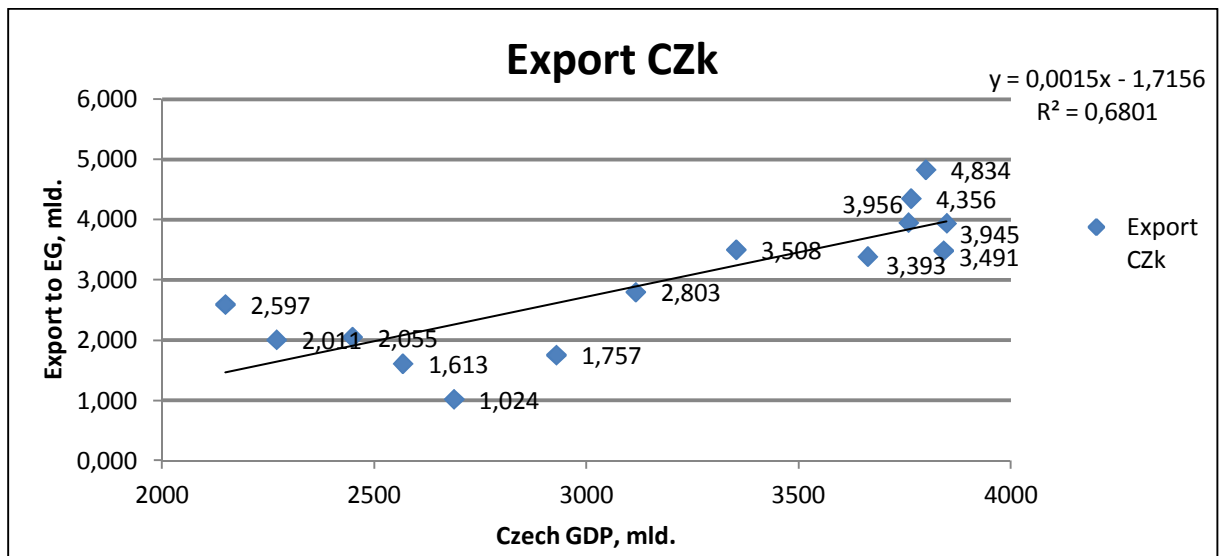
In exports the changes were not so dramatic. The smallest change was a drop by 12% in years 2004/2005. The highest decrease in exports happened in years 2010/2011 when Egypt was tormented by national uprising, civil protests and demonstrations which held to unstable economic situation. Level of exports decreased by 50%. On the other hand the highest positive change in exports to Egypt was registered in years 2003/2004 with a level of 109%.

Using the index numbers is possible to calculate the average annual rate of increment within the studied period 1999-2012. In imports the average annual change rate is 8.22% and in exports the average change is 8.15%.

5.7.Regression and correlation analysis

The linear trendline used for analysing the relationship between the exports to Egypt from the CZ and the level of Czech gross domestic product. Data are available in Attachment no. 9.5. The result is shown on the following Graph 5.

Graph 13 Regression&correlation



Source: own processing

From this function it is possible to see that the average change in export value at a GDP increment of 1 CZK is 0.0015. This means that with a one crown increment in Czech GDP, there is a 0.0015 increment in exports to Egypt.

The correlation coefficient between exports to Egypt and the level of Czech GDP was calculated 0.82. This number represents positive strong relation between the exports to Egypt from the Czech Republic and the Czech GDP. The second hypothesis is therefore **confirmed**. Positive relationship shows that higher values of exports to Egypt tend to be paired with higher values of the Czech GDP. Strong relationship means that exports strongly depend on the GDP development.

6. Discussion

Following the observations and opinions analysed in the questionnaires is possible to say, that the relationship between the Czech Republic and the Arab Republic of Egypt is continuously developing and generally maintaining positive characteristics. The majority of respondents to questionnaires enjoyed their stay in Egypt or cooperation with Egyptian people and they would be considering visiting Egypt again after the Arab Spring revolts. The representative of Czech Ministry of Industry and Commerce states intentions to maintain and enhance future cooperation state as well. The Economic Attaché of the Czech Embassy in Egypt expresses the same opinion. Except of industrial cooperation between the two countries, significant role plays the tourism. Both of Czech people to touristic destinations in Egypt and Egyptian tourists visiting mainly the capital city and Karlovy Vary spa town. The sphere of tourism is also affected by the current political situation and instability. To preserve good level of incoming tourist from the Czech Republic (and other countries as well), stability and security should be of main interest of Egyptian government.

The analysis of relationship between the level of export to Egypt and the Czech Gross Domestic Product shows that it exists. The coefficient of correlation defines this relationship as strong, which means that the level of export strongly depends on the national GDP. The calculation of coefficient of correlation confirms the hypothesis assuming positive relationship between the exports and GDP. The national GDP was calculated by the production approach that determines value of all final goods and services calculated during one year. The index numbers analysis reveals interesting results as well. The study of fixed base index series show that while the value of export to Egypt increased by 68%, the value of import increased more that 4 times. The average annual rate of increment within the studied period 1999-2012 is for imports rate is 8.22% and in exports the average change is 8.15%.

7. Conclusion

This thesis had as its aim to examine the economic diplomacy and Czech foreign trade strategy in general and with regards to Egypt. All the different factors that are influencing the diplomacy and international relations were described. Principal players as international organisations that are guiding the global economic trends or national economic institutions and businesses were mentioned.

