

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Humanities**



**Diploma Thesis**

**Economic Diplomacy of the Czech Republic**

**Kristýna Marie-Thérese Žárová**

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# CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

## DIPLOMA THESIS ASSIGNMENT

Bc. Kristýna Marie-Thérese Žárová

Economics and Management  
European Agrarian Diplomacy

Thesis title

**Economic Diplomacy of the Czech Republic**

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### Objectives of thesis

The aim of this thesis is to analyze economic diplomacy of the Czech Republic in agricultural international trade context. Main focus is laid on the definition of the current model of the Czech economic diplomacy with special focus on agribusiness and on the identification of functions, tasks and key players in the examined process. Based on analytical and comparative study, current structure of the Czech economic diplomacy as well as the development of foreign trade, export strategies and involved actors will be examined.

### Methodology

Primary and secondary data analysis will be carried out. The theoretical part deals with the literature and relevant strategies and concepts review, identifying main trends and research questions of the issue. The analytical part builds on content and SWOT analysis of the examined process. Conclusions are based on the synthesis of the theoretical literature review in confrontation with the practical outcomes of the analytical study. Finally, recommendations for better use of economic diplomacy tools in agricultural environment are listed.

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### **Declaration**

I declare that I have worked on my diploma thesis titled "Economic Diplomacy of the Czech Republic" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any third person.

In Prague on 6. 4. 2020

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# Economic Diplomacy of the Czech Republic

## Abstract

The aim of this diploma thesis is to analyze the phenomenon of economic diplomacy in the Czech Republic in the context of agricultural foreign trade. Firstly, the definition of economic diplomacy is formulated in order to understand the framework of problematics. The thesis further identifies key players within the Czech Republic, concerning both governmental and non-governmental actors. Besides the general level of economic diplomacy and its actors, there is a focus on these problematics within agriculture and food industry sector.

The recognized key players are: the Ministry of Foreign Affairs, the Ministry of Industry and Trade, the Ministry of Agriculture, CzechTrade, CzechInvest, Czech Export Bank, Export Guarantee and Insurance Company, chambers, and unions. The main tool of Czech economic diplomacy is “Projects supporting economic diplomacy”. The Export Strategy of the Czech Republic followed by the Strategy of the Ministry of Agriculture are both promoting export and introducing measures to improve Czech foreign trade with main focus on third countries. The thesis is concerned about whether or not the used tools and instruments of economic diplomacy sufficiently support Czech businesses in agriculture and food industry in the framework of Foreign Policy of the Czech Republic.

**Keywords:** Economic diplomacy, Czech Republic, agricultural foreign trade, agrobusiness, export policy

# Ekonomická diplomacie České republiky

## Abstrakt

Cílem této diplomové práce je analyzovat fenomén ekonomické diplomacie v České republice v kontextu zemědělského zahraničního obchodu. Nejprve je formulována definice ekonomické diplomacie pro pochopení rámce problematiky. Práce bude dále identifikovat klíčové hráče v České republice, týkající se jak vládních, tak nevládních aktérů. Kromě obecné úrovně ekonomické diplomacie a jejích aktérů se zaměřuje na odvětví zemědělství a potravinářství.

Mezi důležité aktéry české ekonomické diplomacie patří: Ministerstvo zahraničních věcí, Ministerstvo průmyslu a obchodu, Ministerstvo zemědělství, CzechTrade, CzechInvest, Česká exportní banka, Exportní garanční a pojišťovací společnost, komory a unie. Hlavním nástrojem české ekonomické diplomacie jsou „Projekty podporující ekonomickou diplomacii“. Exportní strategie ČR, následovaná Strategii Ministerstva zemědělství, podporuje export a zavádí opatření ke zlepšení českého zahraničního obchodu s hlavním zaměřením na třetí země. Diplomová práce se zabývá tím, zda použité nástroje ekonomické diplomacie dostatečně podporují české podniky v zemědělství a potravinářství v rámci zahraniční politiky České republiky.

**Klíčová slova:** Ekonomická diplomacie, Česká republika, zemědělský zahraniční obchod, agro-business, vývozní politika

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# 1 Introduction

Economy of the Czech Republic, due to its openness and high degree of ongoing globalization in the world, is nowadays highly dependent on its ability to assert its economic interests abroad and on a well-chosen foreign policy. The Czech export-oriented economy is on one hand confronted with new global trends and challenges on the other hand those new trends and challenges are providing Czech exporters new opportunities and promises. The movement of foreign policy to globalized character is necessary to realize at economic, strategic, political, and demographic level. The adaptation must keep certain securities for the Czech citizens and in particular to ensure prosperity and security of the state, sustainable development, protection of human rights, quality service to citizens, and to keep a good name of the Czech Republic abroad. One of the supportive instruments to achieve the given objectives is Economic Diplomacy. It gained a key role in this process and just recently economic diplomacy became a priority of the foreign policy of the Czech Republic.

Economic aspects do not influence only prosperity of particular states but they shape negotiations of the world policy. It is said that economics has gained the same importance within international relations as security has. This demonstrates how important economic diplomacy is. Its interaction between economic and political aspects and between domestic and international concerns became crucial to many states as well as to the Czech Republic. And therefore this diploma thesis, as the title suggests, is going to research economic diplomacy of the Czech Republic.

Firstly, the concept of economic diplomacy will be defined. Regarding this topic, there is sufficient number of literature available and therefore it is not problematic to form a convenient definition of economic diplomacy. The thesis will further identify key players within the Czech Republic, concerning both governmental and non-governmental actors. Besides the general level of economic diplomacy and its actors, there will be a focus on these problematics within agriculture and food industry sector.

Agrarian foreign trade may seem insignificant for the Czech economy, which is of industrial character, because it creates only about 4.5 per cent of the total Czech exports and it generates purely between 5 and 5.5 per cent of total foreign trade turnover (MoA, Strategy of the Ministry of Agriculture, 2016, p. 22). Despite its low share, which it has in the Czech Economy, it is an important sector for the Czech Republic and its objectives

belong to state's strategic ones. Therefore, the diploma thesis' aim is to identify effects of economic diplomacy for agriculture and food industry sector of the Czech Republic. The research will be done in order to recognize opportunities for agrarian foreign trade and analyse the current situation. There will be a closer look at export strategies of the Czech Republic and character of Czech agrarian export commodities.

## **2 Objectives and Methodology**

### **2.1 Objectives**

The aim of this thesis is to analyse economic diplomacy of the Czech Republic in agricultural international trade context. Main focus is laid on the definition of the current model of the Czech economic diplomacy with special focus on agribusiness and on the identification of functions, tasks and key players in the examined process. Based on analytical and comparative study, current structure of the Czech economic diplomacy as well as the development of foreign trade, export strategies and involved actors will be examined.

#### **2.1.1 Research Question:**

In the context of the main objective of the diploma thesis, following research question has been set:

- a) Does the instrument of Economic Diplomacy in the framework of Foreign Policy of the Czech Republic support Czech businesses in agriculture and food industry sufficiently?

### **2.2 Methodology**

Primary and secondary data analysis will be carried out. The theoretical part deals with the literature and relevant strategies and concepts review, identifying main trends and research questions of the issue. The analytical part builds on content and SWOT analysis of the examined process. Data from databases of respective institutions, especially Ministry of Foreign Affairs and Ministry of Agriculture of the Czech Republic, will be elaborated, based on concrete economic diplomacy projects carried out in the examined field. Conclusions are based on the synthesis of the theoretical literature review in confrontation with the practical outcomes of the analytical study. Finally, recommendations for better use of economic diplomacy tools in agricultural environment are listed.

### **3 Literature Review**

In this part of diploma thesis is specified the term *economic diplomacy*. There is a closer focus on the economic diplomacy in the Czech Republic and its actors. This literature review is concerned with domestic (Czech) as well as foreign scholarly publications and other up to date available sources.

#### **3.1 Economic Diplomacy**

Firstly, it is necessary to pay attention to definition of the word *diplomacy* itself, as it is a superior term, and then specify it with the adverb economic. Diplomacy is a very broad topic and it covers many study fields. There has been a shift from “old-style” to “modern” type of diplomacy, which does not include only elite of states, but it became more open, more suitable for democratic and globalized world, and it broaden its scope of interest. In recent decades it gained its complexity, when it underwent transformation together with the international environment, and to the traditional diplomacy were added new fields with narrower focus.

##### **3.1.1 Diplomacy as a Framework for Economic Diplomacy**

As it is stated in the paragraph above, firstly, will be defined diplomacy itself. A classical definition of diplomacy can be taken from Bull: “*The conduct of relations between states and other entities withstanding in world politics by official agents and by peaceful means.*” (Bull, 1995, p.156). To consider more recent definition, Barston is in his publication defining diplomacy as follows: “*Diplomacy is concerned with the management of relations between states and between states and other factors.*” (Barston, 2014, p.1), and he is broadening his definition by following statement: “*...much of the business of diplomacy is concerned with the management of short-term routine issues in bilateral and multilateral relations...these include the promotion and management of interests, which for most states are dominated by financial, economic, resource issues and tourism, along with threat management.*” (Barston, 2014, p.2-3). There are many definitions of diplomacy but the core of all is that diplomacy is a traditional tool for conducting relationships among actors in an international environment and to fulfil operational and strategical objectives of a state’s foreign policy.

At present time, there is a partial fragmentation of diplomacy, mainly due to the fulfilment and implementation of different foreign programs, which are then reflected in the form of diplomacy and result in the segmentation of diplomacy. This ongoing transformation continues to manifest itself in an increasing number of partial diplomacies. *“At present, we are constantly encountering new concepts such as environmental diplomacy. Therefore, new areas of diplomacy can be expected to emerge in the near future in connection with new aspects of the evolution of the world's globally interconnected environment. Although individual areas are seen as partial and more or less independent, they still interact with other areas and are interconnected, roofed and influenced by the still functioning elements of classical foreign policy diplomacy.”* (Štouračová, 2012, p.27-28). To illustrate the segmentation of the classical concept of diplomacy, here are some examples of such sub-groups of diplomacy: economic diplomacy, commercial diplomacy, digital diplomacy, public diplomacy, culture diplomacy, energy diplomacy, military diplomacy etc.

On this fragmentation of diplomacy commented Saner and Yiu: *“New entrants to the diplomatic arena represent different groupings and organizations of local, national, and international interest. These divergent forces co-exist with each other and exercise different forms of diplomatic influence to achieve their objectives.”* (Saner, 2001, p.11). For many states it meant organisational change of structure in matter of responsibility for foreign policies. Nowadays, there is involvement of other ministries than only the Ministry of Foreign Affairs. Other governmental or non-governmental bodies as well as state agencies are now being involved in shaping one state’s foreign policy and have effects on mechanism and structure of global governance. Some of those bodies and agencies are discussed later on, when describing structural formation of economic diplomacy of the Czech Republic.

### **3.1.2 Definition of Economic Diplomacy**

Economic diplomacy is also referred to as an economic dimension of foreign policy. The definition of the phrase *economic diplomacy* is according to Indian professor and former Indian ambassador Kishan S Rana following: *“Economic diplomacy is the process through which countries tackle the outside world, to maximize their national gain in all the fields of activity, including trade, investments and other forms of economically beneficial*

*exchanges.*” (Rana, 2007, p.201) Among the other types of diplomacy, the economic diplomacy is getting on top of the list of importance. Within the process of creating and developing economic relations of individual states in the world’s economy, the importance and appreciation of economic diplomacy is clearly and undeniably increasing. The Czech specialist in this matter, Doc. Ing. Judita Štouračová, CSc (Štouračová, 2010), divides the activities connected with economic diplomacy to micro and macro view. Into the broader view of macroeconomics belongs creation of conditions for fulfilling the economic interests of the state abroad, thus it means fulfilling the economic dimension of the state’s foreign policy. Among the microeconomic activities belongs the support to national business entities when entering foreign markets and to lobby for their interests. Plus, to support the activities and interests of foreign investors, in particular, to conduct business on the Czech market. *“Economic diplomacy however is no brand-new contemporary phenomenon. Since the renaissance it has always been one of the twin tasks of diplomacy, along the security dimension (maintaining the balance of power).”* (Coolsaet, 2000, p.13) says Rik Coolsaet, Belgian academic professor.

