



Ministry of Foreign Affairs

IOB Study

Economic diplomacy in practice

An evaluation of Dutch economic diplomacy
in Latin America

| no. 385 | *Economic diplomacy in practice* | IOB Study | no. 385 | *Economic diplomacy in practice* | IOB Study | no. 385 | *Economic diplomacy in practice* | IOB Study



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October 2013

Preface

Economic diplomacy is becoming an increasingly important part of international relations. This evaluation refers to economic diplomacy as the use of government relationships and government influence to promote the commercial interests of (a group of) companies in a foreign country. A wider interpretation of economic diplomacy also encompasses the use of economic instruments for political purposes (for example security, alliances). Consequently, economic diplomacy forms part of a collection of bilateral and multilateral (for example cultural, historical, political) relations between countries.

Despite the growing economic importance of Latin America, the share of Dutch exports to and foreign investment in Latin America is still relatively low. Dutch economic diplomacy intends to play a role in overcoming specific barriers and creating opportunities that require the use of public relationships and influence. Whether and how economic diplomacy can be effective depends on the country characteristics, the barriers, the sector, the companies (size, products) and whether it concerns investment or trade. Moreover, the benefits of economic diplomacy need to outweigh the costs. IOB has published a paper on the *Effectiveness of Economic Diplomacy: Methods and Result from Research* that outlines the methodological principles for such research.¹

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This evaluation of economic diplomacy in Latin America includes two components. First, a qualitative study of the ports, maritime transport and logistics sector in Brazil was conducted to assess the effect of economic diplomacy on the competitive position of Dutch companies in the sector. Second, a quantitative analysis of the effect of economic diplomacy on the volume of Dutch exports to Latin America was made in order to determine the extent to which changes in Dutch export volumes to Latin America are the result of economic diplomacy, controlling for other determinants of trade.

The evaluation concludes that, given the markets of Latin America and the role governments play in their economies, economic diplomacy by the Dutch government has a unique role to play. Through strategic use of different instruments for economic diplomacy, the Netherlands has been able to firmly position itself in the ports, maritime transport and logistics sector in Brazil, thus achieving an advantage in terms of network and knowledge. Moreover, based on the econometric analysis, IOB concludes that there is a significant positive relationship between the use of economic diplomacy (trade missions and information provision) by Dutch companies and the total value of export goods from the Netherlands to Latin America.

The report was written by Phil Compernelle (former evaluator IOB, currently senior economic advisor SEO Economic Research) with the support of Bart Woelders (researcher IOB). Prof.dr. P.A.G. van Bergeijk has provided useful advice to the team throughout the evaluation process. The evaluation in Brazil was led by IOB and conducted by experts from

¹ IOB (2012). *Effectiviteit van Economische Diplomatie: Methoden en Resultaten van Onderzoek*. IOB Studie # 364, januari 2012

the Centro de Estudos de Integração e Desenvolvimento (CINDES): Pedro da Motta Veiga, Sandra Rios, Eduardo Augusto Guimarães and José Tavares de Araujo Jr. The quantitative data analysis was conducted in close cooperation with Statistics Netherlands (CBS), particularly Marjolein Jaarsma, Mark Vancauteren and Jamie Baltus. The underlying reports are made available through the IOB website (www.iob-evaluatie.nl).

IOB is grateful for the constructive feedback received from colleagues at the Directorate General for Foreign Economic Relations and from the Netherlands Embassy in Brazil. The final responsibility for this report rests with IOB.

Prof. dr. Ruerd Ruben
Director Policy and Operations Evaluation Department (IOB)
Ministry of Foreign Affairs, the Netherlands

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List of abbreviations

ANTAQ	<i>Agência Nacional de Transportes Aquaviários</i> (National Agency for Waterway Transportation)
BRICS	Brazil, Russia, India and China
CBS	Statistics Netherlands
CEO	Chief Executive Officer
CNI	<i>Confederação Nacional da Indústria</i> (National Confederation of Industry)
CPA	Collective Promotional Activities (programme)
CPB	CPB Netherlands Bureau for Economic Policy Analysis
CSR	Corporate Social Responsibility
DTB	Dutch Trade Board
ED	Economic Diplomacy
EU	European Union
FDI	Foreign Direct Investment
FIESP	<i>Federação das Indústrias do Estado do São Paulo</i> (Federation for the Industries of the State of São Paulo)
FTE	Full-time equivalent
GDP	Gross Domestic Product
G2G	Government to Government
IDB	Inter-American Development Bank
IMF	International Monetary Fund
K2K	Knowledge to Knowledge
MEA	Ministry of Economic Affairs
MFA	Ministry of Foreign Affairs
MoU	Memorandum of Understanding
NBSO	Netherlands Business Support Office(s)
NCH	<i>Nederlands Centrum voor Handelsbevordering</i> (Netherlands Council for Trade Promotion)
NFIA	Netherlands Foreign Investment Agency
NGO	Non-governmental Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PIB	Partners for International Business
SMEs	Small and Medium Enterprises
VAT	Value Added Tax
WTO	World Trade Organization

Summary and conclusions

1 Approach to economic diplomacy

There is a role for economic diplomacy in Latin America, but not always and everywhere.

Despite the growing economic importance of the continent, the share of Dutch exports and foreign investment going to Latin America is still relatively low. Dutch economic diplomacy could potentially play a role in Latin America, but only if there are specific barriers that require the use of government relationships and influence. Whether and how economic diplomacy can best be used depends on the country characteristics, the barriers, the sector, the companies (size, products) and whether it concerns investment or trade. Moreover, the benefits of economic diplomacy need to outweigh the costs.

Compared to other European countries, Dutch economic diplomacy has followed a unique model, in which diplomatic and commercial work are carried out by the same people. However, to date the human resource strategy has not reflected this model (for example performance measurement, recruitment, training and capacity). In general, the Netherlands would benefit from better monitoring of the input, activities and outcomes of economic diplomacy.

A consensus emerges from the evaluation in Brazil that the Dutch government is thought to have a specific and unique role in the promotion of foreign trade and investment.

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At times, activities related to Dutch economic diplomacy overlap those offered by the private sector. However, given the markets of Latin America and the role governments play in those economies, the Dutch government is thought to have a unique role to play:

- Facilitating the access of Dutch companies to high government officials and upper management of large state-owned or private companies;
- Removing barriers to trade and enhancing market access through the use of government relations with foreign governments and institutions (for example in the case of specific problems concerning Dutch companies);
- Providing privileged information originating from the unique network (which is not available through other – private – channels);
- Positioning and promoting the Netherlands and Dutch sector expertise as a national government ('seal of approval' and collective action).

2 Results

Economic diplomacy is only one of many possible determinants of trade and investment, and a relatively small one compared to company and market characteristics (for example comparative advantages, trade and industrial policies, the regulatory environment and the global economy). This report evaluated the impact of economic diplomacy in two steps: from 'contacts' (results in terms of outcomes such as positioning, network and knowledge) to 'contracts' (impact on export values). The first step involved a qualitative case study of the

ports, maritime transport and logistics sector in Brazil, while the second step entailed an econometric analysis of trade data and information on the use of economic diplomacy.

From these evaluations it can be concluded that:

Through strategic use of different instruments for economic diplomacy, the Netherlands has been able to firmly position itself in the ports, maritime transport and logistics sector in Brazil, thus achieving an advantage in terms of network and knowledge (also compared to other European countries).

The Dutch government and a select group of Dutch companies have been involved with policy development in this sector at a high level, and have built up longer term relationships with key actors in Brazil.

The determinants of success were:

- The work of the economic network in Brazil, which was assessed positively by Brazilian partners and Dutch business. However, the activities of the economic network seem insufficiently prioritized, which may hamper the capacity of the network to remain proactive in economic diplomacy.
- Incoming missions to the Netherlands, which are thought to be particularly effective for positioning the Netherlands and establishing relations. Such missions are often smaller and targeted at a specific issue or sector, and by nature they are linked with Brazilian demand. However, on the whole, the Dutch government invests relatively little in this particular instrument (compared to some other countries and its own outgoing missions).
- Bilateral agreements such as an Memorandum of Understanding and a sector-wide approach provide a useful framework within which demand-led activities can be organized fairly flexibly. However, this requires active management and interest from both sides.

Sustainable development has received little attention in economic diplomacy in the case study sector (for example missions and programmes). Nevertheless, there might be a role for the Dutch government in this area, given externalities (for example reputation) and the Dutch government's objective of sustainable development. Sustainable development should, however, be approached as a business opportunity (for example in the ports sector) or through bilateral cooperation in the field of innovation (rather than as part of a human rights policy).

The Brazilian government counterparts expect to continue cooperation in, for example, the area of multimodal transport corridors (*Programa de Corredores de Transporte Multimodal*). Evidently, this is mainly due to the specific expertise of Dutch companies in the sector, which matches the Brazilian demand and compares well with international competition. However, the sector review and interviews with Dutch business and Brazilian counterparts

lead to the conclusion that this match was facilitated and strengthened through economic diplomacy, even though contracts still need to materialize.

On the basis of the quantitative analysis it can be concluded that Dutch economic diplomacy has in general had a positive impact on Dutch export of goods to Latin America.

Based on the econometric analysis conducted by IOB, it can be concluded that there is a significant positive relationship between the use of economic diplomacy (trade missions and information provision) by Dutch companies and the total value of export goods from the Netherlands to Latin America.² The Dutch economic network has at the very least an indirect effect on export values through its significant, positive effect on the use of economic diplomacy.

This relationship holds after correcting for endogeneity (that means where export values drive commercial diplomacy) and also after omitting the largest economy in Latin America, Brazil, where most Dutch economic diplomacy is carried out.

² The analysis does not include export of services or Dutch foreign investments, nor other instruments of economic diplomacy.

1

Introduction

1.1 Motivation

This report forms part of a broader evaluation of Dutch foreign policy in Latin America undertaken by the Policy and Operations Evaluation Department (IOB) of the Dutch Ministry of Foreign Affairs (MFA). The overall aim of the evaluation is to account for policy to date and to apply the lessons learned to future policy development and implementation.

The broader evaluation consists of four main parts:³

1. The evaluation of human rights and peace-building activities in Guatemala and Colombia;
2. The evaluation of sustainable development policy (in several Latin American countries);
3. The evaluation of political and economic cooperation in Brazil, Mexico and Argentina;
4. The evaluation of economic diplomacy.

This booklet reports on the fourth component, serving as a source document for the broader evaluation, but also expanding on the novel evaluation approach with the aim of contributing to the study of economic diplomacy in the future.

1.2 Scope: defining economic diplomacy

In line with Dutch policy, this evaluation defines economic diplomacy as:

The use of government relationships and government influence to promote the commercial interests of a Dutch company or group of companies in a foreign country.

This is a narrow interpretation of economic diplomacy, more often referred to as commercial diplomacy. Economic diplomacy is generally understood in broader terms, encompassing not only the 'business end' but also 'political ends', which include the use of economic instruments (such as sanctions, capital controls) for political purposes (e.g. security, alliances) rather than merely economic aims (promotion of trade and investment).⁴ Moreover, economic diplomacy does not occur in isolation but forms part of a collection of bilateral and multilateral relations between countries (including cultural, historical, political relations).⁵

³ See IOB (2013). *Op zoek naar nieuwe verhoudingen: Evaluatie van het Nederlandse buitenlandbeleid in Latijns-Amerika*. Den Haag: Ministerie van Buitenlandse Zaken.

⁴ Okano-Heijmans, M. (2010). Conceptualizing Economic Diplomacy: Crossroads of International Relations, Economics, IPE and Diplomatic Studies. *The Hague Journal of Diplomacy*, 6, pp. 7-36. For other definitions, see Woolcock, S. (2011). EU Economic Diplomacy: The Factors Shaping Common Action. *The Hague Journal of Diplomacy* 6, pp. 83-99 and IOB (2012). *Effectiviteit van Economische Diplomatie: Methoden en resultaten van onderzoek*. Den Haag: Ministerie van Buitenlandse Zaken.