Moreover the evaluation of the trends in exports and imports to/from Egypt was carried out. To analyse these trends the index numbers series were used. After the general analysis, the assessment of the Arab spring impacts on bilateral relationship between CZ and EG was performed through the analysis of questionnaires that were sent to Czech and Egyptian sides. The questionnaires evaluated the hypotheses no.1: *The bilateral relations were/are affected by the Arab spring*. The first hypothesis was confirmed. Even though the number of respondents has to be considered as it is not a proper statistical sample. Furthermore a set hypothesis no. 2: *There exist relationship between exports to Egypt and the development of the Czech GDP* was studied by the regression and correlation analysis. The analysis showed that the relationship between the two factors is strong and positive. The increase in exports can be supported by the level of Czech GDP.

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9. Attachments

9.1.Strategies fundamental for Czech export strategy

The export strategy presented is based on principles set out in:

- *Strategy of Economic Growth* debated by the Government of the Czech Republic on 20 July 2005
- *Pro-Export Policy Concept for 2003 – 2006*
- *Strategy of Sustainable Development of the Czech Republic* (approved by the Government Resolution No. 1242 of 8 December 2004)
- *Concept of Uniform Presentation of the Czech Republic* (approved by the Government Resolution No. 74 of 19 January 2005)
- *Concept of Foreign Development Policy of the Czech Republic for 2002 – 2007* (approved by the Government Resolution No. 91 of 23 January 2002)
- *Concept of Foreign Policy of the Czech Republic* (approved by the Government Resolution No. 223 of 3 March 2003).

9.2.Czech imports and exports from/to Egypt

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Import	299837	400158	364707	405150	686979	529771	513509	511032	611407	682731	702157	751783	1346812	1451660
Export	2596834	2010822	2054955	1612604	1023767	1757031	2802792	3507583	3393079	3944846	3955514	4834196	3490795	4355734

Source: Czech Statistical Office

9.3. Index numbers for imports

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Imports	299837	400158	364707	405150	686979	529771	513509	511032	611407	682731	702157	751783	1346812	1451660
Fixed	100	133%	122%	135%	229%	177%	171%	170%	204%	228%	234%	251%	449%	484%
Chain	100	133%	91%	111%	170%	77%	97%	100%	120%	112%	103%	107%	179%	108%

Source: Czech Statistical Office

9.4. Index numbers for exports

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Exports	2596834	2010822	2054955	1612604	1023767	1757031	2802792	3507583	3393079	3944846	3955514	4834196	3490795	4355734
Fixed	100	77%	79%	62%	39%	68%	108%	135%	131%	152%	152%	186%	134%	168%
Chain	100	77%	102%	78%	63%	172%	160%	125%	97%	116%	100%	122%	72%	125%

Source: Czech Statistical Office

9.5. Regression and correlation data

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Export CZK	2.5968	2.0108	2.055	1.6126	1.024	1.75703	2.8028	3.508	3.3931	3.945	3.956	4.8342	3.491	4.356
GDP CZK	2149	2269.7	2448.6	2567.5	2688	2929.17	3116.1	3353	3662.6	3848	3759	3799.5	3841	3765

Source: Czech Statistical Office

9.6. Questionnaires samples

Czech-Egyptian relations – Czech respondent

13. To which age category do you belong?
 - 35-50
14. What is your gender?
 - Female
15. What is the level of your education?
 - University
16. What is your current working position?
 - Manager
17. Have you ever visited Egypt?
 - Yes
18. What was the purpose of your visit?
 - Leisure
19. When was your last visit to Egypt?
 - 2002
20. Could you describe overall experience, impression you've gain in Egypt?
 - Overall impression was good. People were communicative and friendly. Things were possible to arrange. I didn't like their bakschisch. The country is interesting for its natural environment such as desert, the Sinai Mountain or beautiful sea ideal for scuba diving.
21. Have you heard the term Arab Spring?
 - Yes
22. What actions, activities, and events do you connect with this term?
 - Disorders and protests regarding political or economic situation in the country
23. Would you visit Egypt after Arab Spring in current situation?
 - Not sure
24. Please state main reason why would/ wouldn't you visited Egypt after Arab Spring?

Czech-Egyptian relations – Egyptian respondent

11. To which age category do you belong?
 - 25-35

12. What is your gender?
 - Male
13. What is the level of your education?
 - University
14. What is your current working position?
 - CRS National Bank of Egypt
15. Have you ever heard about the Czech Republic? (former Czechoslovakia)
 - Yes
16. If yes, what have you heard? What are the items/events you associate with the CZ?
 - Czech is a republic and it was occupied by Russia and Germany for a while through the history and in the middle ages it was part of Austrian Empire. Ethically Czech people are Caucasian "Slave like Serbians and Russians" but they are Catholic not Orthodox.
17. Have you ever been in the Czech Republic?
 - No
18. If yes, what was the purpose of your visit?
19. How would you describe your cooperation with the Czech people? Specify any experience whether you have met somebody from the CZ or have heard something about the country.
 - Once I met a Czech friend who used to work with me at the same work. She was a nice friend and like Koshary much. My uncle visited Czech Republic as a business visit in the field of engineering. Also I met tourists who were friendly.
20. What city do you come from?
 - Cairo

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