The webpage of the Ministry of Foreign Affairs of the Czech Republic declares that economic diplomacy aids the growth of the Czech economy in numerous ways: by attracting possible international investors, by eradicating foreign barriers, by creating new jobs, by allowing access to global markets, and by supporting business activities around the globe. The ministry believes economic diplomacy to be an effective resource for supporting government policies regarding production, investments, the exchange of commodities, as well as labour and services. This promotes a positive view of the Czech Republic in the global economy. (*mzv.cz*, 6.2.2020)

In the following figure is shown typology of economic diplomacy according to Indian professor Kishan S Rana.



Figure 1: Typology of economic diplomacy

	<b>Traditional</b>	<b>Niche-Focused</b>	<b>Evolving</b>	<b>Innovative</b>
<b>Foreign Trade and Investment Promotion</b>	Handled by the Trade Ministry; little involvement of MFA	Promotion concentrates on the identified niche	Some coordination between Trade and Foreign Ministries; contestation also likely.	Joined-up, and other cooperative arrangements
<b>Policy Management</b>	Limited role for MFA, frequent turf battles	Good internal coordination	Inter-ministry or cabinet level coordination; tending towards improvement	Institutionalized management, strong teamwork
<b>Role of Non-State Actors</b>	Episodic, depends on personalities	Variable	Set procedures, strong networking	Harmonization with all stakeholders
<b>Economic Aid: Recipient</b>	Handled by economic agencies, seldom coordinated with MFA	Limited coordination	Networking between the aid management agency and MFA	'Graduated' out of aid receipt, or close to that stage
<b>Economic Aid: Donor</b>	May not be an aid donor	May not be an aid donor	Modest program, usually covering technical cooperation	Expanding program, run by MFA in harmony with trade promotion agencies
<b>Commercial Work</b>	Often handled by a commercial cadre, outside MFA control	Limited focus on commercial promotion, outside the niche area	Cooperative arrangements, often integration of political and economic work	Well-coordinated activities, role model in range of activities
<b>Investment promotion</b>	Handled by domestic agencies, limited role of the diplomatic system	Active use of embassy network	MFAs and embassies work actively with home agencies, often at individual initiative	Strong team effort, based in institutional arrangements
<b>Regional diplomacy role</b>	Usually reactive	Focused on preferred niche area	Active	Innovative, exploitation of potential

Source: *Economic Diplomacy Typology* (Rana, 2007, p.215)

He is dividing states' economic diplomacy into four different categories and they are described by him as follows:

*Traditional*: those that have remained moored in conventional methods, only implementing slow change

*Niche-Focused*: those that have identified a niche, to focus actions on that chosen sphere

*Evolving*: those that have adapted themselves to new opportunities with structural changes and clear actions

*Innovative*: those that have moved to the forefront with cutting edge techniques and continual reform (Rana, 2007, p.214-215)

### **3.1.3 Multi-Level Economic Diplomacy**

As the economic diplomacy as a whole is concerned with domestic and international factors and its mutual interaction, there are different available levels of these interactions/negotiations. The involved actors may be governmental, non-governmental, national, and subnational. Namely the levels of interactions are unilateral, bilateral, regional, plurilateral, and multilateral.

*Unilateralism*: does not involve another party and thus it does not include any negotiations. It is questionable whether or not to include the unilateral level in the above-mentioned enumeration as well, when there is no negotiation between at least two parties. Bayne and Woolock (Bayne, et al., 2011) argue that domestic decision-making leads to policies, which may have a great impact on other economies. They are stating as an example trade liberalization or market protection, when a state is making available or restricting access to its market and thus influencing foreign investors and exporters. Such a decision making can shape global market and have a great impact on a large scale.

*Bilateralism*: It is the relationship between two sovereign states and it is considered as the simplest technique in economic diplomacy. However, according to Bayne and Woolock (Bayne, et al., 2011) even nowadays, in the highly globalized world, it is the major part of economic diplomacy. Bilateral agreements can contribute to developing new higher-level agreements such as regional or multilateral ones.

*Regionalism*: The most common definition of regions is a group of countries in geographical proximity with a similar level of development and matching policy preferences. During the 1990s most of today's regional organizations have been established with the aim of political and mainly economic integration in order to increase the competitiveness on the global market. For example, they are: the European Union (EU), the Common Market of South America (MERCOSUR), the North American Free Trade Agreement (NAFTA) or many others. Those regional organizations are mainly established for advantages such as elimination of trade barriers among the member states

and imposing import tariffs on third countries; introducing common market that allows free movement of production factors and finished products; establishment of currency union as it is in the EU. Member states are bind with legal commitments and often are partially giving up their sovereignty in exchange for greater effect on global negotiations.

*Plurilateralism:* Plurilateral agreements are legal or trade agreements between more than two countries but do not include too many members otherwise they are called multilateral. Among plurilateral bodies belong The Organization for Economic Co-operation and Development (OECD), the G8 and G20 summits, and the Commonwealth. “*They enable like-minded governments to develop agreed positions, which they can then advance in wider multilateral contexts.*” (Bayne, et al., 2011, p.9) For example, the World Trade Organization (WTO) based its agreements on services and agriculture on previous forum held by the OECD.

*Multilateralism:* It is the broadest possible way of conducting agreements and it involves „all“ countries. To gain unity in multilateral environment is extremely demanding and very often is multilateralism labeled as cumbersome. For example, setting same rules regarding environmental protection for developed and developing countries is very challenging task to fulfill as there are no same sources available. Difficulties for member states are becoming, when implementing international rules within domestic policy. Interests of individual members states ment to be inseparable and therefore indivisibility is considered as a core principle of multilateralism. The entities that most clearly reflect the multilateralism concept are to be seen in security as the North Atlantic Treaty Organization (NATO) and trade as the World Trade Organization (WTO) or the General Agreement on Tariffs and Trade (GATT). According to Saner and Yiu are those organizations so called “*standard and rule setting intergovernmental organizations*” (Saner, 2001, p.2).

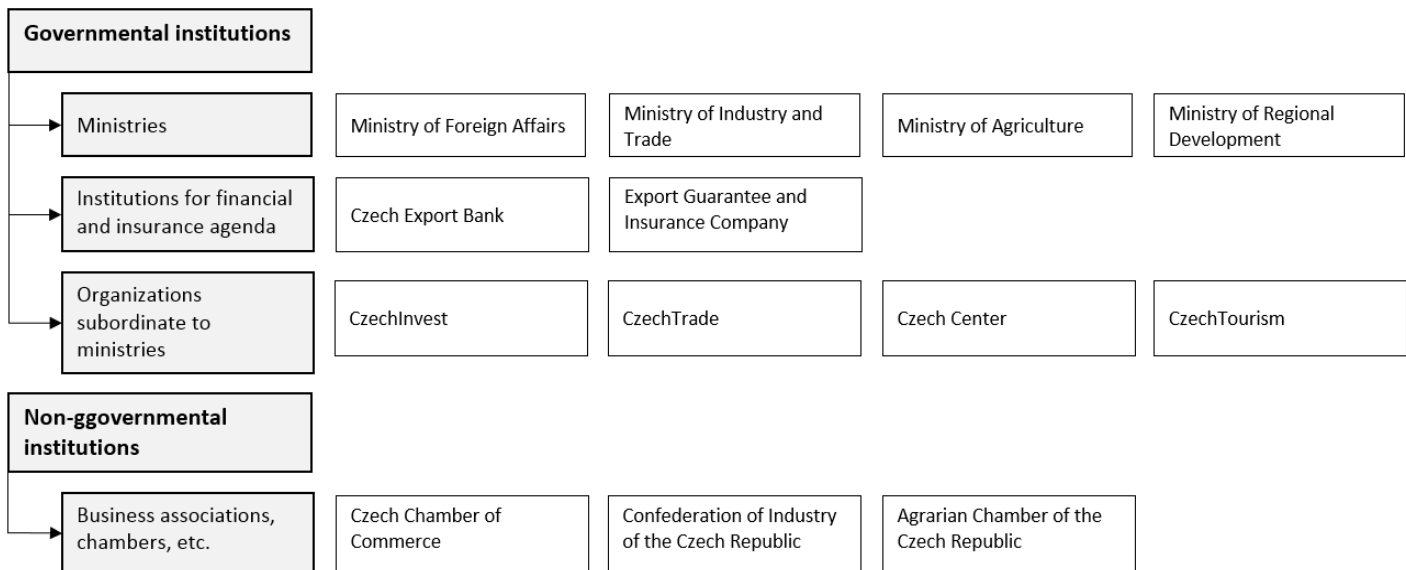
### **3.2 Economic Diplomacy of the Czech Republic**

As the term *economic diplomacy* has been already defined and more in detailed described in the previous chapters, now the discussion will concentrate on a specific case and that is within the Czech Republic. The economic diplomacy of the Czech Republic is active at all above described levels as the Czech Republic is a member state of many mentioned groups and many others (Council of Europe, Visegrád Four etc.).

Following Štouračová's (Štouračová, 2008) classification of actors of economic diplomacy of the Czech Republic, it is possible to distinguish between actors with domestic operations and ones with foreign operations. Among the domestically operating ones belong central government bodies involved in the creation of specific elements of the economic dimension of the Czech foreign policy, and namely it is the Ministry of Foreign Affairs of the Czech Republic, and the Ministry of Industry and Trade of the Czech Republic. Then specialized government agencies providing advisory and other services to business entities in their foreign activities (CzechTrade, Czech Invest) are also included. Other domestic actors are business associations, chambers, and entities in the business sphere that are involved through their international economic ties and activities. The ones fulfilling economic diplomacy activities abroad are diplomatic representations and Štouračová (Štouračová, 2008, p.28) lists them as follows: *“embassies of the country abroad, foreign missions and, in particular, but not solely business-economic departments; diplomatic staff, commercial and economic diplomats, in close cooperation and with the strong support of the head of embassy, ie the ambassador; and others, especially administrative and technical staff of embassies; in specific cases, representatives of governmental domestic agencies promoting trade, investment, country branding, tourism, cultural and educational cooperation; in other specific cases, representatives of non-governmental organizations, in particular those associating and representing entrepreneurs (business associations, chambers, etc.), may also perform this function; last but not least, the ever-increasing trend in the importance and number of executives of companies operating on foreign markets,” multinational companies; on specific occasions, representatives of political, public and social life with the capacity to contribute to, or even directly fulfil, tasks falling within the field of economic diplomacy.”*

For better understanding of the institutional structure in the Czech Republic, there is provided a scheme (Štouračová J. et.al., 2012, p.145):

**Figure 2: Institutional structure of Czech economic diplomacy**



Source: own translation, (Štouračová at al., 2012, p. 145)

There were chosen some of the most important actors, operating both domestically and abroad, for this thesis and they are detailed described in the following chapters. Following institutions and agencies are described in order to better understand the institutional structure and their operating, which is behind the economic diplomacy of the Czech Republic.

### 3.2.1 Czech Governmental Institutions Engaged in Economic Diplomacy

In this part of diploma thesis is closer introduction of three Czech ministries that are involved in Czech economic diplomacy and are relevant for this thesis: Ministry of Foreign Affairs of the Czech Republic, Ministry of Industry and Trade of the Czech Republic, and the Ministry of Agriculture of the Czech Republic. First two ministries are important for this work as they are the main active governmental bodies involved in foreign policy of the Czech Republic and the Ministry of Agriculture is necessary to introduce due to its relevant importance for this thesis' focus on agriculture.

#### 3.2.1.1 Ministry of Foreign Affairs of the Czech Republic

The Ministry of Foreign Affairs of the Czech Republic (MoFA, *Vznik a působnost Ministerstva zahraničních věcí*, n.d.) is listed as the responsible body of the government for

foreign policy. The Ministry recognizes the economic aspects of foreign policy as a network of organized actions of a number of entities designed to create international economic development conditions and declares that the main and basic objective of its foreign policy is to defend and promote national interests and to contribute to the creation of an international environment aimed at developing economic and political cooperation. The economic dimension of foreign policy is to ensure the fulfilment of one of the strategic interests of the Czech Republic, namely ensuring economic growth and prosperity of the state. The Ministry of Foreign Affairs characterizes its position as a central state administration body of the Czech Republic fulfilling a coordinating function in all areas of Czech foreign policy.