⁵ For example, Rose and Spiegel have shown that environmental agreements have a positive impact on the economic interaction between countries. Spiegel, M.M., A.K. Rose (2009). Non-Economic Engagement and International Exchange: The Case of Environmental Treaties. *Journal of Money, Credit and Banking*, 41(2-3), pp. 337-63.

Within the broader definition lies furthermore trade diplomacy, which refers to negotiation and decision-making in international trade relations (such as the World Trade Organization, bilateral or EU trade agreements). While this certainly influences the commercial interests of Dutch companies abroad (for example import duties), it falls outside the scope of this evaluation. Other elements encompassed by the broader definition of economic diplomacy that will not be covered here include attracting foreign investment into the Netherlands and promoting the Netherlands abroad (for example Holland Branding or public diplomacy).⁶

This evaluation concentrates on non-financial support to companies, more specifically on the provision of information, government-led trade missions and Dutch diplomatic representation abroad; financial support such as export insurance and subsidies for new exporters will not be covered.

As will be discussed below, there are many opportunities for Dutch business in Latin America. However, opportunities alone do not suffice for government intervention in the form of economic diplomacy. By nature, business itself is best placed to identify and grasp opportunities. Economic diplomacy will be most effective if it addresses specific barriers to Dutch business, which may reduce the volume of international trade and investment and therefore national prosperity. In such instances the involvement of the government may be warranted, provided that the benefits outweigh the costs.⁷

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According to the literature on economic diplomacy, government intervention may be required to:

1. Distribute knowledge: the government might be able to provide distinctive, impartial and reliable information originating from its unique, non-commercial network (for example through political dialogue).
2. Provide signals: on the supply side, trade and investment in certain products requires government involvement (for example guarantees in the case of dual-use goods and other politically sensitive goods and services), while on the demand side, government involvement might be necessary when foreign governments themselves are the customers or play an important role (for example infrastructure works in the water sector, state companies in the oil and gas sector). The Dutch government can also act as a quality seal for Dutch companies and assist with the collective promotion of the Netherlands, Dutch products and services (for example Holland branding and trade missions).
3. Improve market access: through its unique relationships and influence, the Dutch government can facilitate the market access of Dutch companies which might otherwise be hindered by regulations or other activities of foreign governments (for

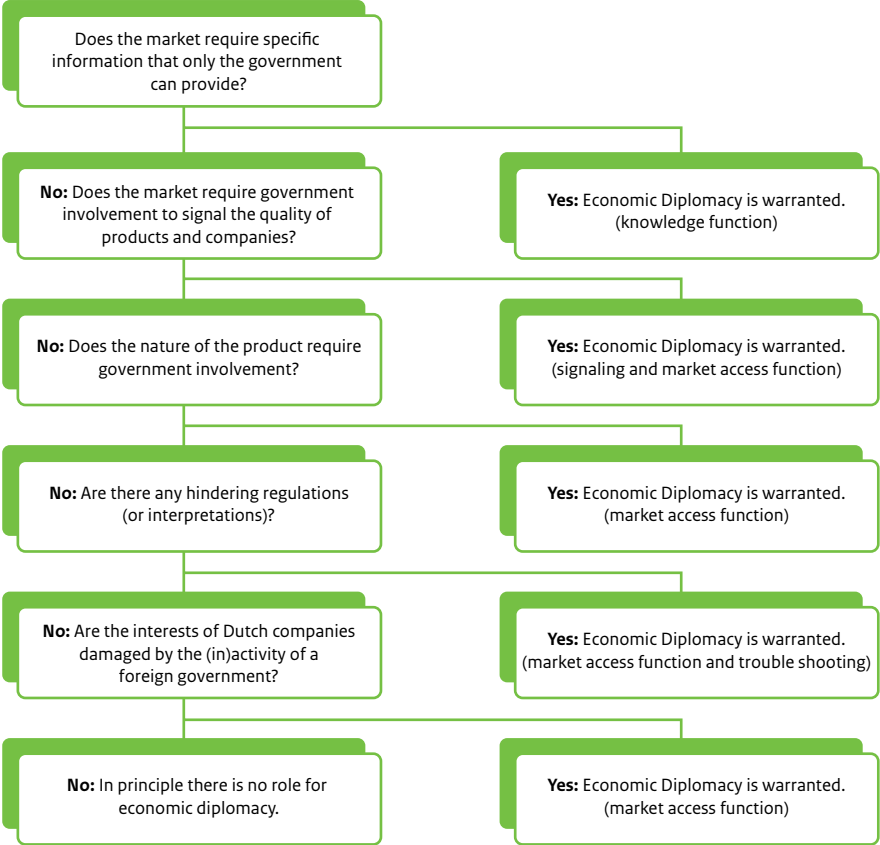
⁶ For a definition of public diplomacy, see Melissen (2005). *The New Public Diplomacy: Between Theory and Practice*. In: Melissen, J. (ed.). *The New Public Diplomacy: Soft Power in International Relations*. Houndmills: Palgrave.

⁷ This includes considering the impact of economic diplomacy on broader political and economic relations between countries (e.g. in the case of supporting Dutch companies with specific legal problems).

example by providing investment protection agreements, support with phytosanitary requirements and assistance with legal issues).

The decision tree below provides an overview of those instances where government intervention might add value.⁸

Figure 1 *Decision tree for economic diplomacy*



⁸ Adaptation of decision tree from IOB (2012). *Effectiviteit van Economische Diplomatie: Methoden en resultaten van onderzoek*. Den Haag: Ministerie van Buitenlandse Zaken.

1.3 Evaluation methodology and approach

1.3.1 Research question: effectiveness

Economic diplomacy faces high expectations. For example, last year the Dutch Minister for Foreign Trade and Development Cooperation stated that on the basis of conservative estimates for 2012 trade missions cost EUR 5.5 million but yielded EUR 100 million.⁹ However, economic diplomacy is only one of many possible determinants of trade and investment (and a minor one at that, as indicated in Figure 2). The characteristics of firms (such as experience with exports, company size), characteristics of the market of the destination country (such as comparative advantages, trade and industrial policies, regulatory environment), as well as the global economy (which determines prices of both inputs and outputs, competitors, etc.), will inherently be much more important drivers of trade and investment. It is therefore a challenge to directly link *contact to contract*, or the use of economic diplomacy to trade and investment by Dutch companies.¹⁰

Figure 2 Outcome and impact of economic diplomacy



⁹ These estimates are said to be based on company surveys conducted by NL Agency. <http://www.nuzakelijk.nl/economie/2962929/minister-ploumen-blogt-cijfers-bewijzen-nut-han-delmissie.html>, last accessed July 27, 2013.

¹⁰ 'Contact to contract' is a paraphrase of a quote of the former Dutch Minister of Foreign Affairs during a joint speech with the UK Foreign Secretary. Ministerie van Buitenlandse Zaken (2012). *Speech by the Minister of Foreign Affairs, Uri Rosenthal, during Foreign Secretary William Hague's visit.* <http://www.rijksoverheid.nl/documenten-en-publicaties/toespraken/2012/07/09/speech-by-the-minister-of-foreign-affairs-uri-roenthal-during-foreign-secretary-william-hague-s-visit.html>, last accessed September 20, 2013.

1.3.2 Evaluation approach: mixed methods

This evaluation of economic diplomacy in Latin America was conducted in two steps following the simplified results chain in Figure 2:

1. Evaluation at outcome level:
This entailed a qualitative study of the ports, maritime transport and logistics sector in Brazil to assess the effect of economic diplomacy on the competitive position of Dutch companies in the sector (outcomes in terms of market access, positioning).
2. Evaluation at impact level:
This involved a quantitative analysis of the effect of economic diplomacy on the volume of Dutch exports to Latin America (impact of trade promotion on export of goods).

This combination of qualitative and quantitative methods is unique in the research on economic diplomacy. The quantitative study uses econometric methods to determine the extent to which changes in Dutch export volumes to Latin America are the result of economic diplomacy, controlling for other determinants of trade. The qualitative case study opens up the black box inherent to quantitative statistical analysis ('Does it work?') and provides insight into the way in which the aggregate impact of economic diplomacy might be generated ('How does it work?'). The main limitation of this dual approach is that it still pays insufficient attention to the cost of economic diplomacy and whether or not this outweighs the benefits.

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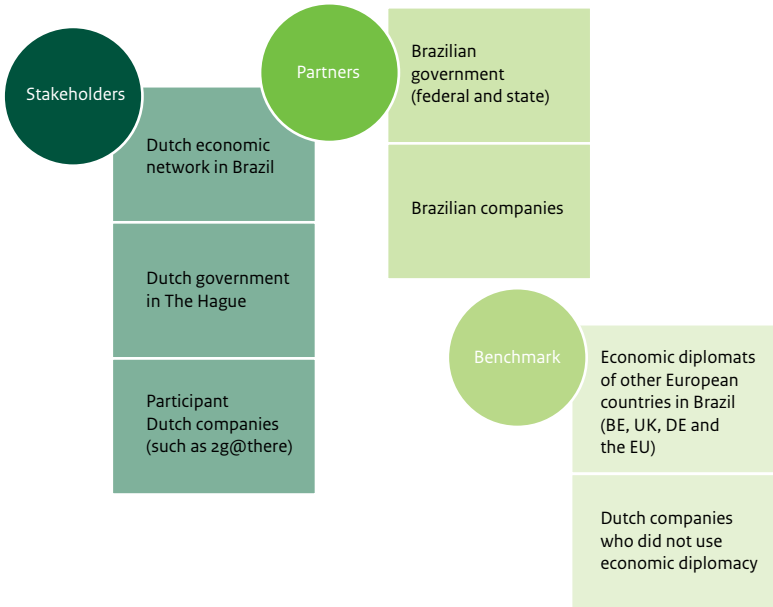
1.3.3 Methodology: qualitative case study

The case study of the ports, maritime transport and logistics sector in Brazil is based on more than 60 semi-structured interviews in Brazil and the Netherlands. The effectiveness of Dutch economic diplomacy is assessed by comparing views on the contribution of Dutch economic diplomacy from different angles (known as 'triangulation'). As such, the opinions of 'insiders' or direct stakeholders (the Dutch government) and beneficiaries of economic diplomacy (Dutch businesses participating in activities as well as Brazilian counterparts from the private and public sectors) are compared with the opinions of 'outsiders', in effect other European governments and of Dutch companies that have not used economic diplomacy (the benchmark).¹¹ This approach is visualized in Figure 3, while Annex 2 provides a list of interviews.¹²

¹¹ The approach to the interview sample, based on cross-referencing between different groups (insiders or 'ego-group' and outsiders or 'alter-group'), is roughly based on the methodology proposed by Arts & Verschuren. Arts, B. and P. Verschuren (1999). *Assessing Political Influence in Complex Decision-Making: An Instrument Based on Triangulation*. *International Political Science Review*, 20(4).

¹² The semi-structured interviews were conducted by sector experts from CINDES in Brazil and by the senior evaluator of IOB in the Netherlands. Interviews were conducted anonymously, so no reference is made to any individual interview.

Figure 3 *Triangulation of interviews for case study*



By nature, the findings of the case study are specific to the ports, maritime transport and logistics sector. More case studies must be conducted before concluding whether these findings are in any way representative of economic diplomacy in Brazil, let alone elsewhere in Latin America. Nevertheless, useful lessons can be learned from this case study about the way in which economic diplomacy is conducted and its reception by those who are targeted.

1.3.4 Methodology: quantitative study

The qualitative case study of economic diplomacy in the ports, maritime transport and logistics sector provides insight into the way in which economic diplomacy might affect intermediate outcomes such as market access and the positioning of the Dutch private sector in a foreign country. The next question is whether such facilitation and positioning ('contacts') also lead to more Dutch trade and investment ('contracts'), thus enhancing national prosperity.