The Ministry of Foreign Affairs has its own Department of Economic Diplomacy (MoFA, *Odbor ekonomické diplomacie*, n.d.), which is further divided into following departments:

1. Department of Economic Diplomacy Projects - *Oddělení projektů ekonomické diplomacie (OPED)*
2. Department of services for Exporters - *Oddělení služeb pro exportéry (OSPE)*
3. Department of Economic Analysis and Information - *Oddělení ekonomických analýz a informací (OEAI)*

Duties of the Department of Economic diplomacy according to their webpage (MoFA, *Odbor ekonomické diplomacie*, n.d.) are:

- preparation and creation of contractual framework for external economic relations of the state, monitors fulfilment of international economic contracts and cooperates with state administration bodies, especially with the Ministry of Industry and Trade of the Czech Republic
- preparation of documents and opinions on foreign-economic problems and significant bilateral negotiations within the scope of its competence, especially regarding support for Czech exporters
- support to Czech businesses and their commercial and economic interests in external economic relations, particularly in establishing foreign contacts, in obtaining information on foreign markets, and recognition of business opportunities
- attracting foreign investment in terms of assistance or information in specific investment projects, close cooperation with relevant organizations, institutions and

associations of business entities (CzechTrade, CzechInvest, Chamber of Commerce, Confederation of Industry and Transport, Association of Exporters, etc.)

### 3.2.1.2 Ministry of Industry and Trade of the Czech Republic

The Ministry of Industry and Trade is a central government body for state policy in the fields of industry, trade, raw materials, and foreign economic relations.

According to the Ministry of Industry and Trade's website (MoIT, *Působnost ministerstva*, 2016), they are the main body of the government administration that is involved with: the National Industry Policy, the Energy Policy, the Trade Policy in the context of the European Common Market, the Export Promotion Policy, the Integrated Raw Materials Policy and the Use of Mineral Resources; Business and Investment Promotion in the areas of Manufacturing Industry and of Industrial Research and Development including the use of European funds; Internal trade and Consumer protection in the context of the European Consumer Policy; Promotion of Small and Medium organizations with the exception of regional business support and trading matters; Technical standardization, metrology and state quality control; Industrial research, engineering and technology development; Electronic communication and postal services. This Ministry is also the main governmental body that is responsible for the goods exchange, except for the commodity issues relating to the Ministry of Agriculture.

The Ministry of Industry and Trade organizes the preparation of the legislation and implements European law within its jurisdiction. In addition, the ministry coordinates Czech foreign trade policy, including the conclusion of multilateral business and commodity contracts, and cooperates with the EC, EFTA, OECD, the WTO, as well as many other international organisations. They are also responsible for the activities that belong to license regime applications in the context of foreign economic relations, and they investigate and avert alleged dumping. Finally, the ministry oversees the execution of inspection in the realms of consumer protection and energy industries, weapons and ammunition testing, and the marking of precious metals.

### 3.2.1.3 Ministry of Agriculture of the Czech Republic

The Ministry of Agriculture of the Czech Republic (MoA, *O ministerstvu*, n.d.) is a central government agency responsible in the Czech Republic for: agriculture, food industry and forest management, water management, hunting and fishing.

The goal of efforts in the framework of foreign relations of the Ministry of Agriculture is to develop and improve conditions for foreign agrarian trade as well as to maintain a stable position of the Czech Republic on the global market. The foreign relations of the Ministry of Agriculture involve a spectrum of individual areas and activities that need to be managed, controlled, and coordinated. It includes development of new bilateral relations and support of already existing ones, developing conditions and monitoring of international agrarian trade, and last but not least the cooperation and coordination of activities related to the membership of the Czech Republic international organizations such as the Food and Agriculture Organization of the United Nations (FAO), WTO and many others.

Agriculture is one of the EU's strategic areas and is given adequate attention by the Czech Ministry of Agriculture, whether it is to prepare Czech position in individual negotiations or to work on legislative acts.

## 3.2.2 Czech Agencies Promoting Foreign Economic Activities

In the following subchapters are described Czech agencies that are engaged in different ways in economic diplomacy of the Czech Republic. Namely, there are described: CzechTrade, CzechInvest, the Czech Export Bank, and the Export Guarantee and Insurance Company.

### 3.2.2.1 CzechTrade

CzechTrade is an export promotion agency, which is subordinated to the Ministry of Industry and Trade of the Czech Republic. The main aim of the agency is to make it easier for companies to become part of the international trade. CzechTrade employees help businesses to shorten the time of market entry, to make decisions on the selection of suitable territories, and to support activities aimed at further development of the company abroad. Since its establishment, the agency has profiled itself as a stable partner that can now offer entrepreneurs 23 years of experience in foreign markets. CzechTrade offers



exporters information and assistance services, which are provided both by consultants in the Czech Republic with the headquarters in Prague as well as by professionals in foreign offices all around the world. This unique cooperation has resulted in comprehensive export support serving CzechTrade entities. As it is stated on the official webpage, those are the services provided by CzechTrade (CzechTrade, *O CzechTrade*, n.d.):

- *Information service*: focus on providing quality information services to Czech exporters
- *Export consulting*: identification of the export potential and selection of the appropriate territory
- *Export education*: offer of an interesting, interactive and practically oriented seminars and conferences
- *Events for exporters*: organization of consultations, cooperation meetings, and company presentations both in the Czech Republic and abroad
- *Design for export*: mediation of number of tools and activities for both Czech manufacturers and industrial designers
- *Exporters directory*: a database that presents Czech exporters
- *Client Centers*: CzechTrade, the Ministry of Industry and Trade, and the Ministry of Foreign Affairs jointly provide services to entrepreneurs in more than 90 countries

CzechTrade represents an active and important service provider, not only by establishing business contacts, promoting domestic businesses on foreign market, and mediating supplier services for foreign entities, but it also plays an important role in creating a positive image of the Czech Republic abroad. CzechTrade is therefore an executive component that fulfills several functions of the theoretical concept of economic diplomacy.

#### 3.2.2.2 CzechInvest

CzechInvest is a contributory agency specialized in the field of investment and business development. It is a state organization, which is, as well as CzechTrade, subordinated to the Ministry of Industry and Trade of the Czech Republic. The aim of the agency is to arrange both foreign and domestic investments for Czech small and medium sized enterprises including start-up businesses as well. However, the focus is not only on

Czech companies, but also to promote the Czech Republic outside the state as a suitable and gainful destination for investments. Investments, that are arranged and supported by CzechInvest, are in areas of: manufacturing, research, technology centers and business support services, and development. The official webpage of CzechInvest (CzechInvest, *O nás*, n.d.) says: “It is the exclusive organization that may submit applications for investment incentives to the governing bodies. The agency also supports Czech firms that are interested in becoming involved in the supply chains of multinational companies.” CzechInvest mediates the whole range of business support from both EU funds and the state budget. CzechInvest contributes to the growth of domestic companies, Czech and international investors, and the business climate as a whole through its services and development programs.

As it is stated on the official webpages, those are the services provided by CzechInvest (CzechInvest, *O nás*, n.d.):

- assistance during implementation of investment projects
- consulting services for foreign investors entering the Czech market
- AfterCare services for foreign investors that are already operating on the Czech market
- administration of a business-property database
- support for suppliers – administration of a database of Czech supplier firms
- mediation of state investment aid
- mediation of contact with state administrative bodies and local authorities
- partnering with entities in the research and development and academic spheres
- assistance for the development of innovative start-up firms by means of the agency’s programs

### 3.2.2.3 Czech Export Bank

*“Česká exportní banka, a.s. (Czech Export Bank) is a specialized banking institution established in 1995, intended for state export support, directly and indirectly owned by the state. Czech Export Bank is an integral part of the system of state support for exports and economic diplomacy of the Czech Republic.”* as stated by the official webpages of this institution (Česká exportní banka, a.s., *Profil banky*, n.d.). On one hand, the bank offers specialized financial services that are related to exports regardless of the size of the

contract and it funds export transactions of major Czech exporters as well as it is financing smaller export contracts or partial deliveries. On the other hand, the bank's aim is to build a good reputation and to support the competitiveness of the Czech Republic on the global market. The Czech Export Bank differentiates itself from commercial banks by the range of offered services. It allows financing of exports of different types of products and services, but the funds are also available for exports that require large volumes of external financial resources and longer maturities (e.g. energy and aviation). The Czech Export Bank focuses primarily on supporting exports to riskier territories, which are recognized according to the OECD classification. Commercial banks in those cases are offering very limited solutions.

#### 3.2.2.4 Export Guarantee and Insurance Company - EGAP

“Exportní garanční a pojišťovací společnost, a.s.” (Export Guarantee and Insurance Company) is a credit insurance company, which is used as “export promoting” tool of Czech government. The Export Guarantee and Insurance Company is fully state-owned corporation. On the official webpage (EGAP, *Profile*, n.d.) is written: “*We are a credit insurance corporation insuring credit connected with exports of goods and services from the Czech Republic against political and commercial risks uninsurable by commercial insurance.*” They are mainly focused on “finance export of energy, machinery and technological systems, investment projects, transport constructions and investments”.

#### 3.2.3 Non-Governmental Institutions Engaged in Czech Economic Diplomacy

Regarding the non-governmental institutions engaged in economic diplomacy of the Czech Republic has Štouračová (Štouračová, 2012) commented as follows. The independent organizations with voluntary membership that associate and represent the business community include the Confederation of Industry of the Czech Republic, the Czech Chamber of Commerce, the Agrarian Chamber of the Czech Republic and Professional Associations and Associations. These groups represent the interests of entrepreneurs in the Czech Republic and promote and support measures that contribute to the development of the business environment and business development in the Czech Republic, which generally stimulates economic performance. As a rule, these institutions pursue the interests of the business community and engage in dialogue with governmental and legislative authorities in economic policy areas and engage in various export

promotion activities. Systematic involvement in their activities is the reason why these organizations are included among the active players in Czech economic diplomacy.

#### 3.2.3.1 Agrarian Chamber of the Czech Republic

The Agrarian Chamber of the Czech Republic (Agrární komora České republiky, 2012) is a self-governing institution, which aims to protect the best interests of its members: farmers, foresters, food producers, but also beekeepers and others. In order to be a member, one must pay 100 thousand CZK, however, membership in the Chamber is voluntary. “*The Agrarian Chamber of the Czech Republic defends the requirements of farmers at home and abroad,*” says Ing. Zdeněk Jandejsek, CSc., President of the ACCR (Agrární komora České republiky, 2012).

It is also an important institution dealing with foreign relationships and defending interest of its members abroad. The Chamber is a member of both the Committee of Professional Agricultural Organizations in the EU, and the General Confederation of Agricultural Cooperatives in the EU, which is known as COPA-COGECA. It is the most important interest group of farmers in the European Union and its activity is mainly focuses on Common Agricultural Policy. The Chamber establishes and maintains contacts with other agrarian chambers as well (mostly within the Visegrad countries) and other similar foreign institutions. The Chamber forms contacts abroad for their producers, participates in international trade fairs and exhibitions, and coordinates international conferences, congresses, and business missions.

#### 3.2.4 Influence of the European Union on the Czech Economic Diplomacy

This chapter is based on a common knowledge of the European Union and a publication “Management system of economic diplomacy in the Czech Republic” written by collective of authors with Štouračová as a head (Štouračová, 2010). The common trade policy is the most consolidated and central component of the foreign relations sector of the EU, as stated in primary EU documents and as interpreted by the Ministry of Industry and Trade of the Czech Republic. With the goal of achieving barrier-free world trade, the common trade policy implements a progressive halt of restrictions, including reducing customs barriers, and advocating for transparency regarding international trade rules. The common EU trade policy encompasses all of the main points of international trade, in terms of both goods and services. The common commercial policy of the European Union

lays down the principles and rules of the mutual trade relations of the Member States, to each other, as well as the trade relations of the Member States with all non-member countries through economic diplomacy. This allows for the continuation and growth of the economization of foreign relations.

While consequential changes in trade policy regimes have occurred with so-called third countries, the Czech Republic formally waived its right to pursue its own independent trade policy towards these countries when they joined the European Union. However, this does not mean that the Czech Republic is inevitably in a situation where the state must resign from the interests it has in the given countries if it is beneficial to pursue them. Like any member state of the EU, the Czech Republic, has the ability to promote these interests through the common trade policy of the European Union.

However, economic diplomacy, is not an integral part of the common trade policy. Contrarily, economic diplomacy is fully in the competence of individual Member States, given it remains within the bounds of the powers, rules and constraints of EU commercial policy. Hence, economic diplomatic policy is in the jurisdiction of decision-making at the level of national competent authorities. Therefore, economic diplomacy is not a direct tool of the European Union's common trade policy.

## 4 Practical Part

The practical part of the diploma thesis is focused on specific aspects of economic diplomacy of the Czech Republic in relation to agriculture, especially on the analysis of tools/instruments that are applied in this area.

Projects of economic diplomacy aimed to support agriculture and food industry are examined. Subsequently, the Czech Export Strategy concerning years 2012 – 2020 followed by the Strategy of the Ministry of Agriculture of the Czech Republic with a view to the year 2030 will be analysed. Based on these strategies, an overview of Czech agricultural exports and current trends will be provided. Finally, as a result of the content analysis of given documents and projects, the SWOT analysis will be elaborated, in order to answer the given research question – whether the instrument(s) of Economic Diplomacy in the framework of the Foreign Policy of the Czech Republic support(s) Czech businesses in agriculture and food industry sufficiently.

### 4.1 Projects Supporting Economic Diplomacy

Projects supporting economic diplomacy (*PROPED – projekty podporující ekonomickou diplomacii*) are the responsibility of the Ministry of Foreign Affairs that annually supports and organizes selected projects. The aim of PROPED projects is to support the pro-export activities of Czech businesses. They help Czech companies in entering foreign markets and offer business solutions to foreign partners. They are designed to help Czech companies with the entry into foreign markets, with establishing foreign contacts, and with recognizing new business opportunities.

*“Economic diplomacy projects can take the form of seminars, conferences, roundtables, incoming missions, workshops or participation of Czech companies in exhibitions and fairs.”* (MoFA, *Projekty ekonomické diplomacie PROPED pro rok 2020*, 2019) These are targeted events to support Czech exports and presentations of Czech business entities, which can be implemented primarily by Czech embassies in above mentioned various forms.

Since 2017, PROPED projects has been supported by the Common Instrument for Financing Economic Diplomacy in the Czech Republic, which includes, in addition to the Ministry of Foreign Affairs of the Czech Republic, the Ministry of Industry and Trade, the Ministry of Defense, the Ministry of Agriculture, the Ministry for Regional Development

and Government Office. (MoFA, *Projekty ekonomické diplomacie PROPED pro rok 2020*, 2019) The Ministry of Foreign Affairs endeavors to support projects in territories and sectors relevant to Czech exports, so each project is assessed individually with regard to the potential impact on Czech entrepreneurs and their new opportunities.

After the first call, there are 244 accepted projects for the year 2020 that were approved by the Commission for Project Selection on November 29, 2019. In the second call is normally the number of projects significantly smaller and usually it is less than 100 additional projects. Based on number of projects from the last years, it is expected that the final number of approved PROPED project will be around 300. According to export webpages (Moderní ekonomická diplomaci MZV ČR, 2017) the history of economic diplomacy projects dates back to 2004. However, data available regarding PROPED on the webpages of the Ministry of Foreign Affairs (MoFA, *Projekty na podporu ekonomické diplomacie*, n.d.) are only available since the year 2015. Based on that available data, the following table shows overview of PROPED projects from the year 2015 to 2020. The most significant change is in the year 2017, when number of projects doublet. It was the introduction of the Common Instrument for Financing Economic Diplomacy in the Czech Republic. Thanks to cooperation with partner ministries, it enables the implementation of a wider range of activities and using more funds. Unfortunately, since 2018 the Ministry of Foreign Affairs has not published amount of funds available for PROPED. Agriculture and food industry creates standardly between 15 and 20 per cent of all projects.

**Table 1: Overview of PROPED (2015-2020)**

Year	Number of projects	Funds (mill. CZK)	Agriculture and food industry	%
2015	87	10.3	17	19.54%
2016	161	16	22	13.66%
2017	320	35	69	21.56%
2018	287	data not available	50	17.42%
2019	311	data not available	46	14.79%
*2020	244	data not available	41	16.80%

\* after first call

Own creation, based on data available at:

[https://www.mzv.cz/ekonomika/cz/servis\\_exporterum/projekty\\_ekonomicke\\_diplomacie/index.html](https://www.mzv.cz/ekonomika/cz/servis_exporterum/projekty_ekonomicke_diplomacie/index.html)

#### 4.1.1 PROPED: Agricultural and Food Industry

In the following table is a summarization of individual sectors in which the projects are going to be realized in the year 2020 and number of approved projects in each sector. The highest number is in sector of defense industry, which suggests that the Czech Republic belongs to important army exporters in the European Union. The second highest number of approved PROPEDs is in the sector of this thesis scope – Agriculture and Food industry.

**Table 2: PROPED projects for the year 2020**

Sector	Number of projects in the given sector	Sector	Number of projects in the given sector
Automobile transport	3	Manufacturing industry	2
Tourism	27	Education	1
Transport industry	10	Chemical industry	1
Mining, quarrying and oil industry	11	<b>Agricultural and food industry</b>	<b>41</b>
Electrotechnics	5	Energy industry	11
Information and communications technology	14	Environment, water management and waste industry	9
Metalworking industry	1	Science, research and innovation	16
Creative industry and cultural presentations	3	Medical and pharmaceutical industry	14
Air Transport	9	Defense industry	43
Glass and ceramic industry	3	Textile and footwear industry	3
Construction industry	4	Engineering industry	12
Services	1		

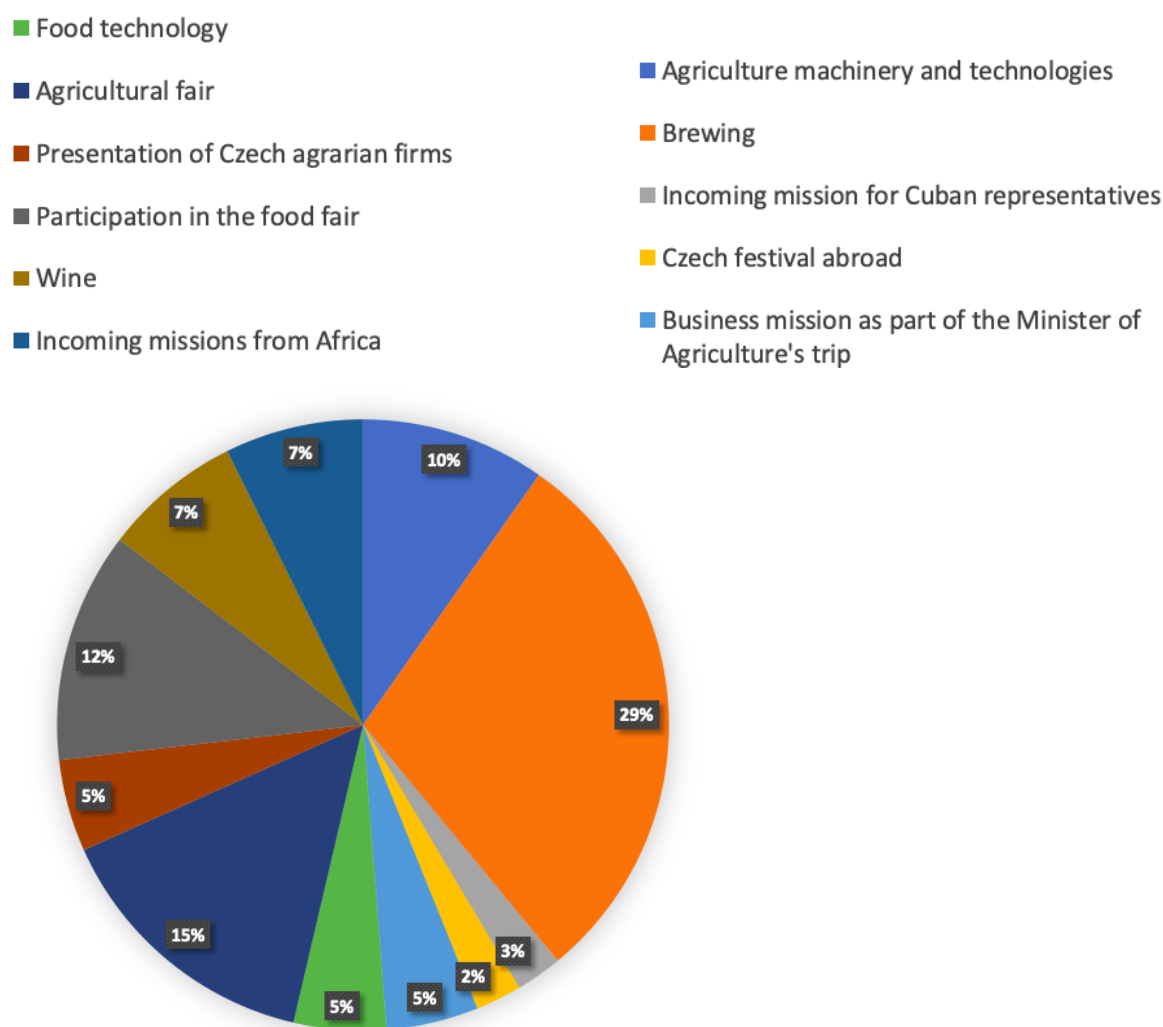
*Own creation (MoFA, Projekty ekonomické diplomacie PROPED pro rok 2020, 2019)*

The total number of projects that are going to be realized in the year 2020 in the sector representing agricultural and food industry is 41. It is 5 projects less than last year, but it is important to keep in mind that there will be a second call for projects in 2020. There is a chance that the final number will be higher. Nevertheless, agricultural and food industry represents 16.80 per cent of all PROPEDs, which is 2 per cent more than last year.



The next chart is displaying categories in which economic diplomacy projects are being realized in the sector of agricultural and food industry this year. A table with listed all of the projects of this sector, including dates and place of happening, is available in the appendix. The most projects can be found under the category named brewing. It concerns beer presentations within fairs, so called “Czech beer days”, technologies and suppliers of microbreweries, or brewing technologies. The second most common are PROPEDs that support participation in different agricultural fairs all over the world.

**Figure 3: PROPED in agricultural and food industry**



*Own creation (MoFA, Projekty ekonomické diplomacie PROPED pro rok 2020, 2019)*

## 4.2 Realized PROPED projects

Short reports, from already realized projects, have been published on the webpages of the Ministry of Agriculture. They can be found in the section of export (“Proexportní okénko”) under the link *Information from realized events* (“Informace z uskutečněných akcí”).

### 4.2.1 Czech Farmers at Agroexpo 2020

One of PROPED projects from the beginning of this year was “Czech farmers at Agroexpo 2020”. It was a cooperation among the Ministry of Agriculture of the Czech Republic, the Consulate General of Istanbul, and the CzechTrade office. “Agroexpo” is an international fair of agriculture and livestock, which takes place in Turkey, in Izmir. Four Czech companies and one company in catalog participated in the fair. In addition to the presentation at the joint stand, individual companies had the opportunity to participate in B2B meetings. Table number 3 displays Czech firms that were present at Agroexpo this year.

**Table 3: Companies present at Agroexpo 2020**

Company	Scope of business
ACAVET	<i>Not found</i>
AMAGRO s.r.o	Sale of fertilizers and agricultural chemicals
VNT Electronics	Electronic collars and fences
DVOŘÁK – svahové sekačky	Slope mowers
NATURA DK, a.s.	Machine reproduction, service for agriculture and business

*Source: own creation (CzechTrade, <https://www.czechtrade.cz/sluzby/informacni-servis/aktuality/ceske-firmy-zaujaly-na-tureckem-agroexpo-2020>)*

The name of this project might be misleading. As it is seen in the table above, there were no Czech farmers at the fair but Czech companies operating in agriculture field. However, the Ministry of Agriculture named the report about it already more apposite: “Czech companies at AGROEXPO 2020 in Izmir, Turkey”. It is questionable whether or not the primary intention was to invite Czech farmers to this fair. There is no additional information about this event.

### 4.2.2 Official Participation in Vinexpo New York 2020

Another PROPED project happened at the beginning of March (2. – 3. 3. 2020). It was the first official participation of Czech wine producers at Vinexpo New York.

“Vinexpo is now the only independent international brand exclusively working in the wine and spirits sector to cover the three continents<sup>1</sup> with the highest consumption rates“, says the official web (Vinexpo, *Vinexpo New York*, n.d.). For the first time has been presented wines to the North American market of following Czech wine producers: Baloun, Lechovice, Sonberk, Templářské sklepy Čejkovice, Volařík, Ludwig, Lacina, Gala, and Krásná hora. Over the recent years Moravian wines gained its quality and they are equal or often even surpass the competition from abroad. Therefore, participation in similar events, is very important part of promotion of the Czech Republic abroad, which can be very principal for Czech export.