Many international econometric studies, using varying methodologies and data, conclude that economic diplomacy generally has a significant impact on trade flows.¹³ However, this general impact masks differences between countries and instruments. With regard to the

¹³ For an extensive review see for example IOB (2012). *Effectiviteit van Economische Diplomatie: Methoden en resultaten van onderzoek*. Den Haag: Ministerie van Buitenlandse Zaken; and Moons, S., P.A.G. van Bergeijk (2011) *De effectiviteit van economische diplomatie*. *Economische Statistische Berichten*, 96(4619).

Netherlands, the most important study by Creusen and Lejour unfortunately does not cover Brazil or any other Latin American country.¹⁴

Consequently, at the start of this evaluation IOB organized a seminar on the options for assessing the effectiveness of Dutch economic diplomacy, with Christian Volpe Martincus from the Inter-American Development Bank as keynote speaker and presentations by Dutch researchers active in this field.¹⁵ Inspired by this meeting, IOB conducted a quantitative analysis of the effect of economic diplomacy on the Dutch export of goods from the Netherlands in the period between 2006 and 2011. The analysis compares Dutch traders who have used economic diplomacy and those who have not, and assesses whether the trade volume was significantly different between the groups.

The data on exports was provided by Statistics Netherlands (CBS) and includes characteristics of the exporters (such as firm size, sector, country of destination and worldwide exports). It is important to note that this implies that the analysis does not cover the export of services or Dutch foreign investments.

The data on economic diplomacy was provided by NL Agency (*Agentschap NL*), the governmental organisation through which Dutch companies access instruments of economic diplomacy, such as information (for example trade questions) and participation in trade missions to Latin America.

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Furthermore, a variable is added for the economic network, the economic network being pre-requisite for economic diplomacy. In previous studies, the number of embassies (and sometimes also consulates and export promotion offices) was used as an independent variable. However, not all embassies conduct economic diplomacy. Moreover, the size of the embassy or the network within a country is not necessarily a good indicator of the efforts put into economic diplomacy. The variable constructed for this evaluation only included the ambassador and consuls and the staff employed by the economic department.

When subsequently measuring the impact of economic diplomacy, it is necessary to correct for endogeneity. This concerns the very real possibility that the use and availability of economic diplomacy is the result of existing high trade volumes rather than the other way around (for example, when the Dutch economic network is concentrated in the largest

¹⁴ Centraal Plan Bureau (2010). *Export margins and export barriers: uncovering market entry costs of exporters in the Netherlands*. The Hague. The Ministry of Economic Affairs has commissioned a social cost-benefit analysis of economic diplomacy in the Netherlands. However, this study provides a rough estimates the effect of economic diplomacy based on international studies. SEO (2008). *MKBA financieel buitenlandinstrumentarium - Een onderzoek naar de maatschappelijke kosten en baten van het financieel buitenlandinstrumentarium van het Ministerie van Economische Zaken*. Amsterdam.

¹⁵ 2 July 2012. Presentations by Christian Volpe Martincus (IDB, study Latin America), Arjan Lejour (CPB, study the Netherlands), Selwyn Moons (Ministry of Economic Affairs, meta evaluation), Henri de Groot (VU University, cost-benefit analysis) and Paul Wilke (Clingendael, qualitative policy analysis).

trading partners).¹⁶ In econometric analysis, this endogeneity problem can be tackled by estimating the impact in two steps:¹⁷

1. In the first step the probability of using economic diplomacy (more specifically, information and missions) is modelled as a function of market characteristics, firm characteristics and the availability of Dutch economic representation.¹⁸
2. The second step estimates the impact of market and firm characteristics on Dutch exports of goods to Latin America. The endogenous element of economic diplomacy determined in the first stage – that is, the element not related to the market and firm-specific factors considered in the first stage – is then added to this estimate.¹⁹ The second step uses a so-called fixed effects regression to eliminate unobserved differences between companies (such as ownership, culture) that might affect the impact of economic diplomacy (that is, self-selection).

While this analysis yields interesting results, as will be discussed in Chapter 6, it is also important to note that it has its shortcomings. The trade data is limited to Dutch exports of goods to Latin America and therefore the impact of economic diplomacy on the export of services and foreign investment is not addressed. To some extent this omission is mitigated by limiting the sample to Dutch traders and comparing export volumes between those who use economic diplomacy and those who do not, rather than including all companies that use economic diplomacy in the sample. The latter group would also have included Dutch foreign investors, who might have used economic diplomacy but for whom there is obviously no impact on the export of goods (which would have led to a greater underestimation of the impact).

The database on economic diplomacy only covers the supply of information and trade missions, while there are certainly many more activities in the field of economic diplomacy in Latin America. The Dutch economic network variable only takes into account the rank and working hours of employees in the economic department, but does not include a measure of the capability (for example educational background, language skills, experience), time invested in different activities related to economic diplomacy or the efforts of other members of the Dutch representation abroad (for example a cultural attaché working on public diplomacy).

Furthermore, the Dutch economic network is only included in the first stage of the analysis and as a result only the indirect impact of the network on trade is measured, as the network

¹⁶ Econometric tests confirmed that endogeneity is indeed an issue in the analysis and thus needs to be addressed.

¹⁷ A similar approach is taken by Centraal Plan Bureau (2010). *Export margins and export barriers: uncovering market entry costs of exporters in the Netherlands*. The Hague; and Badinger H. (2012). *Export Credit Guarantees and Export Performance. Evidence from Austrian Firm-Level Data*. Vienna: WIFO.

¹⁸ The first step is a probit regression (the dependent variable is whether or not economic diplomacy is used).

¹⁹ These are the *fitted residuals* (lagged by 1 year).

is necessary for the organisation of trade missions and the provision of information. This does not exclude the possibility of an independent direct impact of the economic network on trade. Apart from having to deal with the endogeneity of this variable, capturing the direct effect would also benefit from a more detailed recording of activities rather than merely the number of employees involved.²⁰

1.4 Overview of the report

This reports consists of three parts, as illustrated in figure 4. The first can be read as a description of the context within which Dutch economic diplomacy in Latin America takes place. Chapter 2 describes the Dutch policy on and implementation of economic diplomacy. Chapter 3 analyses whether Latin America’s market characteristics justify a priori the use of Dutch economic priority, which is in essence the answer to the evaluation question on the relevance of Dutch economic diplomacy in this region. Chapter 4 takes the same approach for Brazil, which is the Netherlands’ largest trading partner in Latin America.

Once the relevance of economic diplomacy been established, it is time to evaluate its effectiveness. The first step, the evaluation of the outcomes of Dutch economic diplomacy through a case study of the ports, maritime transport and logistics sector in Brazil, is described in Chapter 5. The second step, which measures the overall impact of the use of economic diplomacy on Dutch exports of goods to Latin America, is described in Chapter 6.

Figure 4 *Overview of the report*

Relevance	Dutch policy on economic diplomacy	Chapter 2
	Latin America context	Chapter 3
	Brazil context	Chapter 4
Effectiveness: outcome	Case study 'ports, maritime transport and logistics' in Brazil	Chapter 5
Effectiveness: impact	Quantitative study Impact on Dutch exports of goods to Latin America	Chapter 6

²⁰ Some countries benefit from much better registration of the activities related to economic diplomacy (e.g. time registration for different components such as advisory services, networking and promotion) as well as of the use of economic diplomacy (e.g. date of first use). This facilitates impact measurement as evidenced from the large amount of literature on the impact of economic diplomacy available for the Latin American region. See for example IDB (2012). *The effects of trade and investment promotion: what do we know?* <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=37202429>, last accessed September 20, 2013.

2

Dutch economic diplomacy

2.1 Dutch policy on economic diplomacy

While economic diplomacy is nothing new, it has recently received more explicit attention in the Netherlands, in line with the international trend.²¹ In the government coalition agreement of 2010, the promotion of Dutch economic interests was explicitly mentioned as one of the three pillars of Dutch foreign policy.²²

More specifically with regard to the Dutch policy on Latin America, economic diplomacy has only recently been included in official policy documents. In the 2004 policy for the region, for example, development cooperation was the main focus (for example private sector development and corporate social responsibility through NGOs).²³ While the promotion of Dutch trade and investment in the region received more attention in 2009 (for example an extensive description of the strategy for the port sector in Brazil),²⁴ economic diplomacy only became a priority for the region in 2011 as development cooperation was phased out.²⁵ At country level, the strategy for economic diplomacy is described in multi-annual strategic plans produced by the embassies (in combination with the annual plans of the agricultural attachés and the economic network).²⁶ The latest multi-annual plan produced by the Dutch representation in Brazil is the most elaborate, with economic diplomacy operating at all levels.²⁷

In a letter to parliament, entitled 'Foreign Markets, Dutch Opportunities' (2011), the government set out the four aims of its international economic policy, covering different aspects of economic diplomacy:²⁸

1. To enhance the free movement of trade and investment, including strengthening the European common market;

²¹ Ministerie van Algemene Zaken (2010). *Regeerakkoord*. Den Haag; Ministerie van Buitenlandse Zaken (2011). *Modernisering Nederlandse Diplomatie*. Den Haag; Ministerie van Economische Zaken, Landbouw en Innovatie (2012). *Buitenlandse Markten, Nederlandse Kansen*. Den Haag; Tweede Kamer der Staten Generaal (2011). *Vaststelling van de begrotingsstaten van het Ministerie van Economische Zaken, Landbouw en Innovatie (XIII) voor het jaar 2012*. Den Haag. Economic diplomacy has been mentioned throughout the evaluation period in the Memorandums of Clarification to the National Budget for both the Ministry of Foreign Affairs and the Ministry of Economic Affairs.

²² Together with the promotion of peace and stability, and the promotion of human rights. Ministerie van Algemene Zaken (2010). *Regeerakkoord*. Den Haag.

²³ Ministerie van Buitenlandse Zaken (2004). *Verre Buren, Goede Vrienden*. Den Haag.

²⁴ Ministerie van Buitenlandse Zaken (2009). *Actualisering beleidsnotitie inzake Latijns-Amerika*. Den Haag. The policy also mentions trade diplomacy (international negotiations in WTO and EU) and bilateral agreements (e.g. investment protection agreements and agreements on double taxation).

²⁵ Ministerie van Buitenlandse Zaken (2011). *Het Nederlands buitenlands beleid ten aanzien van Latijns-Amerika en Cariben*. Den Haag.

²⁶ While a regional strategy was initiated in 2007 (Santiago de Chile), there has been little actual implementation.

²⁷ Ministerie van Buitenlandse Zaken (2012). *Meerjarig Interdepartementaal Beleidskader*. Internal document.

²⁸ Ministerie van Economische Zaken, Landbouw en Innovatie (2011). *Buitenlandse markten, Nederlandse kansen*. Den Haag.

2. To position Dutch companies in countries with a large potential for trade, investment and innovation and to limit the interference of foreign governments in such international business;
3. To increase the number of small- and medium-sized enterprises (SMEs) that are active internationally;
4. To increase and solidify the number of investments by foreign companies in the Netherlands.

In the 2012 'Letter on Exports', the key activities of economic diplomacy at both multilateral and bilateral level were spelled out:²⁹

1. The removal of trade barriers through the World Trade Organization (WTO) and the establishment of additional regional trade agreements;
2. An active policy enforcing existing agreements on trade and investment;
3. Bilateral consultation on specific trade barriers;
4. The establishment of a stronger Dutch presence in emerging or expanding markets;
5. The facilitation of access to closed markets through economic missions, the use of networks and lobbying by the diplomatic network.

Other activities include:

6. Promoting the Netherlands or Holland Branding;
7. Providing information, advice and support for collective promotion;
8. Trouble-shooting for Dutch business and support of large, multinational Dutch companies;
9. Providing export credit guarantees;
10. Supporting projects for sustainable development and socially responsible entrepreneurship;
11. Attracting foreign investment, for example by improving the investment climate in Europe.