### **4.3 Czech Export Strategy 2012 – 2020**

“Export Strategy of the Czech Republic 2012 – 2020” is a strategy with an ambition to develop and promote export of the Czech Republic. The focus is on cooperative interaction of public institutions. The goal of the Export Strategy is to help to fulfill a vision to make the Czech Republic one of the 20 most competitive countries in the world by the year 2020. The strategy is based on and goes along with the International Competitiveness Strategy of the Czech Republic. However, the original Export Strategy of the Czech Republic 2012 – 2020 has been reconditioned. The updated version of Export Strategy of the Czech Republic 2012 – 2020 (MoIT, *Aktualizace Exportní strategie ČR*, 2016) was submitted in 2016 by the Ministry of Industry and Trade together with the Ministry of Foreign Affairs. The Czech Government approved it on 28 November, 2016.

#### **4.3.1 Main Objective of the Export Strategy**

The main objective according to updated version of the Export Strategy is (MoIT, *Aktualizace Exportní strategie ČR*, p.6):

Increasing the number of exporters, especially innovative companies, ensuring the sustainability of their export activities, increasing the volume and value added of their exports together with increasing number of jobs.

How this objective should be fulfilled is demonstrated through its specifications:

1. *Increasing the volume of export of firms using state aid for export*

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<sup>1</sup> North America, Europe, Asia

2. *Increasing the number of jobs in companies benefiting from the state aid for export*
3. *Increasing the volume of exports of the supported innovative companies*

#### **4.3.2 Specific Objectives of the Original Export Strategy**

Specific objectives focus on basic quality parameters of Czech exports. There are being monitored according to the original Export Strategy of the Czech Republic 2012 – 2020 (MoIT, *Exportní strategie CR*, 2012, p. 13) and they are:

##### Diversification of exports to countries outside the EU

- a. Increase in exports to non-EU countries in CZK terms by 50% by 2020 compared to 2010
- b. Double the annual growth rate of exports to non-EU countries compared to exports to the EU
- c. Increase in the number of exporters to non-EU countries by 25% by 2020
- d. Maintaining an active trade balance with EU countries

##### Shift of Czech exporters in value chains to segments and sectors with higher value added

- e. Double the number of highly innovative exporters (born globals, born creative) by 2020
- f. Maintaining and, if possible, increasing the number of large export projects (over CZK 1 billion) carried out by Czech exporters on average on 15 projects per year
- g. Product concentration reduction by 15% by 2020
- h. Increase in exports of services by 20% by 2020, in particular high value-added services

##### Maximum use of positive synergies of individual state activities for export and savings resulting from complementarity of activities, effective coordination and cooperation of all stakeholders

#### **4.3.3 Pillars of the Export Strategy**

The pillars of the Export Strategy have been modified as well. The update has been done to better reflect the focus of the improved Export Strategy towards better specification of pro-export activities. Given that the Export Strategy is based on an approach focused on meeting the exporters' demand for state support and services related

to internationalization, the priorities have been changed against the original pillars and thus their adaptation to this demand. The updated pillars are:

1<sup>st</sup> pillar: *Financial instruments*

2<sup>nd</sup> pillar: *Information and development of services for exporters*

3<sup>rd</sup> pillar: *Developing business opportunities*

For the purposes of this thesis there is a closer look at some aspects from the second and third pillar.

#### **4.3.4 Second Pillar of the Export Strategy**

Besides other partial aims, there is an aim of “Assistance and consulting services” (MoIT, *Updating the Export Strategy*, 2017, p.11-12) under the second pillar. Its objective is an increase of number of business transactions through assistance and consultancy services with a binding quality standard. To help fulfilling this objective there was formed so called Unified Foreign Network. It unites work of Czech embassies and foreign offices of CzechTrade and it is in assent with the Framework Agreement between the Ministry of Industry and Trade and the Ministry of Foreign Affairs on the principles of cooperation in assuring export support and economic diplomacy of the Czech Republic from the year 2014. As the support of export belongs among the long-term priorities of the Czech Government, it was decided to support Czech embassies by economic diplomats. Derived from an agreement between the Ministry of Agriculture and the Ministry of Foreign Affairs, the network of economic diplomats is completed by diplomats with specialization in the field of agriculture, food industry, and related technologies as well.

#### **4.3.5 Third Pillar of the Export Strategy**

The third pillar holds the name “Developing business opportunities” and besides other topics it is considering support to participate in fairs and exhibitions and projects supporting economic diplomacy - PROPED (MoIT, *Updating the Export Strategy*, 2017, p.14).

Participation in fairs and exhibitions is crucial for many enterprises as it is a good opportunity to represent themselves abroad. Very often it is for them the first step to enter foreign market, to analyse new market, to make new contacts, and to set meetings with business partners. Selection of fairs or exhibitions should be coordinated by relevant

ministries or agencies (CzechTrade). It is important to realize that it is not only presentation of Czech companies but it is promotion of the Czech Republic and its export potential.

A very effective instrument of export support, specifically targeted at the field and territory, has become the PROPED projects. Economic diplomacy projects are an integral part of the Ministry of Foreign Affairs' pro-export activities. Through Czech embassies Czech companies have the possibility of establishing or deepening contacts with foreign partners or to get help and support as it is described in chapter 4.1. However, the Export Strategy realize the importance and magnitude of PROPED projects.

#### **4.4 Report on Implementation of the Export Strategy**

The latest available report on implementation of the Export Strategy of the Czech Republic for 2012-2020 is for the year 2018. This report was published on webpages of the Ministry of Industry and Trade on May24, 2019.

*Unified Foreign Network:* State agencies CzechTrade and CzechInvest were substantially integrated. The goal of this integration is, in addition to cost savings, more efficient work with clients, offering them the related services of both original agencies under one roof, from innovation to internationalization. The effects of the shared know-how of both agencies will multiply.

*Economic diplomats:* Provided services by economic diplomats to Czech exporters have risen at its quality as well as quantity. The average rating of received services was 1.11. As of December 31, 2018, 509 individual services were provided to Czech exporters by economic diplomats at Czech embassies abroad and 1395 expert inquiries were handled. Exporters' interest in services offered increased by 45 per cent year on year. Due to the increased interest of companies in the export services offered, the Ministry of Foreign Affairs strengthened the Single Foreign Network in 2018 by local experts, who worked at 37 embassies. In 2019, their further increase is expected<sup>2</sup>.

*Agrarian diplomats:* In countries where agricultural diplomats already operate, there is a positive development of agrarian foreign trade with the Czech Republic and, according to available information, Czech companies are satisfied with their activities.

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<sup>2</sup> Czech economic diplomats are in 92 countries as of December 1<sup>st</sup>, 2019  
([https://www.mzv.cz/ekonomika/cz/kontakty\\_v\\_zahranici/ekonomicti\\_diplomate\\_v\\_siti.html](https://www.mzv.cz/ekonomika/cz/kontakty_v_zahranici/ekonomicti_diplomate_v_siti.html))

*PROPED projects:* Thanks to the Common Instrument for Financing Economic Diplomacy in the Czech Republic launched at the beginning of 2017, it was possible to establish even closer cooperation with Czech companies, trade associations and unions, and other partners. The current system of financing enables the implementation of a wider range of activities and more effective sectoral presentation of the Czech Republic abroad.

#### 4.4.1 Evaluation of Specific Objectives

An important part of the Report on Implementation of the Export Strategy of the Czech Republic 2012-2020 is an evaluation of specific objectives that have been set. Some of them are represented in the following tables as they are evaluated in the official report of the year 2018.

**Table 4: Increase in exports to non-EU countries in CZK terms by 50% by 2020 compared to 2010**

Mil. CZK	2010	2011	2012	2013	2014	2015	2016	2017	2018
Outside EU export	396	479	574	599	645	649	648	682	695
Growth compared to 2010 (%)	x	20.96	44.95	<u>51.26</u>	62.88	63.89	63.64	72.22	75.51

*Source: (MoIT, Zpráva o plnění Exportní strategie České republiky pro období 2012 – 2020 za rok 2018, 2019, p.9)*

The table above shows that the planned target of 50 per cent increase in CZK terms of exports to non-EU countries by 2020 compared to 2010 was already achieved in in the year 2013. The export to third countries continue to grow even after 2013. In 2018, year-to-year growth was 1.96 per cent and compared to 2010 it was 75.51 per cent. Annual statistics for 2019 are even not yet available by the Czech Statistical Office.

**Table 5: Increase in the number of exporters to non-EU countries by 25% by 2020**

	2012	2013	2014	2015	2016	2017	2018
Total number of exporters	20 149	20 774	20 937	22 392	22 896	22 795	22 412
Outside EU exporters	12 068	12 593	12 236	13 221	13 558	13 604	13 590
Growth compared to 2012 (%)	x	4.35	1.39	9.55	12.35	12.73	12.61
Non-EU exporters out of total (%)	59.89	60.62	58.44	59.04	59.22	59.68	60.64

*Source: own creation (MoIT, Zpráva o plnění Exportní strategie České republiky pro období 2012 – 2020 za rok 2018,2019, p.8-9)*

The table number 5 shows that from 2015 is the total number of exporters about the same and it is circa 22.5 thousand. Exporters that are exporting outside the European Union accrued by 12.61 per cent from the year 2012. It is still far from the goal of increase by 25 per cent. Exporters to non-EU countries make throughout the study 60 per cent out of the total number of exporters. However, the export to EU28 was 3,705,543 million CZK and outside EU28 only 695,375 million CZK in 2018 (Czech Statistical Office, *Zahraniční obchod ČR - roční údaje – 2018*, 2019).

**Table 6: Maintaining an active trade balance with EU countries**

Mil. CZK	2012	2013	2014	2015	2016	2017	2018
Trade balance with EU countries	716 123	732 111	862 290	954 591	978 690	1 055 422	1 131 196

*Source: (MoIT, Zpráva o plnění Exportní strategie České republiky pro období 2012 – 2020 za rok 2018, 2019, p.9)*

The table number 6 represent the objective of keeping an active trade balance with the EU countries. Trade with the European Union is for the Czech Republic crucial and so the trade balance surplus with the EU28 is the basis for the overall active trade balance of the state. The value is over time constantly increasing. The index for 2018 compared to 2017 shows a value of 107.2. (MoIT, *Zpráva o plnění Exportní strategie*, 2019, p.9)

## 4.5 Strategy of the Ministry of Agriculture

Another important document for this thesis is the *Strategy of the Ministry of Agriculture of the Czech Republic overlooking the year 2030* (MoA, *Strategie resortu Ministerstva zemědělství*, 2016). It presents the long-term vision of the Ministry of Agriculture and it was approved by the Czech government on May 2, 2016. The main aim of this Strategy is to assure the competitiveness and sustainability of Czech agriculture, food industry, forestry, and water management.

Expression of the Ministry about the foreign agrarian trade is: “*Due to the existence of the EU single market with the given competition rules and due to the higher degree of saturation of the EU market, the main strategic mission and the main strategic priority is to support the export dynamics of Czech exporters, especially to third countries. The aim is thus to gradually reduce dependence on the EU single market and to export production with higher value added.*” (MoA, *Strategie resortu Ministerstva zemědělství*, 2016, p.51)



#### 4.5.1 Main and Partial Objectives of Strategy of the Ministry Of Agriculture

As an important part of the document is formulated the main objective of the Strategy regarding agrarian foreign trade (MoA, *Strategie resortu Ministerstva zemědělství*, 2016, p.51): Increasing export performance especially of higher value added products and searching for new outlets outside the EU

Partial objectives of the Strategy regarding agrarian foreign trade are (MoA, *Strategie resortu Ministerstva zemědělství*, 2016, p.51):

1. Increase the export share of products with higher value added.
2. Increasing the share of agrarian exports outside the EU.
3. Increasing the value of exports to countries outside the EU.

The following table is more closely explaining the partial objectives and shows the content of implementation and its meaning for each of them.

**Table 7: Strategic objectives for agriculture and food industry - foreign trade**

Strategic objective		2016	2020	2025	2030	Content of implementation
Increase in the share of agrarian exports (agrarian products of Chapters 1–24 of the EU customs nomenclature <sup>3</sup> ) outside the EU	index	100	110	115	120	It means an increase in the share of agrarian exports to third countries by about 20% as a result of measures in AFT <sup>4</sup> .
Increasing the value of exports of agrarian products to countries outside the EU	index	100	110	120	125	This means an increase in the value of agrarian exports to third countries by around 25% as a result of the AFT measures.
Increase in the share of exports of agrarian products with high value added	index	100	110	115	120	It means an increase in the value of agrarian exports of high-value-added agrarian products by around 20% as a result of the AFT measures.