Over recent years, Dutch policy on economic diplomacy has increasingly focused on specific countries (34)³⁰, sectors (9)³¹ and programmes. There are particularly high expectations about the longer-term effects of timely positioning in upcoming markets, with Brazil being one of the official priority countries, and the only one in Latin America. Consequently, there

²⁹ Ministerie van Economische Zaken, Landbouw en Innovatie (2012). *Exportbrief*. Den Haag.

³⁰ They have been selected on the premise that (1) the country has a large economic potential, (2) the government plays an important role in economic transactions and (3) Dutch business is faced with significant trade barriers. The 34 priority countries are Bangladesh, Belgium, Brazil, Canada, Colombia, China, Ethiopia, Egypt, France, Germany, Ghana, the Gulf States (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), India, Indonesia, Japan, Kenya, Malaysia, Nigeria, Poland, Romania, Russia, Singapore, South Africa, South Korea, Turkey, Ukraine, the United Kingdom, the United States and Vietnam. Agentschap NL (2012). *Samen Sterker in het buitenland met de overheid als partner – Partners for International Business*. Den Haag.

³¹ The sectors that have been selected are referred to as 'key sectors' (*topsectoren*). There are nine such sectors that have a priority in Dutch economic policy and in which the Netherlands is said to have a strong international position: agro-food, horticulture and basic materials, high-tech materials and systems, energy, logistics, creative industries, life-sciences, chemistry and water.

has been an expansion of the economic network in Brazil. In addition, a small embassy has opened in Panama, and Colombia has been given special status as a 'transition country', where a transition from development cooperation to a 'mutually profitable economic relation' is planned.³²

The division of public and private responsibilities has also received more attention in recent years, while at the same time Dutch policy emphasised the need for close cooperation.³³ This has led to a reduction in the number of instruments, programmes and subsidies employed in economic diplomacy.

For example, in 2012 several programmes were merged into the Partners for International Business (PIB) programme, and the financial contribution of the government was substantially reduced, with the government now focusing on in-kind support through economic diplomacy (such as the economic network and missions).³⁴ Dutch public-private cooperation varies between the different Latin American countries, for example, with regard to cooperation with the Dutch Chamber of Commerce Abroad or the use of sponsoring for Holland Branding events (such as the Year of Holland in Brazil, 2011).

Moreover, since 2004 there has been a quest for improved cooperation between the different parts of the economic network, both in The Hague between different ministries, and overseas between embassies, consulates and other actors. A Strategic Travel Agenda was introduced in 2011, through which the Ministry of Foreign Affairs attempts to coordinate high-level visits undertaken by different ministries and the largest cities to priority countries (including Brazil).³⁵ Likewise, there is now increased cooperation at country level (by integrating the agricultural specialists, but also by employing cultural cooperation for economic diplomacy).³⁶

Furthermore, Dutch policy on economic diplomacy strives for coherence with other aspects of foreign policy, including sustainable development and corporate social responsibility (CSR). Nevertheless, even in the most recent policy note on Latin America (2011), CSR is mentioned under 'support for freedom' (which includes human rights and security) rather than under 'economic growth and wealth' (which includes economic diplomacy).

³² Ministerie van Economische Zaken, Landbouw en Innovatie (2011). *Naar de top: de hoofdlijnen van het nieuwe bedrijvenbeleid*. Den Haag.

³³ For example, in 2004 the Dutch Trade Board (DTB) was established as a platform for public-private cooperation. DTB-Brazil is one of the four country-specific groups.

³⁴ Agentschap NL (2012). *Samen Sterker in het buitenland met de overheid als partner – Partners for International Business*. Den Haag.

³⁵ See: Ministerie van Buitenlandse Zaken (2012). *Strategische Reisagenda – versie juli 2012*. The Hague.

³⁶ In a country such as Argentina, for example, where the scope for political and economic cooperation is limited at the moment, cultural cooperation is seen as a way to maintain a Dutch presence and at the same time promote Dutch creative industry. Baud, M. (2013). *Beleidsvaluatie Nederland-Argentinië, 2005-2012*. Report for IOB.

2.2 Implementation of Dutch economic diplomacy

2.2.1 Responsibilities and budget

During the evaluation period, the Ministry of Foreign Affairs (MFA) and the Ministry of Economic Affairs (MEA)³⁷ were jointly responsible for multilateral and bilateral economic diplomacy (see Figure 5). The MEA took the lead, being responsible for international economic affairs and thus the development of policy on economic diplomacy as well as the instruments to be used. Meanwhile, the MFA was responsible for the Dutch diplomatic network abroad and bilateral relations in general (such as political and cultural relations).³⁸ It is important to note that the Dutch MFA also serves other parts of the Kingdom of the Netherlands, such as Curacao, Sint Maarten and Aruba. Due to their geographical position, this is particularly relevant to economic diplomacy in Latin America (for example the Dutch representation in Brazil also assists official trade missions from Aruba).

In October 2012, the responsibility for international economic policy, including economic diplomacy, was transferred to the Ministry of Foreign Affairs under the leadership of a Minister for Foreign Trade and Development Cooperation.³⁹ This led to a fundamental shift in the responsibilities of both ministries, while the impact on policy and practice concerning economic diplomacy remains to be seen.

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Other ministries are also involved in specific aspects of economic diplomacy. For example, the Ministry of Finance is involved in export credit insurances and bilateral tax treaties. The Ministry of Infrastructure and the Environment provides assistance to international activities in the infrastructure sector (such as water, ports), while the Ministry of Defence supports the shipbuilding industry, and the Ministry of Education, Culture and Science deals with the exchange of students and the promotion of Dutch innovations. Moreover, local governments also engage in commercial diplomacy to attract investment and support local companies abroad. These include provinces, large cities such as Amsterdam, Rotterdam and Eindhoven, and sometimes smaller municipalities.

³⁷ In October 2010 the Ministry of Economic Affairs was integrated with the Ministry of Agriculture, Nature and Food Quality (LNV), becoming the Ministry of Economic Affairs, Agriculture and Innovation. In this report the name Ministry of Economic Affairs is used to refer to either the former Ministry of Economic Affairs or to the new Ministry of Economic Affairs, Agriculture and Innovation.

³⁸ Cooperation between the two ministries has been organized in a concordat (focused on the mutual exchange of personnel). Ministerie van Buitenlandse Zaken (2002). *Het concordaat EZ-BZ*. The Hague.

³⁹ According to the coalition agreement of October 2012, the main reason for this change was to confirm the importance of coherence between trade and development (e.g. when enhancing opportunities for SMEs in developing countries). Ministerie van Algemene Zaken (2012). *Bruggen Slaan – Regeerakkoord VVD-PvdA*. The Hague. Prior to 2012, a Special Representative for Trade and Commerce was installed at the MFA in 2010 as the focal point for economic diplomacy.

Figure 5 *Division of labour between the MFA and the MEA during evaluation period*

Ministry of Foreign Affairs	Ministry of Economic Affairs
Coordination in The Hague Strategic Travel Agenda (since 2011) Coordination of all outgoing and incoming missions of high-level government officials (Dutch ministers and the mayors of the five largest cities) to the thirteen most important destinations (including Brazil).	Policy <ul style="list-style-type: none"> • Preparation of Dutch position for international trade negotiations (EU, WTO); • Development of bilateral trade and investment agreements; • Monitoring of trade barriers.⁴⁰
Management of diplomatic network <ul style="list-style-type: none"> • Coordination of economic network (embassies, consulates, NBSO, NFIA, honorary consuls); • Political representation (including economic, political and cultural cooperation, input for trade negotiations, EU coordination); • Public diplomacy (part of which is based on the Holland Branding campaigns of NL Agency). 	Management of NL Agency⁴¹ <ul style="list-style-type: none"> • Point of contact in the Netherlands for information and advice on international business; • Management of programmes and subsidies to promote international business (such as 2g@there) • Network of Netherlands Business Support Offices (NBSO).⁴² • Support in attracting foreign investment to the Netherlands (Netherlands Foreign Investment Agency, NFIA).⁴³ • Strategy for positioning the Netherlands in foreign markets (Holland Branding campaigns).

Table 1 presents the annual expenditures of the MFA and MEA for the promotion of trade and foreign investment. This covers expenditures on economic diplomacy, including commercial diplomacy, trade diplomacy and the promotion of investment in the Netherlands.⁴⁴ Expenditures for the promotion of trade and investment slightly decreased between 2005 and 2010 in relation to total expenditures for foreign policy.⁴⁵ In 2011 there

⁴⁰ To monitor trade obstructions, the MEA used to have a Trade Obstruction Hotline (Meldpunt Handelsbelemmeringen). Ministerie van Economische Zaken, Landbouw en Innovatie (2011). *Meldpunt Handelsbelemmeringen*. Den Haag.

⁴¹ The NL Agency has undergone several reorganizations in the past few years, including one currently on-going. In 2012, 344 FTEs were employed at NL EVD International. Tweede Kamer der Staten-Generaal (2011). *Begroting Ministerie van EZ*. Den Haag; Agentschap NL (2012). *Feiten en cijfers Agentschap NL*. Den Haag.

⁴² The main task of the NBSO is the promotion of trade and investment through establishing and maintaining contacts, and providing general market information for specific products or services. The NBSO does not have diplomatic status, and its work is not part of the scope of this evaluation, but is covered in a separate IOB evaluation on NBSOs (forthcoming).

⁴³ NFIA is responsible for attracting inward investment to the Netherlands by advising and supporting foreign companies as well as the Dutch government, and promoting the Netherlands (e.g. 'Gateway to Europe'). One of its support offices is in São Paulo, Brazil. Agentschap NL (2012). *Netherlands Foreign Investment Agency: Resultaten 2012*. Den Haag.

⁴⁴ The Dutch budget for economic diplomacy falls under a budgetary construction within the national budget that bundles the expenses of all departments on foreign affairs (HGIS, Homogene Groep Internationale Samenwerking). ODA-expenditures have been excluded from the overview in table 1. Tweede Kamer der Staten-Generaal (2004/05/06/07/08/09/10/11). *Nota 2005/06/07/08/09/10/11 Homogene Groep Internationale Samenwerking*. The Hague.

⁴⁵ Note that the Transition Facility (active since 2012) is part of official development assistance.

was a sharp drop in expenditure, which stands in contrast to the increased attention being paid to economic diplomacy in Dutch foreign policy, but is in line with the change in approach, which included a reduction in subsidies and the closing of embassies.⁴⁶

Table 1 Declining expenditures for economic diplomacy (figures in EUR million)							
Year	2005	2006	2007	2008	2009	2010	2011
Total foreign expenditures (HGIS)	1,409	1,448	1,530	1,615	1,669	1,664	1,700
Ministry of Foreign Affairs							
Multilateral system for trade and investment	59	63	60	45	25	21	18
Promotion of Dutch trade and investment	5	5	5	5	6	6	7
Ministry of Economic Affairs							
Attachés	4	4	4	5	6	6	6
Multilateral system for trade and investment	4	4	4	4	4	5	4
Dutch presence in foreign markets	122	108	77	59	59	69	54
Programmes (including Topsectors since 2010)			29	41	67	67	46
Promotion of foreign investment in the Netherlands			11	12	1	1	
Ministry of Agriculture							
Attachés	18	18	19	20	20	20	23
Total							
Total promotion trade and investment	212	202	209	191	188	195	158
% expenditure foreign policy (excl. multilateral system)	15%	14%	14%	12%	11%	12%	9%

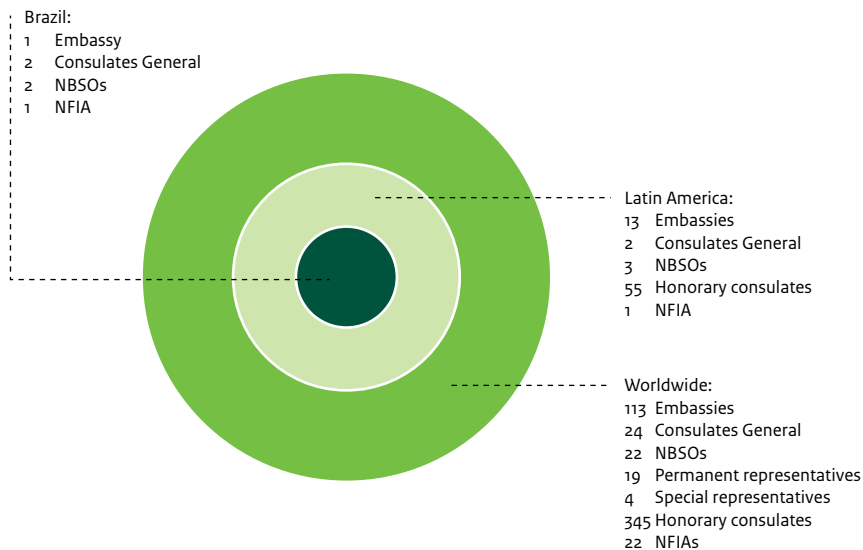
2.2.2 Diplomatic network

The diplomatic network is the main instrument under the control of the Ministry of Foreign Affairs. During the evaluation period, the Netherlands had embassies in thirteen Latin American countries (see Figure 6), two consulates (São Paulo and Rio de Janeiro) in Brazil

⁴⁶ The costs of the diplomatic network are not included in these figures as these are categorized as organizational costs and are thus not easily attributable to economic diplomacy or other types of activities.

and 55 honorary consuls⁴⁷ across Latin America.⁴⁸ There were NBSOs located in Recife (Brazil), Porto Alegre (Brazil) and in Monterrey (Mexico, until 2010).⁴⁹

Figure 6 *The Dutch diplomatic network*⁵⁰



In each country, the economic network consists of Dutch diplomats and locally recruited employees working in the embassies, consulates and NBSOs. The Dutch career diplomats work for the MFA and usually have a four-year posting as ambassador, head of the economic department or economic advisor. However, other staff are also increasingly engaged in economic diplomacy (including cultural, political and development advisors).

To date, however, the MFA does not have a personnel policy geared towards carrying out economic diplomacy (which might involve selection, training and performance management). While locally recruited employees may be selected on the basis of their commercial experience and knowledge of specific sectors, the diplomats are usually generalists.

The attachés form an exception. They are diplomats with sector-specific knowledge and experience who are not employed by the MFA but affiliated with other Dutch sectoral ministries. For example, an attaché for science and technology has recently arrived at the

⁴⁷ The honorary consuls for the Netherlands, local business people who are often active in areas where there is no official representation, have to date not been included in the countries' strategy for economic diplomacy. They are mainly used for consular services and *ad hoc* advice and support. Source: interviews, overview multi-annual plans.

⁴⁸ Ministerie van Buitenlandse Zaken (2012). *Differentiatie Postennet Buitenlandse Zaken*. Den Haag.

⁴⁹ The NBSO Monterrey was officially closed because of lack of demand for its services. EIM (2007). *Evaluatie NBSO. Zoetermeer*; Ministerie van Buitenlandse Zaken (2011). *Internal document*. Den Haag.

⁵⁰ Ministerie van Buitenlandse Zaken (2011). *Modernisering Nederlandse Diplomatie*. Den Haag; Ministerie van Buitenlandse Zaken (2012). *Differentiatie Postennet Buitenlandse Zaken*. Den Haag.

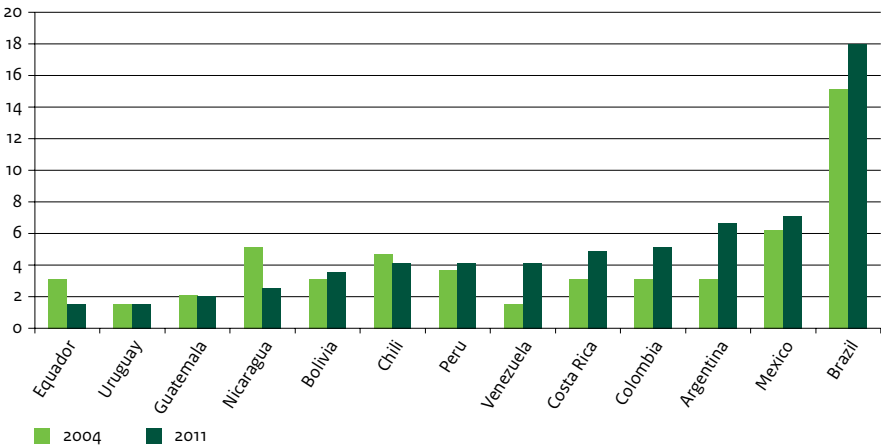
embassy in Brasilia, with a focus on R&D and the task to promote exchange in the area of science. There are also defence attachés located in Brasilia (covering Brazil, Argentina and Chile) and Caracas (covering Venezuela and Colombia), with specific knowledge, for example, on maritime transport and shipbuilding.

The Netherlands has long worked with agricultural attachés, who have developed a particular model for economic diplomacy in the area of agriculture, food security, fisheries and nature. This model is known as the ‘Golden Triangle’, that is, fostering cooperation between government, the private sector (product boards) and research institutes (such as Wageningen University, specializing in agriculture research), mirroring the way in which the sector operates in the Netherlands.⁵¹ While they used to work independently, managed by the former Ministry of Agriculture, Nature and Food Quality, the agriculture attachés are now integrated into the economic network.

In most of the Latin American countries concerned the Dutch economic departments expanded during the evaluation period, except for Chile and countries where the embassies were to be closed (Bolivia, Ecuador, Guatemala, Nicaragua and Uruguay). Furthermore, part of the economic network of the embassy in Costa Rica has been taken over by the new embassy in Panama. Here, the network has been build up from scratch since 2012 in response to the opportunities arising from investments in the Panama Canal.

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Figure 7 Growth of economic networks in Latin America⁵²



⁵¹ This longstanding tradition of bilateral technical cooperation and the use of specialized agricultural attachés is said to have affected the approach taken in economic diplomacy (e.g. more emphasis was put on forms of private-public cooperation). On the other hand, it has taken a while for the agricultural attachés to be fully integrated within the Dutch economic network.

⁵² Calculation by IOB on the basis of personnel information (employees from the embassies, consulates and NBSOs are weighted according to working hours and rank).

2.2.3. Public-Private cooperation

Obviously, Dutch companies do not depend solely on Dutch representation abroad to support their international activities. A wide range of profit and non-profit organizations support business abroad.⁵³ Compared to other countries, the Dutch government works in a rather *ad hoc* way with the private sector, rather than systematically dividing up the tasks and contracting them out.

Though there certainly seems to be overlap in activities (such as the provision of general market information or business matchmaking);⁵⁴, private sector support for business differs by nature from economic diplomacy, which is an inherent function of government given that it involves the ‘use of government relations and influence’. The private sector is, moreover, able to offer services that go beyond those offered by the Dutch government. These are generally known as ‘post-match’ (or ‘second line’) business services, including support with business plans, audit services, legal advice and advice on transactions, corporate financing and tax management. The Dutch government generally does not offer such commercial services.⁵⁵ Nevertheless, from interviews with various Dutch companies (differing in size, sector and experience) conducted for this evaluation, a clear consensus on what is thought to be the Dutch government’s specific and unique role in promoting international trade and investment emerged. Box 1 provides an overview.

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Box 1 What can your government do for you?

1. Market access and the removal of trade barriers

The government should endeavour to remove trade barriers by discussing legislation and regulations with its government counterparts. The government should intervene when market distortions occur and should address unfair competition practices. One interviewee mentioned that the government could assist companies with acquiring import permits (in the case of Brazil).

⁵³ For example, the exporters’ membership organizations (e.g. Chamber of Commerce, the Netherlands Council for Trade Promotion [NCH], exporters’ association Fenedex) and sector organizations such as FME-CWM. There are also interest groups such as the employers’ organizations VNO-NCW (and MKB Nederland). The Dutch Trade Board (DTB) is a consultation platform between government, research institutes and the private sector. Finally, there are numerous private consultants (i.e. for-profit, in the Netherlands or in Latin America) who offer a wide variety of services to Dutch companies.

⁵⁴ As suggested in several interviews and observed in the analysis of the annual plans of Dutch embassies as well as the Brazil case study.

⁵⁵ The government’s limitation to first order services is officially stated in, for example, Tweede Kamer der Staten-Generaal (2011). *Vaststelling van de begrotingsstaten van het Ministerie van Buitenlandse Zaken (V) voor het jaar 2012*. Den Haag. In practice, the services provided by the economic networks are all first order services.

2. Facilitation of access to high-level officials

The government should facilitate access to key officials from government and large state businesses. The government could further support companies in areas where the foreign government plays a large role by, for example, lobbying, organizing network meetings, accompanying companies on visits, or writing letters of recommendation. The involvement of the government provides official endorsement for the Dutch companies. This role seems more important for SMEs than for large Dutch firms who often have their own networks. However, even the largest firms can at times benefit from association with the government.

3. The provision of privileged information

The government should provide privileged, undisclosed and accurate/neutral information, which it is able to access through its own privileged position. According to one interviewee, the government should also observe and monitor opportunities on foreign markets because most SMEs lack the capacity to do this on their own. However, other interviewees, from both large and small companies, challenged this statement, as they collected such market information through other sources (internal or external). The capacity of government to collect such business information in many different sectors was questioned. Interviewees stressed that the government should focus on niche areas linked to its own network.

4. Promotion and coordination

The government is expected to position and promote sectors of the Dutch economy as a whole and can play a specific role in coordinating Dutch actors and activities (for example competing firms or less well organised sectors). This includes the coordination of trade missions.

2.2.4 Instruments and programmes

This evaluation focuses on the non-financial instruments used for the promotion of international trade and investment.⁵⁶ At country level, the most visible instruments are the advisory and information services and the official trade missions, which rely on the knowledge, experience and relationships with governments and companies built up by the Dutch representation in Latin America. Moreover, the Netherlands invests in public diplomacy abroad, that is, the promotion of the Netherlands (and thus companies from the Netherlands) to the host country's population. This might also influence the opportunities for Dutch companies and investors. Figure 8 provides an overview of the instruments employed by the economic networks in Latin America, based on an analysis of the multi-annual plans of the embassies.

⁵⁶ Export insurance has, however, been used by the Netherlands in Latin America. Atradius Dutch State Business (2010). *EKV Polissen*. www.atradiusdutchstatebusiness.nl/publicaties/afgegevenpolissen, last accessed September 20, 2013.

Figure 8 *Instruments employed by the economic networks⁵⁷*

Foreign Representation	<p>Includes:</p> <ul style="list-style-type: none"> • Contacts with government at central and decentralized level (network, bilateral cooperation, political dialogue); • Contacts with non-governmental actors (universities, knowledge institutes, cultural organisations); • Contacts with government institutions, state business and private sector (including established Dutch companies); • Contacts with other foreign representations and European Commission; • Contacts with general populations (public diplomacy, consular services).
Information and Advice	<p>Provision of information and advice on macro-economic, social and political developments, rules and regulations, key actors for the Dutch government and companies. The information provided varies in depth:</p> <ul style="list-style-type: none"> • Exploratory information on business climate, culture, general regulations, upcoming opportunities; • Demand-driven information for companies (often through NL EVD International) on specific products, sectors and potential partners (such as the ‘partner business scan’ provided within 24 hours for Brazil, Colombia and Mexico);⁵⁸ • Demand-driven, in-depth information and advice, e.g. trouble shooting for Dutch companies, support with customs.
Missions	<p>Support of trade missions led by high officials or ministers, of state visits by members of the Royal Family with a business delegation.</p> <ul style="list-style-type: none"> • The programme includes round table discussions with Dutch and local civil servants, officials and businesspeople, seminars and participation in trade fairs to promote Dutch knowledge and expertise, and other network opportunities (e.g. reception, company visits, events).⁵⁹ <p>Companies also organize their own trade missions without government participation. Companies do this individually or together through business associations or private export promotion organizations. Since 2012 the Dutch government’s subsidy for such missions (CPA, Collective Promotional Activities) has been abolished, although the economic network abroad still provides in-kind support (e.g. hosting of events).⁶⁰</p>

⁵⁷ See also Oliver Naray on the three roles of commercial diplomats: Facilitation, Advisory and Representation. Naray, O. (2011). *Commercial Diplomats in the Context of International Business*. *The Hague Journal of Diplomacy*, 6, pp. 121–48.