<sup>3</sup> List of commodities can be found in appendix under chapter 8.2

<sup>4</sup> AFT = Agrarian Foreign Trade

Balance of agrarian foreign trade - decrease of negative balance	index	100	95	90	80-85	It means reducing the negative balance of AFT by approximately 1/5. On the basis of increasing the efficiency of agricultural and food businesses and also through support of export opportunities (MoA <sup>5</sup> ) and support of export orientation and innovation, especially in manufacturing.
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Source: own translation, (MoA, Strategie resortu Ministerstva zemědělství, 2016, p. 52)

#### 4.5.2 Implementation Plan

On April 19, 2017, was by the Czech Government approved the *Implementation Plan of the Strategy of the Ministry of Agriculture for the period 2017 – 2020*. The purpose of the Implementation Plan is to ensure transparent and effective management of the Strategy implementation process. To support the whole process, measures and indicator tables to different goals of the Strategy has been set. There is a list of measures to achieve the main objective of the agrarian foreign trade.

*Main objective:* Increasing export performance especially of higher value added products and searching for new outlets outside the EU.

*Measures (MoA, Implementační plán, 2017, p.92-97):*

1. Targeting export support to selected priority countries
  - Establishing a list of priority countries based on an evaluation of their export potential
2. Optimal functioning and further expansion of the network of agricultural diplomats<sup>6</sup> in third countries
3. Establishment of a network of local sales representatives in selected third countries for the Czech agriculture and food industry sector
4. Increased support for the participation of companies in international trade fairs and exhibitions, with a special focus on continuity of participation of the Ministry of Agriculture at the world's most important events
  - Support of companies by the Ministry of Agriculture and the Embassies

<sup>5</sup> MoA = Ministry of Agriculture

<sup>6</sup> Currently Czech agrarian diplomats are in: Moscow, Abu Dhabi, Belgrade, Washington, Beirut, and during first half of 2020 in China <http://eagri.cz/public/web/mze/ministerstvo-zemedelstvi/proexportni-okenko/zemedelsti-diplomate/>

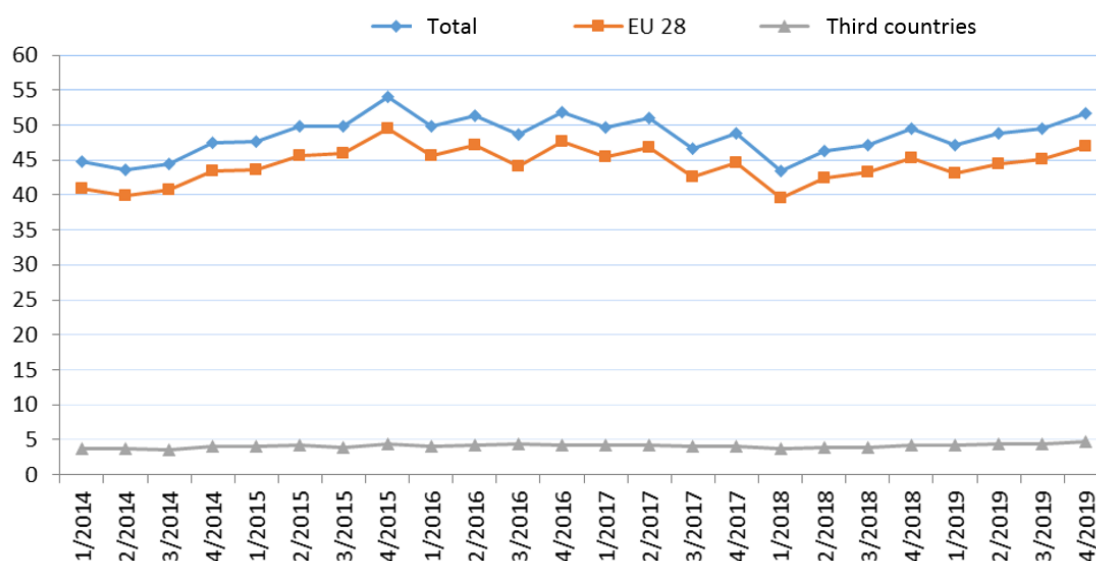
5. Continuation of application of the grant program of the Ministry of Agriculture “Support for participation in international fairs and exhibitions abroad”
  - Promotion of the grant program on the web pages of the Ministry of Agriculture, in various seminars, etc.
6. Increasing the share of projects supporting economic diplomacy in agriculture and food industry
  - Submission of proposals for implementation PROPED, selection in cooperation with the Ministry of Foreign Affairs, ensuring funding
7. Implementation of business missions of the Minister of Agriculture to third countries
  - Determination of suitable destinations based on the evaluation of the benefits of their implementation (ensuring a group of entrepreneurs, eventual participation and cooperation in the mission)
8. Implementation of incoming missions of foreign partners to the Czech Republic in cooperation with trade unions and chambers
  - Presentation of the Czech Republic as a suitable supplier of agricultural and food production, technologies, and know-how
9. Educating public interested in agricultural and food production on export opportunities to third countries
10. Increasing the possible involvement of Chambers and Unions in pro-export activities
11. Cooperation with the Ministry of Industry and Trade and the Ministry of Foreign Affairs in the pro-export policy of the state, especially with regard to the map of sectoral opportunities
12. Wider access to Czech Export Bank and EGAP services for agri-food businesses
13. Use of EU promotion policy resources
  - Raising awareness of the possibilities and use of promotional programs co-financed by the EU in the form of presentations in the framework of professional seminars

## 4.6 Czech Agricultural Export

The agrarian foreign trade of the Czech Republic is mainly oriented on the market of the European Union. For the last twelve years, the flow of exports to the European Union represent over 90 per cent of the total Czech agrarian exports (see figure 4). The orientation towards EU countries is given mainly by the geographical location of the Czech Republic (bordering only with EU member states) and by the fact that trading is basically barrier-free thanks to the EU single market.

After entering the European Union, the structure of Czech agriculture has modified and thus the export, which is currently mostly oriented towards plant production. Exports of goods to third countries is an area with a yet under-utilized potential. The state, in cooperation with foreign authorities of the Czech Republic and institutions focused on export support, is beginning to systematically support the export interests of Czech food producers in these countries.

**Figure 4: Development of the value of exports of agrarian goods from the Czech Republic between 2014 and 2019 by quarter (CZK billion)**



Source: Foreign trade database of the Czech Statistical Office, February 2020

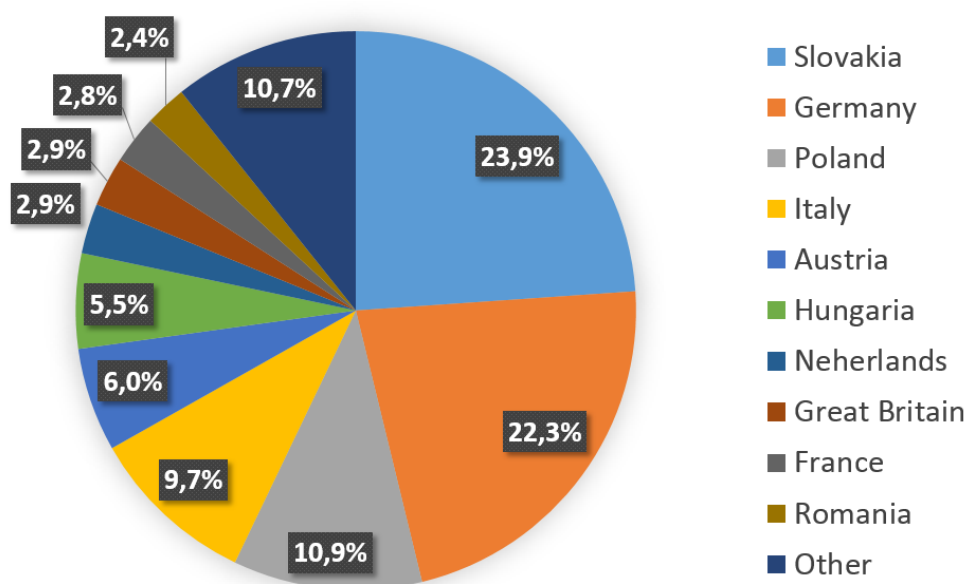
### 4.6.1 Results of Agrarian Foreign Trade of the Czech Republic in 2019

Results of agrarian foreign trade of the Czech Republic for the year 2019 are publicly available from January 10, 2020, on the official webpage of the Ministry of Agriculture (MoA, *Výsledky agrárního zahraničního obchodu ČR*, 2019).

In 2019, deepened the negative balance of the agrarian foreign trade of the Czech Republic by 13.2 per cent, which increased agrarian foreign trade deficit from 41.7 bln. CZK to 47.2 bln. CZK. The exports of agricultural goods from the Czech Republic reached the value of CZK 197.3 billion, which is 5.9 per cent more than in 2018. The value of imports also increased year-on-year by 7.2 per cent (244.5 billion CZK). Agricultural goods in total foreign trade of the Czech Republic represents 4.3 per cent of exports and 6.0 per cent of imports.

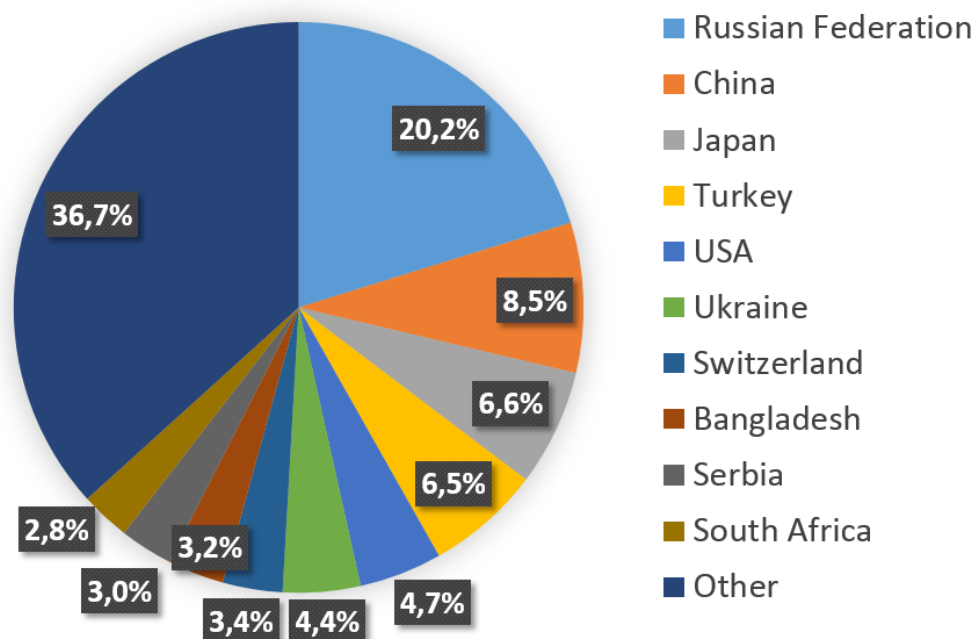
Very satisfactory results brought year-on-year increase of agricultural exports in the countries where agrarian diplomats operate. The largest increase was in the United States by 31.0 per cent, Serbia by 25.3 per cent, Macedonia by 25.1 per cent, Montenegro by 24.1 per cent, Russian Federation by 13.0 per cent, and in China by 11.1 per cent. The year - on - year decline in agrarian exports of the Czech Republic was recorded in Lebanon by 7.1 per cent and Bosnia and Herzegovina by 0.9 per cent.

**Figure 5: Countries with the highest share of agricultural goods exports EU - 2019**



Source: Foreign trade database of the Czech Statistical Office, February 2020

**Figure 6: Countries with the highest share of agricultural goods exports to third countries - 2019**



Source: Foreign trade database of the Czech Statistical Office, February 2020

**Table 8: Overview of the 10 most exported and imported items in the CR in 2019**

Commodity	Export bil. CZK	% on agr. export	Commodity	Import bil. CZK	% on agr. import
Cigarettes, cigars and others	13.1	9.4	Pork meat	11.9	6.9
Animal feeding	9.2	6.6	Bakery goods, pastry, wafers, etc.	7.5	4.4
Bakery goods, pastry, wafers, etc.	8.0	5.7	Cheese and cottage cheese	7.0	4.1
Other food preparations	7.2	5.1	Other food preparations	6.9	4.0
Milk, cream - not concentrated, unsweetened	6.5	4.6	Cigars, cigarillos, cigarettes	6.8	4.0
Wheat	6.2	4.4	Animal feeding	6.4	3.7
Beer	5.7	4.0	Chocolate and other cocoa preparations	6.3	3.7
Chocolate and other cocoa preparations	4.5	3.2	Coffee	4.1	2.4
Rapeseed oil	4.0	2.9	Poultry meat	4.0	2.3
Water, mineral, soda	4.0	2.9	Wine	3.8	2.2

Source: Foreign trade database of the Czech Statistical Office, February 2020

The table above shows the top 10 exported and imported commodities within Czech foreign trade. *Regarding the commodity structure, the Czech Republic exports approximately 60% of highly processed products in the area of agrarian products defined by chapters 01–24 of the Customs Tariff<sup>7</sup>. Highly processed products are even exported to around 70% to third countries. It should be stressed out that cigarettes are a significant influence on these values (MoA, Strategie resortu Ministerstva zemědělství, 2016, p.22).*

## **4.7 SWOT Analysis**

The SWOT analysis is based on the situation of Czech businesses in agriculture and food industry in the environment of Czech foreign trade considering all above mentioned tools of pro-export support with the aim of increasing export performance especially of higher value added products and searching for new outlets outside the EU.

### **4.7.1 Strengths**

- Shift up in a value chain
- Part of global market
- Participation in international fairs and exhibitions
- Pro-export seminars
- Existence of a significant number of quality agro-food products

One of the positive effects on Czech businesses in agriculture or food industry would be a shift up in a value chain. The objective is to prefer exports with value added and thus production must adapt to that. When a company begins to export to third countries and become a part of a global market it definitely contributes to its overall value of the company. Exporters have a unique opportunity to be a part of international fairs and exhibitions, where they are able to introduce their products, analyse new markets and its existing competitors, to start new cooperation and to set B2B meetings. The Export Strategy highly supports participation at pro-export seminars that are mainly organized and financed by ministries. Knowledge gained at those seminars can be much appreciated by companies, that are considering export or at the early stage of exportation. It is important to realize that many Czech enterprises already produce high quality products, however

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<sup>7</sup> See chapter 8.2

currently they only provide them to the Czech market. A good example would be Czech wine producers participating at Vinexpo New York this year.

#### **4.7.2 Weaknesses**

- Low awareness of export opportunities
- Input energy for realizing foreign trade with third countries
- No access to sea
- Unprocessed agricultural materials
- Investment to create value added product

It is important to consider the weaknesses of this problematic in order to know how to better support businesses and where aid is needed. Even though from the state is continuous promotion of export, it might be the situation that the public is still little informed, or it did not arouse interest. Agro-businesses or businesses in food industry have to make research to identify suitable export destinations outside the European Union. Export destination in Asia or in Africa might be not attractive for them due to their lack of knowledge of foreign languages. For the Czech Republic it is natural to make foreign trade within the EU countries considering its geographical position. Unfortunately, Czech businessmen have no direct access to the sea and thus export logistics outside the European Union is more complicated. In long distance trade it is necessary to step away from exporting unprocessed agricultural materials and start with semi-processed ones or finalized food products. For some companies it can mean making an investment to produce/innovate goods suitable for export to third countries. It is necessary to concentrate on semi-processed products or food products.

#### **4.7.3 Opportunities**

- Support of economic/agrarian diplomats
- Government funding - PROPED, CEB, EGAP
- Incoming missions
- Long-term business solution
- New or deepening of existing bilateral agreements



Operation of economic/agrarian diplomats have very good results in agrarian foreign trade of the last year as indicated in the chapter regarding agrarian exports. Support of those state actors can play a main role. Agrarian projects within PROPED became the main tool for realizing foreign trade promotion and support. Thanks to the Common Instrument for Financing Economic Diplomacy PROPED has gained a larger scope and importance. The Ministry of Agriculture supports the idea of wider access to Czech Export Bank and EGAP services for agri-food businesses. Realization of incoming missions of foreign partners to the Czech Republic enable the establishment of new business relationships without any need to travel abroad. Export to third countries seems very promising and sustainable from the long-term point of view due to demographical and economic changes. Countries of Southeast Asia and Africa are becoming less and less food self-sufficient with increasing population. In past those very countries had high agrarian export, nowadays they are becoming dependent on imports and have negative business balance. As the state's strategy is to support exports to third countries, it is highly probable that there will be the creation of new bilateral agreements or deepening of existing ones.

#### **4.7.4 Threats**

- Tariffs or other agrarian policies
- High risk countries
- Political situation/Legislative problems
- Unstable exchange rate
- Increasing environmental pollution

What Czech agro-businesses may see as a threat are tariffs to third countries. Trade within the European Union is barrier free and EU countries represent the easiest trade partner. Some agrarian policies of the non-EU countries are very protective of their domestic products and may represent obstacles to any importers. Some of the third countries are marked as high risk countries due to its weak anti-money laundering and terrorist financing regimes. Nowadays the European Commission indicates 23 of them. High risk countries may be an extreme but there are many other countries with unstable political situations or economic environment, which represents unsuitable conditions for trade. High corruption rate together with poor law enforcement pose a risk to businessmen

as well. Another disadvantage, which represent export to third countries, is trading in foreign currency. Unstable exchange rate can cause financial harm to Czech exporters. Another threat is that an increase in international trade leads to an increase in environmental pollution due to the methods of transportation. As climate change and global warming are currently highly discussed topics, it could pose a threat in terms of long distance trade.

## **5 Results and Discussion**

### **5.1 Key Players of Czech Economic Diplomacy**

The analysis of this thesis concluded that there are numerous players with different levels of power and influence. Focusing on foreign agrarian trade of the Czech Republic the key players executing state power are: the Ministry of Foreign Affairs, the Ministry of Industry and Trade, and the Ministry of Agriculture. It is also necessary to mention Embassies in the third countries, where economic and agrarian diplomats carry out their work. Currently there are Czech agrarian diplomats present in 5 countries (Russia, United Arab Emirates, Serbia, USA, and Lebanon), with the fact that the agrarian diplomat in Serbia is also responsible for Montenegro, Bosnia and Herzegovina, and Northern Macedonia. Czech economic diplomats are present in 92 countries as of December 1, 2019.

Other decisive state actors in the process are Czech agencies and institutions with different roles. CzechTrade is the main export promotion agency, which is operating in more than 50 offices worldwide and created solid network providing high quality services. CzechInvest is a state agency specialized in the field of investment and business development. Its contribution to the Czech Republic consists of development and support of domestic companies and investors both Czech and foreign. Regarding financial support it is specialized banking institution Czech Export Bank. The bank offers specialized financial services that are related to exports as well as it promotes a good reputation and supports the competitiveness of the Czech Republic on the global market. The last to mention of state institutions is EGAP - Export Guarantee and Insurance Company is a credit insurance company supporting Czech exporters of goods and services.

Important players regarding Czech agrarian foreign trade are non-governmental institutions as well. Those are groups that represent the interests of entrepreneurs in the Czech Republic and promote and support measures that contribute to the development of the business environment and business development in the Czech Republic. For example, it is the Czech Chamber of Commerce, the Agrarian Chamber of the Czech Republic.

In summarization the key players are:

- Government bodies: the Ministry of Foreign Affairs, the Ministry of Industry and Trade, and the Ministry of Agriculture

- Other state agencies and institutions: CzechTrade, CzechInvest, Czech Export Bank, Export Guarantee and Insurance Company
- Non-governmental institutions: chambers and unions, e.g. the Czech Chamber of Commerce, the Agrarian Chamber of the Czech Republic

## **5.2 Tools of Czech Economic Diplomacy**

The main tool of Czech economic diplomacy is already many times mentioned “Projects supporting economic diplomacy” so called PROPED. PROPEDs are designed to help Czech companies with the entry into foreign markets, with establishing foreign contacts, and with recognizing new business opportunities. Each project is assessed individually with regard to the potential impact on Czech entrepreneurs and their new opportunities. PROPED projects are responsibility of the Ministry of Foreign Affairs, however other ministries are active in promoting those projects. For example, the Ministry of Agriculture set as a measure, for fulfilling their main objective of the Strategy regarding agrarian foreign trade, an increasing share of projects supporting economic diplomacy in agriculture and food industry. In 2017 was created the “Common Instrument for Financing Economic Diplomacy in the Czech Republic” and ever since the financing of PROPED projects became more feasible. The following government institutions shall allocate funds to this Common Instrument: the Ministry of Foreign Affairs, the Ministry of Industry and Trade, the Ministry of Defense, the Ministry of Agriculture, the Ministry for Regional Development, and Government Office.

Based on done research, between 15 and 20 per cent of total number of PROPEDs are projects regarding agriculture and food industry. There are 41 agriculture and food industry projects this year, but it is not the final number, since there will be a second call for submitting projects. Statistically speaking there will be additional 50 to 100 approved projects more. The high number of approved PROPEDs in section of agriculture and food industry indicates the high state’s interest in support of agro-business. Hypothetically, it could also mean that agro- and food-companies are the most active and submitted the highest number of projects. But this is not in the scope of this diploma theses and there is no data available within this research to neither confirm it nor decline it.

Irreplaceable importance in foreign trade promotion has the Export Strategy of the Czech Republic 2012 – 2020. It set the main objective of: Increasing the number of

exporters, especially innovative companies, ensuring the sustainability of their export activities, increasing the volume and value added of their exports together with increasing number of jobs, alongside it set other specific objectives. It concentrates on increasing exports to third countries in terms of value and volume and to shift Czech exporters in value chains with higher value added. The Strategy supports allocation of economic and agrarian diplomats to embassies in third countries as well as pro-export activities such as participation in fairs and exhibitions. An integral part is also stressing on importance of PROPEDs.

The Export Strategy of the Czech Republic is followed by the Strategy of the Ministry of Agriculture of the Czech Republic overlooking the year 2030. The main objective of this strategy corresponds to the Export Strategy and it is focused on exports with higher value added with destination outside the European Union. Partial goals correspond to the Export Strategy as well and concern: economic and agrarian diplomats, PROPEDs, export education, involvement of chambers and unions in pro-export activities, CEB and EGAP, incoming missions, and international fairs and exhibitions.

### **5.3 Agrarian Export**

The main findings about the agrarian export of the Czech Republic is the range of trade with the European Union. The EU single market provides barrier free trade for exporters and it became the most common destination of Czech exports. Most of the exports are going to Czech Republic's neighbors: Slovakia, Germany, and Poland. The Ministry of Agriculture argues that due to the higher degree of saturation of the EU market, the main objective of strategy is going to be support of exports to non-EU countries. Most of the non-EU exports are going to: Russian Federation, China, and Japan. From the commodity point of view the most trade are cigarettes, animal feeding, and bakery goods. Whole 9.4 per cent of total agrarian export represent "Cigarettes, cigars and others" as it is shown in the table 8.

### **5.4 Outcome of SWOT Analysis**

The result of SWOT analysis, which is based on the situation of Czech businesses in agriculture and food industry in the environment of Czech foreign trade considering discussed tools and strategies of export support, is represented in the following table.

**Table 9: SWOT Analysis**

Strengths		Weaknesses	
Shift up in a value chain		Low awareness of export opportunities	
Participation in international fairs and exhibitions		Input energy for realizing foreign trade with third countries	
Part of global market		No access to sea	
Pro-export seminars		Unprocessed agricultural materials	
Existence of a significant number of quality agro-food products		Investment to create value added product	
Opportunities		Threats	
Support of economic/agrarian diplomats		Tariffs or other agrarian policies	
Government funding		High risk countries	
Incoming missions		Political situation/Legislative problems	
Long-term business solution		Unstable exchange rate	
Bilateral agreements		Increasing environmental pollution	

Source: own creation

## 5.5 Final discussion

This chapter provides a summary of the analysis carried out throughout this thesis. Main focus was led on the research question: *Does the instrument of Economic Diplomacy in the framework of Foreign Policy of the Czech Republic support Czech businesses in agriculture and food industry sufficiently?*

Both strategies, The Export Strategy of the Czech Republic and the Strategy of the Ministry of Agriculture, are focused on targeted support of export to non-EU countries. The EU Single Market is saturated and it is necessary to look for trade destinations somewhere else. The territories outside the European Union are showing great growth potential. Many of developing countries are becoming import dependent and with growing population, they are not able to feed their citizens. Unfortunately, very often those countries are risky business partners due to their unpredictable economic environment, unstable political situation, low transparency index, which indicates high corruption, or poor law enforcement. The Czech Republic is trying to eliminate these risks by proper assistance to Czech exporters. Unified Foreign Network was created and it unites work of

Czech embassies and foreign offices of CzechTrade with the aim of export support within economic diplomacy of the Czech Republic. Economic diplomacy assists in establishing contacts abroad and creating suitable conditions for access of Czech entities to third countries' markets. It was also proven that agrarian diplomats are correctly put into their functions by higher exports to third countries, where they are active. Czech agrarian exporters can also use services of economic diplomats that are present in more than 90 countries.