⁵⁸ Since 2012, this service is provided for EUR 500 (previously all information was provided free of charge). Agentschap NL (2013). *Zakenpartnerscan – vind uw zakenpartner in het buitenland*, <http://www.agentschapnl.nl/onderwerp/zakenpartnerscan-vind-uw-zakenpartner-het-buitenland>, last accessed September 20, 2013.

⁵⁹ Trade missions to Latin America have on average 43 participants (with an outlier of 143 for the state visit to Brazil in November 2012). Since 2012 NL EVD International charges EUR 950 to participate in an official trade mission (excluding costs for transport and accommodation). The average costs of an official trade mission to Latin America amount to EUR 5,000 per person. Agentschap NL (2013). *Internal documentation provided to IOB*.

⁶⁰ This programme was active between 2005–2012, but has now been included in the Partners for International Business and Starters in International Business programmes, which focus on specific sectors and involve a lower subsidy.

These instruments are more often than not used in combination, often in sector-specific programmes.

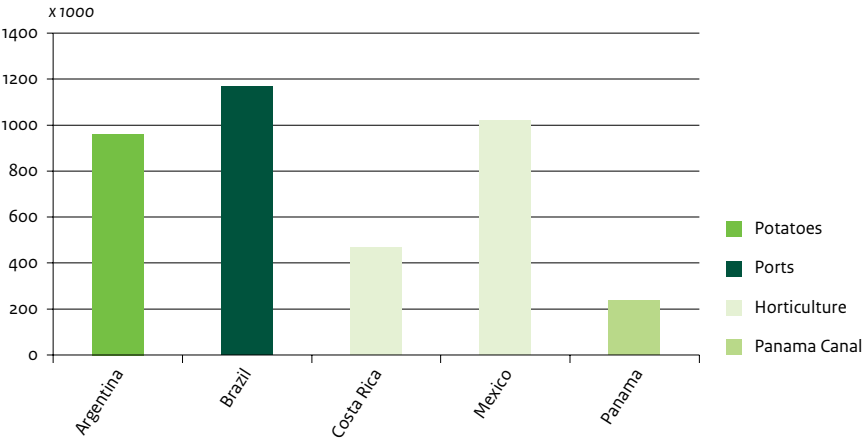
The programme known as ‘zg@there’ (‘to-get-there’), managed by NL Agency, is a good example. This programme supported various consortia of companies from a specific sector (such as ports or horticulture) to position themselves in one of the Latin American countries (Figure 9), with the Dutch companies receiving financial support for various activities such as organizing trade missions or a joint ‘Holland Pavilion’ at trade fairs, to commission feasibility studies or pay for other forms of advice, and for the establishment of local representation (such as a ‘Holland House’, as in Brazil). In addition to this subsidy component, the Dutch government’s assistance consisted of economic diplomacy in the form of high-level government participation at trade missions and support through the diplomatic network.⁶¹

Other programmes supporting groups of companies to position themselves on foreign markets include Government-to-Government (G2G), Knowledge-to-Knowledge (K2K) and Partners for Water.⁶² These programmes facilitated the exchange of knowledge and experience with local governments, knowledge institutes and companies in specific sectors (see Figure 9).

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Figure 9 Financial support to sector-specific programmes in Latin America

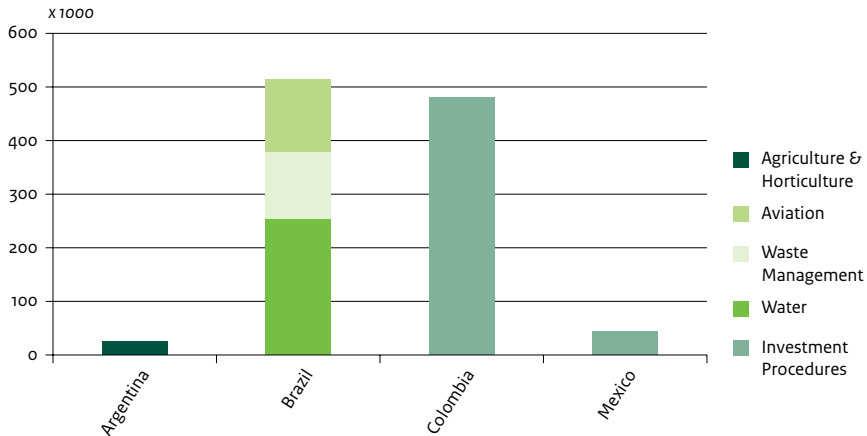
zG@there (Commitments in EUR)



⁶¹ Staatscourant (2009). Regeling van de Staatssecretaris van Economische Zaken van 13 december 2009, nr. WJZ/9178621, houdende vaststelling van subsidie-instrumenten op het terrein van internationaal excelleren (Subsidieregeling internationaal excelleren). Den Haag; Ministerie van Economische Zaken, Landbouw en Innovatie (2012). *Evaluatierapport zg@there en de beleidsreactie*. Den Haag.

⁶² Examples of the Partners for Water (2000–2015) programme in Latin America include the project on capturing rainwater for agricultural purposes in Mexico and the Brazilian-Dutch Dialogue on flood risk management in São Paulo, Brazil. www.partnersvoorwater.nl.

Government-to-Government and Knowledge-to-Knowledge (Commitments in EUR)



Since 2012 all of these programmes have been replaced by the new Partners for International Business programme (PIB), which puts a stronger emphasis on the nine key sectors and requires more financial commitment from the participating companies (that is, a lower subsidy component).⁶³

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At the same time, a new programme, the Transition Facility, was established, in which there is still substantial public funding for economic diplomacy. This funding, however, largely originates from the development cooperation budget of the Ministry of Foreign Affairs. The programme was created in 2011 and designed to be used in countries where the Netherlands wanted to move from development cooperation to a mutually profitable economic relationship. Colombia is one of the three transition countries (along with South Africa and Vietnam). The Transition Facility provides funding for demonstration projects, feasibility studies, and promotion of Dutch business. For example, a Holland House will be set up in Colombia to promote the Netherlands in the local water sector.⁶⁴

⁶³ This covers programmes such as G2G, K2K, CPA and zg@there. Ministerie van Economische Zaken, Landbouw en Innovatie (2012) *Beleidsregel Partners for International Business*. Den Haag.

⁶⁴ Ministerie van Buitenlandse Zaken (2012). *Uw verzoek inzake de voortgang van de transitiefaciliteit in voormalige partnerlanden*. Den Haag.

2.3 Dutch economic diplomacy compared

The way in which economic diplomacy is implemented is rooted in a country's history and culture, its tradition of public-private partnerships and the organization of its public sector.⁶⁵ There is unfortunately too little publicly available information to compare the effectiveness of the different systems for promoting trade and investment. However, when comparing the Netherlands to neighbouring countries (Belgium, Germany and the United Kingdom), some interesting features of the Dutch approach stand out:⁶⁶

1. **Policy:** National prosperity has become an explicit goal of most Western governments' foreign policy, including the Netherlands. In all four countries, economic diplomacy focuses on establishing multilateral rules and institutions, as well as promoting the international economic activities of businesses located within their boundaries (including attracting inward investment).⁶⁷ The Netherlands stands out insofar as the modernisation of the diplomatic service is to be achieved through reducing the network and decreasing expenditure. Other countries, such as the UK, are currently expanding their presence abroad (as from approximately 141 embassies).⁶⁸
2. **Services:** Increasingly, economic interests are pursued through government facilitation and the provision of pre-business services (such as country branding, bilateral cooperation in the field of science and technology, etc.), rather than the more traditional export promotion services (such as general information, matchmaking).⁶⁹ While the Netherlands only offers 'first line' services, the UK works with UK companies on their business plans, and the German government has contracted the German Chambers of Commerce Abroad to offer legal advice. Furthermore, Dutch companies have complained

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⁶⁵ See Naray, O. (2011). Commercial Diplomats in the Context of International Business. *The Hague Journal of Diplomacy*, 6, pp. 121-148 for a useful typology of countries according to the organization of their commercial diplomacy.

⁶⁶ Comparison based on Bundesministerium für Wirtschaft und Technologie (2009). *Aussenwirtschaftsförderung*. Berlin; Bundesministerium für Wirtschaft und Technologie (2010). *Neue Zielmärkte – neue Wachstumschancen*. Berlin; Foreign and Commonwealth Office (2012). *A charter for business*. London; Foreign and Commonwealth Office (2012). *Business Plan*. London; UK Trade and Invest (2012). *Britain open for business*. London; www.diplomatie.be; www.abh-ace.be; www.awex.be; www.flandersinvestmentandtrade.be; www.brussels-export.be. In some cases additional information has been provided by e-mail.

⁶⁷ There are a number of country-specific goals (e.g. Belgian regions, German attention to red tape, UK differentiated strategy for SMEs and multinational firms). Most countries target sectors and countries.

⁶⁸ Ministerie van Buitenlandse Zaken (2012). *Speech by the Minister of Foreign Affairs, Uri Rosenthal, during Foreign Secretary William Hague's visit*. <http://www.rijksoverheid.nl/documenten-en-publicaties/toespraken/2012/07/09/speech-by-the-minister-of-foreign-affairs-uri-rosenthal-during-foreign-secretary-william-hague-s-visit.html>, last accessed September 20, 2013.

⁶⁹ See also Naray, O. (2011). Commercial Diplomats in the Context of International Business. *The Hague Journal of Diplomacy*, 6, pp. 121-148.

about export financing offered by other governments (such as the Belgian government), which is thought to damage Dutch competitiveness.⁷⁰

3. **Fees:** In general, governments charge fees to ensure the commitment of the participating firms rather than to cover costs. The Netherlands has indeed experienced a sharp decline in demand for market scans since the introduction of a minor fee (EUR 500).⁷¹ However, the fees for services offered by the German Chambers of Commerce Abroad generally do cover expenditures. The UK charges fees for advisory services (including market research and business introductions) based on the time invested by UK staff. This requires a different approach, including the strict recording of activities and results, which is lacking in the Dutch system.⁷²
4. **Specialisation:** More so than other countries, the Dutch approach combines political and commercial functions using the same staff and network. Dutch career diplomats offer services that are in other countries the responsibility of specialized commercial employees (whether in the embassy or separate offices).⁷³ Although some diplomats might have a background in the private sector, to date this has not automatically been a selection criteria for an economic posting. Other countries, such as the UK and Germany, use locally recruited journalists with experience in key sectors. However, there is also a much clearer distinction between diplomatic and commercial services and staff in both the UK and Germany.
5. **Division of labour between public and private sector:** The Dutch policy on economic diplomacy emphasizes the separation of public and private responsibilities. Compared to other countries, however, there still seems to be room for a clearer division of labour in Dutch economic diplomacy.⁷⁴ The German model goes furthest in this respect, with the German Chambers of Commerce Abroad contracted by government to provide specific services. As such, the private sector is an integral part of the country's economic network. While the German model depends on historically strong and well-endowed institutions, this approach, in which business is set up to help itself, could fit well with the objectives stated in the Dutch policy (2011).⁷⁵

⁷⁰ High-Level Werkgroep Exportfinanciering (2012). *Agenda voor een strategische inzet van het instrumentarium voor exportfinanciering*. <http://www.top-sectoren.nl/water/sites/default/files/documents/Eindrapport%20High%20Level%20Werkgroep%20Exportfinanciering.pdf>, last accessed September 2012.

⁷¹ Agentschap NL (2012). *Internal documentation provided to IOB*

⁷² NL Agency has developed different systems to monitor the activities of the NBSOs and potentially the entire economic network (e.g. Trade Connect). Unfortunately, for various reasons, these systems are not systematically used and often the economic networks revert to the use of country-specific excel-based databases.

⁷³ This also happens in the 22 countries (including Brazil) where the Netherlands has separate export promotion offices, NBSOs.

⁷⁴ This has been confirmed by interviews conducted for the case study. See also Box 1

⁷⁵ Ministerie van Economische Zaken, Landbouw en Innovatie (2012). *Buitenlandse Markten, Nederlandse Kansen*. Den Haag.

3

Economic diplomacy in Latin America: context

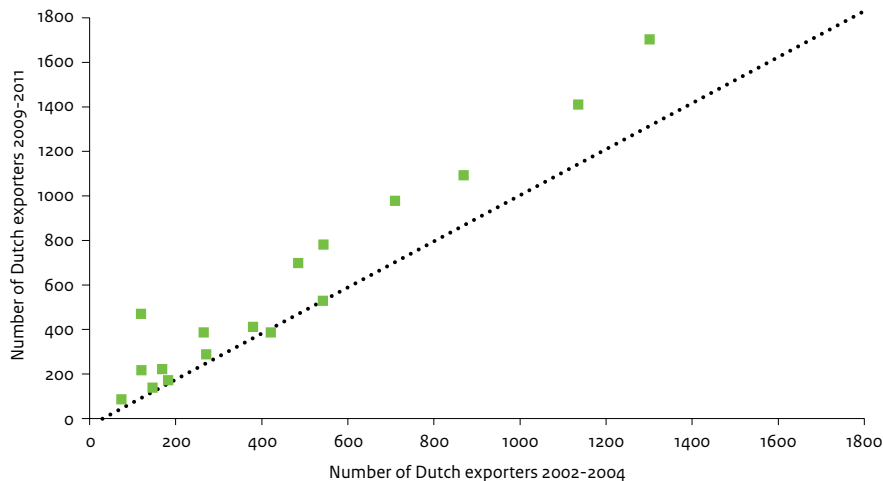
3.1 Dutch trade and investment in Latin America

Latin America has gained substantial economic weight over the past decade, as illustrated by its increasing share of global production, from about 5% in 2002 to 8% in 2011.⁷⁶ This performance reflects both sound macroeconomic policies in most Latin American countries and the recovery of prices for primary products, as well as the strong negative impact of the financial and economic crisis in the OECD area. This trend is mirrored in Latin America's increased share in Dutch exports, imports and FDI as well as the growing trade deficit between the Netherlands and Latin America.⁷⁷

Figure 10 illustrates the growth in the number of Dutch exporters (of goods) to Latin America between 2004 and 2011.⁷⁸ In 2011, some 3,500 Dutch firms exported goods to at least one Latin American country, of which 64% were small firms (with less than 50 employees), 27% medium sized (50 to 249 employees) and 9% large (more than 250 employees). Small firms accounted for 15% of the trade value, medium-sized firms accounted for 40% and large firms were responsible for 45% of total trade. These 3,500 firms had export relations predominantly with Brazil, Mexico and Chile (between 2002-2011). In addition to goods, the Netherlands exported EUR 3.6 billion worth of services to Latin America.

Figure 10 Dutch exporters active in Latin American countries: 2002-2004 versus 2009-2011

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⁷⁶ IMF (2012). *World Economic Outlook October 2012 database*, <http://www.imf.org/external/pubs/ft/weo/2012/02/weodata/index.aspx>, last accessed November 18, 2012. Current prices and exchange rates.

⁷⁷ Unless stated otherwise, the following section draws on the information from Centraal Bureau voor de Statistiek (2012). *Evaluatie Nederlandse handel en investeringen met Latijns-Amerika 2002-2011*. Report for IOB, and an analysis thereof by prof.dr. P.A.G. van Bergeijk for IOB.

⁷⁸ Using three year averages to correct for incidental fluctuations. Although export values recovered to pre-2009 economic crisis levels, only partial recovery has happened in the number of exporting firms. This could imply that only the most productive firms managed to survive and expand their market shares.

In 2011, Mexico was the most important export destination in Latin America for the Netherlands (34% of total exports to the region). However, Brazil was the main trading partner, accounting for 30% of total exports and 45% of total imports from Latin America, and bilateral trade with Brazil amounting to EUR 6.3 billion in 2011, compared to EUR 2.9 billion with Mexico.

Imports of goods increased from EUR 5.2 billion in 2002 to EUR 10.6 billion in 2011 (real increase of 50%). Brazil, Argentina and Mexico are the most important countries for Dutch importers (with shares of 45%, 13% and 11% respectively of imports from Latin America). Moreover, the Netherlands imported EUR 2.0 billion worth of services from Latin America, with the majority originating from Brazil.⁷⁹

The value of import goods from Latin America is about twice as large as the value of export goods from the Netherlands (EUR 10.6 billion for imports compared to EUR 5 billion for exports in 2011). Generally, Latin American countries have a clear comparative advantage in relation to primary products and natural-resource-intensive products (although less so for Mexico). The Dutch comparative advantage in human-capital-intensive products has been decreasing in the past years and is not equally strong for all Latin American countries (this is, for example, less so for Mexico and Brazil). This trend is to be expected for trade with industrialized, emerging markets that either meet or are on the threshold of meeting the requirements of OECD membership and thus increasingly export technology-intensive and human-capital-intensive products. This provides an indication of the competitive environment in which Dutch firms must position themselves in Latin America.

The importance of Latin America as a destination for Dutch foreign direct investment (FDI) remained stable over the period 2002-2011, accounting for about 3% of total Dutch FDI. In recent years Dutch FDI in the region was equivalent to approximately EUR 19.6 billion.⁸⁰ In 2009, Dutch companies had a majority share in 600 Latin American companies, with a total of about 90,000 employees and annual revenues totalling EUR 27.5 billion. The Netherlands invests most in Brazil (2% of total FDI) and Mexico (1%). Amongst the smaller countries, Colombia is the most important destination for Dutch FDI. All major Dutch companies are represented in Latin America, and companies such as KLM Royal Dutch Airlines, Philips, Unilever, Shell and ABN AMRO had established a presence in the region even before the Second World War.

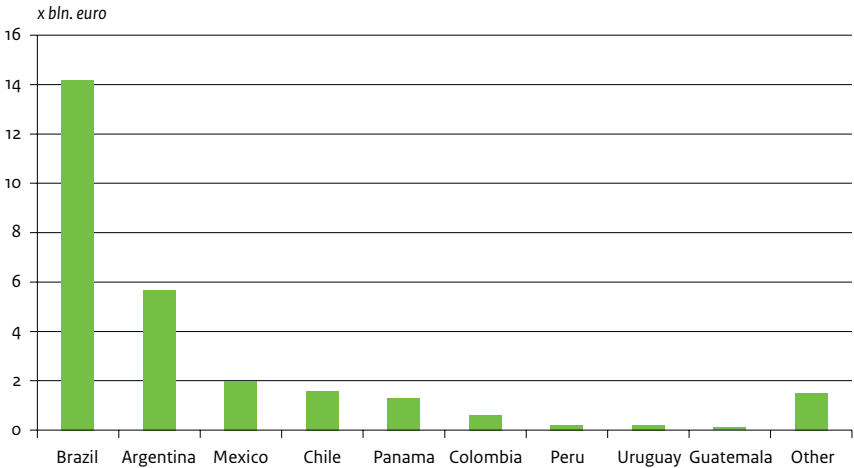
With regard to inward investment, the Netherlands is much more involved in Latin America than the other way round. In 2009, 16 Latin American firms, employing a total of 305 persons and with a turnover of EUR 127 million, were registered in the Netherlands. Nine out of those 16 foreign-owned firms were Brazilian.⁸¹ Well-known investors in the Netherlands include Petrobras, which opened an office in Rotterdam in 2010, and América Móvil, which acquired more than 25% share of KPN (telecoms).

⁷⁹ Centraal Bureau voor de Statistiek (2012). *Invoer en uitvoer van diensten naar land*. <http://www.cbs.nl/nl-NL/menu/themas/internationale-handel/cijfers/default.htm>. Last accessed April 23, 2013.

⁸⁰ Three year average 2009-2011.

⁸¹ Note that financial and agricultural corporations as well as services are not registered in the inward Foreign Affiliate Statistics.

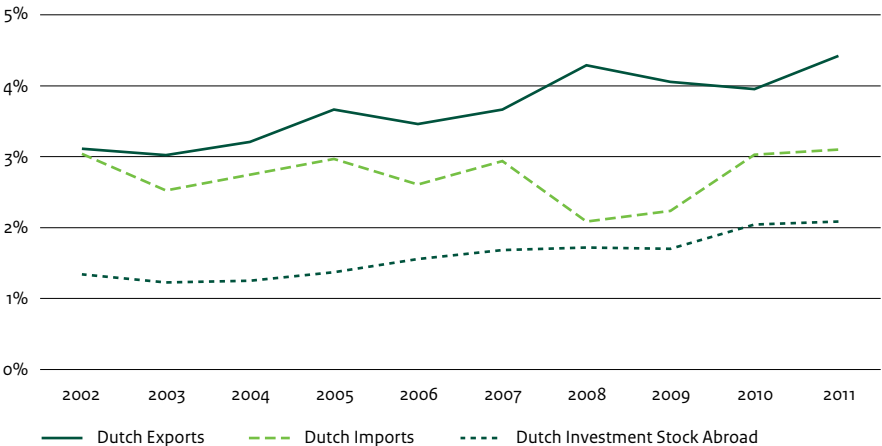
Figure 11 Dutch FDI in Latin America 2009 (turnover in EUR billions)



Although an important reorientation has occurred in historical terms, Latin American trade and investment shares for the Netherlands are still relatively low, at less than 5%. The share of exports of goods to the region in 2011 was comparable to, for example, exports to Italy. Even compared to other BRIC countries, the share of Brazil in Dutch trade is relatively low.

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Figure 12 The Latin American share in Dutch exports, imports and FDI (percentages)⁸²



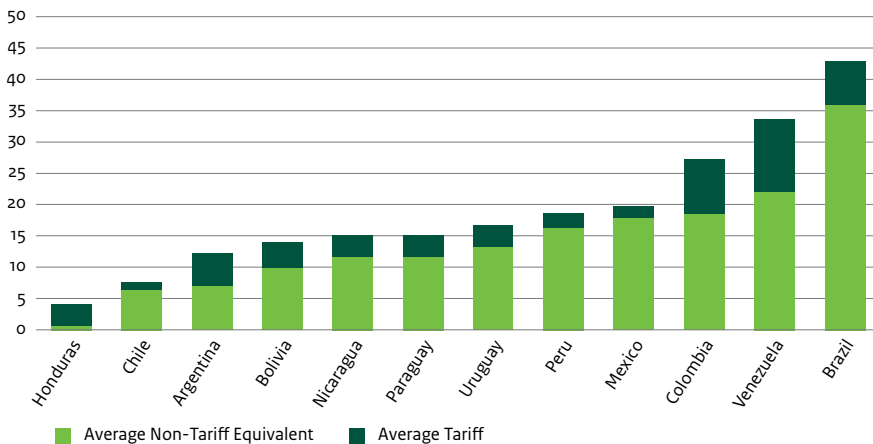
⁸² Centraal Bureau voor de Statistiek (2013). In- en uitvoerwaarde naar regio www.cbs.nl/nl-NL/menu/themas/internationale-handel/cijfers/default.htm, last accessed September 20, 2013; De Nederlandse Bank (2012). Directe Investeren: Standen. www.statistics.dnb.nl/index.cgi?lang=nl&todo=Balans, last accessed September 20, 2012.