Also both strategies are promoting PROPED projects as well as participation in international fairs and exhibitions and incoming missions. Even though fairs and exhibitions abroad and incoming missions are part of PROPEDs, they are stressed out separately. From this "double promotion" can be concluded enormous importance of these events or insufficient support in the past or both.

On the bases of analysed PROPED projects for this year, it appears that there is a significant effort to promote projects with focus on agriculture and food industry. With total number of 41 projects, it is the second most supported sector with regard to approved projects. High percentage of agro- and food-PROPEDs are regarding alcoholic beverages, which satisfy the target of export of commodities with value added.

As the support of export belongs among the long-term priorities of the Czech Government, ministries are showing much effort in promotion of economic diplomacy. Firstly, signing Framework Agreement between the Ministry of Industry and Trade and the Ministry of Foreign Affairs on the principles of cooperation in assuring export support and economic diplomacy of the Czech Republic. Secondly, ministries are together funding PROPED projects through the Common Instrument for Financing Economic Diplomacy. Moreover they are keeping public well-informed about realized PROPEDs and about the future ones.

Under the current circumstances, the answer to the research question is not straightforward. On one hand, there is a high number of approved projects concerning agriculture and food industry, which indicates significant support and promotion of foreign agro-business as well as efforts to get agrarian diplomats to selected third countries. On the other hand, large scope of export promotion by the Export Strategy of the Czech Republic and the Strategy of the Ministry of Agriculture points out existing insufficient tools standing behind support and well-functioning foreign trade. Based on the elaborated

analysis, the difficulties concern mainly foreign trade with non-EU countries. Main objectives as well as partial ones of the Strategies are proposed realistically and it is necessary to follow them in order to improve foreign trade to third countries and increase the number of value added exports to territories outside the European Union. Recommendation for the current state of economic diplomacy regarding agrarian trade would be to provide services of agrarian diplomats in more third countries. Currently, there is a plan of sending one to China but no more in the near future.



## 6 Conclusion

The aim of this diploma thesis was to analyze the phenomenon of economic diplomacy in the Czech Republic in the context of agricultural foreign trade. Main focus was laid on the definition of the current model of the Czech economic diplomacy with a special focus on businesses in agriculture and food industry. Firstly, definition of economic diplomacy was formulated in order to understand the framework of problematics. Identification of different key players and their functions was successfully carried out as well as specific activities of individual institutions involved in economic diplomacy of the Czech Republic. There was a detailed study of export strategies provided together with analysis of development of agrarian foreign trade. SWOT analysis was used to demonstrate current state of problematics. Finally, the answer to the research question *whether or not used tools and instruments of economic diplomacy sufficiently support Czech businesses in agriculture and food industry in the framework of Foreign Policy of the Czech Republic* was formulated together with recommendation to improve the current situation.

The topic *Economic Diplomacy of the Czech Republic* of this diploma thesis was chosen due to its importance and relation to current state. Recently, the Czech export-oriented economy has been challenged by new trends on the international market pushed by high degree of globalization and market liberalization. However, it also brings its advantages as new business opportunities for Czech exporters. Increased economic integration has changed rules of world policy and therefore it is not possible to separate economic and political aspects of foreign trade anymore. That is why economic diplomacy became so important, to be able to coordinate international and domestic factors together with economic and political aspects.

The research and analysis, used in this diploma thesis, was focused on use of economic diplomacy in agriculture and food industry sector. The main tool to support foreign agrarian trade is *Projects supporting economic diplomacy*, so called PROPEDs. They are under the auspices of the Minister of Foreign Affairs and they are financed by the Common Instrument for Financing Economic Diplomacy. PROPEDs represent a unique way of support for Czech exporter, including exporters of agrarian and food industry commodities. Both discussed strategies, the Export Strategy of the Czech Republic and the Strategy of the Ministry of Agriculture, are focused on targeted support of export to non-EU countries.

Czech agro-businesses are through PROPED projects offered to be part of incoming missions, to participate in international fairs, exhibitions, and pro-export seminars etc. They are also given the opportunity to use services of economic and agrarian diplomats in third countries in order to realize easier their exports to non-EU territories. Given the geographical position of the Czech Republic, it is challenging for Czech exporters to trade with third countries as all neighboring states are EU member states (Germany, Poland, Slovakia, and Austria). A disadvantage regarding export logistic is that the Czech Republic has no direct access to the sea. Trade with third countries pose threats to Czech agro-business: tariffs, protective agrarian policies, unstable political and economic situation.

The answer to the research question is not straightforward. On one hand, there is a high number of PROPEDs concerning agriculture and food industry, which indicates significant support and promotion of foreign agro-business as well as efforts to get agrarian diplomats to selected third countries. On the other hand, large scope of export promotion by both analysed strategies points out existing insufficient tools standing behind support and well-functioning foreign trade.

The conclusion is that it is necessary to apply all instruments listed in the Export Strategy of the Czech Republic and the Strategy of the Ministry of Agriculture in order to increase the number of exports to territories outside the European Union as well as support more exports of value added commodities. It is recommended to keep public, especially exporters, well-informed about all export related opportunities and export related support that is available. The Ministry of Agriculture should higher the number of agrarian diplomats in countries outside the European Union.

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## 8 Appendix

### 8.1 PROPED in Agricultural and Food Industry for the year 2020

Name	Beginning	End	Place	Embassy
Presentation of Czech companies as part of a seminar for Kenyan distributors of agricultural equipment	4/13/2020	4/30/2020	Kenya	Nairobi
Incoming mission focusing on Czech experience and technology in the field of livestock production	9/22/2020	9/26/2020	Czech	Baku
Incoming mission and B2B in the brewing sector	3/2/2020	3/4/2020	Czech	Belgrade
Incoming mission for Cuban representatives MINAL, MINAG, event. MINCEX and Cuban Chamber of Commerce	2/18/2020	2/20/2020	Czech	Havana
Czech festival in Japan 2020	10/19/2020	10/31/2020	Japan	Tokio
Business mission as part of the Minister of Agriculture's trip to Serbia	5/15/2020	5/16/2020	Serbia	Belgrade
Food technology for Georgia	2/10/2020	2/14/2020	Czech	Tbilisi
Incoming mission from Russia to TECHAGRO	3/30/2020	4/3/2020	Russia	Moscow
Professional seminar and presentation of Czech agrarian firms in Bashkortostan	3/17/2020	3/20/2020	Russia	Moscow
Incoming mission of Brazilian brewers to the Czech Republic	5/22/2020	5/30/2020	Brazil	Sao Paulo
Incoming mission to the exhibition	8/26/2020	8/28/2020	Czech	Belgrade

“Earth Breadwinner” and B2B negotiations				
Incoming mission from Ethiopia to breed freshwater fish	10/25/2020	10/29/2020	Czech	Addis Abeba
Matchmaking Forum on the Edge of Craft Beer China Conference & Exhibition	5/11/2020	5/17/2020	China	Shanghai
Participation in food fair SIAL Canada 2020 in Montreal	4/15/2020	4/17/2020	Canda	Ottawa
Presentation of Czech firms as part of seminars for Ugandan distribution agricultural techniques	4/13/2020	4/30/2020	Uganda	Nairobi
Participation of Czech companies at the agricultural fair SIAM 2020 - Morocco	4/21/2020	4/26/2020	Morocco	Rabat
Presentation of Czech food companies on CNR FOOD Istanbul 2020	9/1/2020	9/5/2020	Turkey	Istanbul
Czech farmers at Agroexpo 2020	2/6/2020	2/9/2020	Turkey	Istanbul
Czech beer day in Paris	6/4/2020	6/6/2020	France	Paris
Incoming mission from North America in the area brewing	5/11/2020	5/15/2020	Czech	Toronto
Czech Beer Day 2020 in London	6/12/2020	7/3/2020	Great Britain	London
Czech Wine Day 2020 in London	5/11/2020	5/29/2020	Great Britain	London
Accompanying event of the Minister of the Ministry of Agriculture in Northern Macedonia on the occasion of the IAF in Novi Sad	5/18/2020	5/19/2020	North Macedonia	Skopje
Incoming Kazakh farmers on Czech soil days	4/1/2020	4/22/2020	Czech	Nursultan
Presentation of food and agricultural	6/4/2020	6/18/2020	Oman	Rijad

companies at Agro Food Oman 8. - 10.6. 2020				
102nd China (Chengdu) Food and Drinks Fair 2020	3/26/2020	3/28/2020	China	Chengdu
Matchmaking seminar for microbrewery suppliers in Cyprus	3/30/2020	4/10/2020	Cyprus	Nicosia
Days of Czech Agricultural Technology in the USA 2020	9/14/2020	9/25/2020	USA	Washington
Matchmaking Forum on the Edge of CBC - Brewing	4/13/2020	4/24/2020	USA	Washington
Incoming mission from North America in the brewing industry	10/12/2020	10/23/2020	Czech	Washington
Official participation in Vinexpo New York 2020	2/24/2020	3/6/2020	USA	Washington
Presentation of the Czech brewing industry in southern Brazil	3/9/2020	3/14/2020	Brazil	Sao Paulo
Presentation of Czech food technologies in India	4/20/2020	4/24/2020	India	Dillí
Incoming mission from Zambia to the agricultural sector	5/10/2020	5/16/2020	Czech	Lusaka
Presentation of Czech producers and exporters of alcoholic beverages at the Norwegian fair SMAK2020	3/3/2020	3/6/2020	Norway	Oslo
Incoming mission of representatives of the agricultural sector from Nigeria to the Czech Republic	4/13/2020	4/16/2020	Nigeria	Abuja
Incoming mission from CL aimed at supporting the export of CZ brewing technologies and raw materials	6/1/2020	6/21/2020	Czech	Santiago de Chile
Incoming mission to promote wine exports to the PRC	4/28/2020	5/2/2020	Czech	Beijing
Presentation of the Czech Republic at the trade fair Expocomer Panama	3/25/2020	3/28/2020	Panama	Bogota



2020				
Participation of companies at the BELAGRO agricultural fair in Belarus	6/1/2020	6/7/2020	Belarus	Minsk

Source: [https://www.mzv.cz/ekonomika/cz/servis\\_exporterum/projekty\\_ekonomicke\\_diplomacie/projekty\\_ekonomicke\\_diplomacie\\_pro\\_rok\\_1.html](https://www.mzv.cz/ekonomika/cz/servis_exporterum/projekty_ekonomicke_diplomacie/projekty_ekonomicke_diplomacie_pro_rok_1.html)

## **8.2 Agricultural products of Chapters 1-24 of the EU Customs Nomenclature**

### *Section I: Live animals; animal products*

1. Live animals
2. Meat and edible meat offal
3. Fish and crustaceans, molluscs and other aquatic invertebrates
4. Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included
5. Products of animal origin, not elsewhere specified or included

### *Section II: Vegetable products*

6. Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage
7. Edible vegetables and certain roots and tubers
8. Edible fruit and nuts; peel of citrus fruit or melons
9. Coffee, tea, maté and spices
10. Cereals
11. Products of the milling industry; malt; starches; inulin; wheat gluten
12. Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder
13. Lac; gums, resins and other vegetable saps and extracts
14. Vegetable plaiting materials; vegetable products not elsewhere specified or included

### *Section III: Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes*

15. Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes

***Section IV: Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes***

16. Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates
17. Sugars and sugar confectionery
18. Cocoa and cocoa preparations
19. Preparations of cereals, flour, starch or milk; pastrycooks' products
20. Preparations of vegetables, fruit, nuts or other parts of plants
21. Miscellaneous edible preparations
22. Beverages, spirits and vinegar
23. Residues and waste from the food industries; prepared animal fodder
24. Tobacco and manufactured tobacco substitutes

Source: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2018:273:FULL&from=EN>