3.2 Latin American trade environment

The relatively small amount of trade and investment between the Netherlands and Latin America can partly be explained by the distance between the two (geographically, but also in terms of language and culture), leading to additional costs of transportation and more costly and difficult control of investment.⁸³ Moreover, the economic and trade policies of Latin American countries, illustrated in Figures 13 and 14 below, also affect trade with the Netherlands.⁸⁴

Figure 13 illustrates important differences in the trade policies of Latin America. Typically, non-tariff barriers, including sanitary and phytosanitary measures and technical barriers to trade, present a greater obstacle to international trade than traditional duties, due to the lack of transparency and uncertainty they create.⁸⁵ Economic diplomacy clearly has a role to play in this area (for example in providing knowledge and enhanced market access) and seemingly much more so in Brazil than in Chile.

Figure 13 Average tariffs and non-tariff equivalents (2008)⁸⁶



⁸³ This is not just the case for Latin America. The Dutch exports to the BRICs, for example, is also relatively low compared to other European countries. Centraal Bureau voor de Statistiek (2012). *Sterke groei export BRIC-landen*. <http://www.cbs.nl/nl-NL/menu/themas/internationale-handel/publicaties/artikelen/archief/2012/2012-bric-2011.htm>, last accessed September 20, 2013.

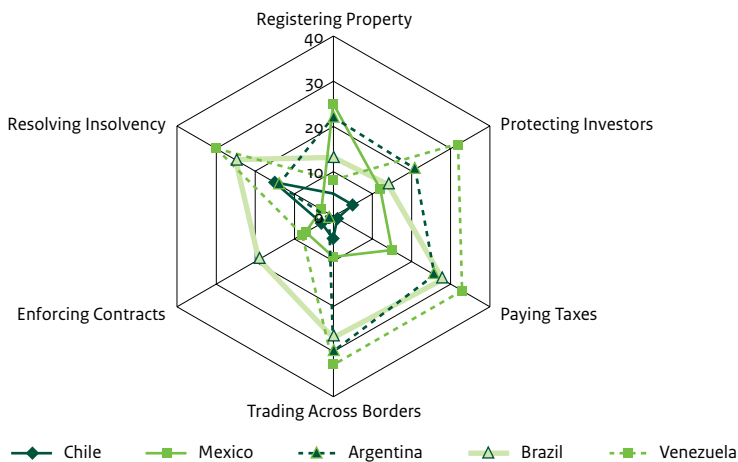
⁸⁴ Accounting for the impact of distance and economic size for the year 2010, Ramaekers and De Wit identify Brazil, Mexico and Venezuela as large economies with less than predicted trade with the Netherlands due to specific trade and investment policies and strength of intra-Latin American trade (and closeness to US). Ramaekers, P. and T. de Wit (2012). *Economiëgrootte, afstand en handel van Nederland met andere landen*. CBS Statistics Netherlands: Heerlen and Voorburg.

⁸⁵ The Inter-American Development Bank estimates that the impact of non-tariff barriers is almost 6 times as strong as that of tariffs. IDB (2012). *Trade and Integration Monitor 2012*. Washington DC.

⁸⁶ IDB (2012). *Trade and Integration Monitor 2012*. Washington DC.

The spider web presented in Figure 14 visually summarizes the regional rankings of the major Latin American economies in the World Bank Doing Business index, measuring six key aspects of business regulations for trade and investment. An intuitive interpretation of the graph would suggest that the area included in the respective country lines represents the difficulty of doing business with that country. In some cases, but not always, this would require economic diplomacy (such as trouble shooting or the use of government contacts). Chile and Mexico stand out as countries with less problematic environments, when compared to Brazil and Argentina.

Figure 14 Country regional rankings on Doing Business (2012)⁸⁷

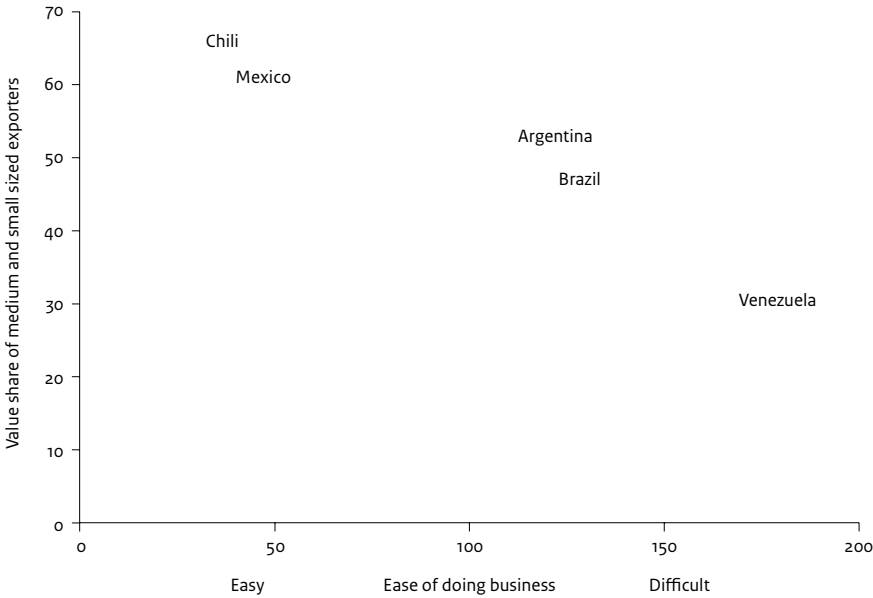


When combining information on the size of Dutch exporters to Latin America with information on the ease of doing business a clear picture emerges, revealing that the share of SMEs is consistently negatively associated with the degree of difficulty posed by the export market.

Moreover, in many Latin American countries the government plays an important role in the economy, which also affects international business. For example, in Argentina the involvement of government has increased significantly since 2003. This is combined with increasing protectionist policies which do not fear international disputes (for example the nationalisation of the oil company Yacimientos Petrolíferos Fiscales in 2012). While Mexico has evolved into a relatively open economy since the crisis of 1982, the exploration and exploitation of oil and gas is still reserved for the state company PEMEX. The same applies to Brazil, where government involvement occurs in the ports and airports sectors, as well as the oil and gas sector and elsewhere. In Chile, probably the most liberalised country, the world's largest copper mine is still government-owned (CODELCO).

⁸⁷ World Bank (2012). *Doing business: Measuring Business Regulations*. www.doingbusiness.org/rankings, last accessed November 28, 2012.

Figure 15 *Share of small and medium exporters versus the Ease of Doing Business (2011)*



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3.3 Relevance of economic diplomacy in Latin America

The mere existence of opportunities for Dutch companies in Latin America does not justify government support. Companies themselves are best placed to grasp opportunities. Economic diplomacy can be effective, however, if there are specific barriers that require government intervention. The decision tree in Figure 1 visualized the different ways in which economic diplomacy could possibly be used to promote trade and investment with Latin America (through signalling, knowledge and market access).

The characteristics of the Latin American market, as described briefly above, could a priori justify the involvement of the Dutch government through economic diplomacy, including both trade and commercial diplomacy.⁸⁸ In countries with non-tariff trade barriers or complex regulations, the Dutch government might support companies by sharing its experience in the country and making use of its government contacts, for example, with regulatory bodies (knowledge function). Furthermore, the Dutch government is well placed to provide a 'quality mark' by associating itself with consortia of companies (during trade missions or through introductions) in order to improve their position in booming markets (signalling function). In a country such as Argentina, where foreign companies are hindered by protectionist measures, trade missions and the promotion of Dutch business might be appropriate, while direct support to companies in need may be more relevant.

⁸⁸ Though not the subject of this evaluation, Dutch companies can certainly also benefit from trade diplomacy, e.g. trade agreements between the European Union and individual Latin American countries (Chile, Peru, Colombia) or the region (EU-Mercosur).

Based on the Doing Business indicators, the case for economic diplomacy to improve market access might seem less convincing in countries such as Chile and Mexico compared to Argentina and Brazil. However, even in the former there can still be a role for economic diplomacy. The nature of the product, or the sector in which there are opportunities for Dutch business, might call for government support because of the involvement of Latin American governments in the sectors (market access and signalling). For example, Dutch expertise in the water sector often requires economic diplomacy because the counterpart is the public sector (government or a semi-public institution). In this case, but also in the infrastructure and oil and gas sectors for example, the Dutch government can support Dutch companies by association and through the use of its bilateral relations, which provide access to key decision-makers.

As such, economic diplomacy can be in Latin America. The following chapters will assess whether it has been effective, specifically in Brazil (Chapter 5), and in general (Chapter 6). However, where and how economic diplomacy can best be used depends strongly on the country, sector, kind of company (size, products) and whether it concerns investment or trade. Such country-specific assessments must focus on the added-value of government intervention rather than merely business opportunities. Moreover, the benefits of government involvement need to be weighed against the costs of removing barriers.

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3.4 Use of information and trade missions by exporters to Latin America

By linking the data on the use of specific instruments of economic diplomacy as registered by NL Agency to the data on Dutch firms exporting to Latin America of Statistics Netherlands (CBS), useful background information is obtained about characteristics of the firms that do or do not use economic diplomacy.

The combination of data resulted in a dataset of about 9,400 firms that traded goods with Latin America in the period 2006-2011, with the majority (89%) not using any instruments of economic diplomacy during this period. However, 999 exporting companies (11%) did use economic diplomacy at least once. Moreover, a separate group of 1,693 companies used an instrument of economic diplomacy at least once during the evaluation period, but without exporting goods to Latin America (they might have exported services or invested).

The use of economic diplomacy consisted of:

1. Provision of information: ranging from basic information (orientation) to more in-depth market scans (which include company lists and market analysis). During the evaluation period no fee was charged.
2. Official trade missions: either high-level government trade missions or business missions (where participants receive a government subsidy but the mission is not led by a government official), for which firms paid travel expenses only up to 2012.

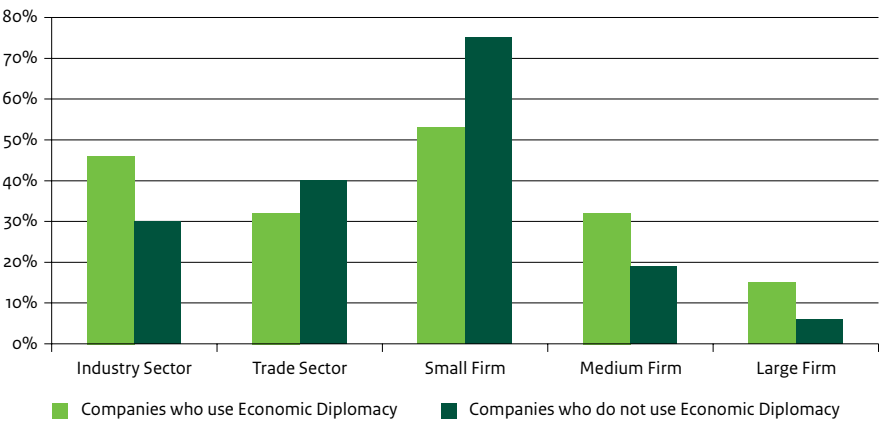
Figure 16 Use of economic diplomacy by Dutch firms who export, or do not export, goods to Latin America (2006-2011)



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Figure 17 illustrates that 40% of Dutch exporters who make use of economic diplomacy belong to the industrial sector, while another 30% belongs to the trade sector (other sectors are not shown here). Out of the Dutch exporters who make use of economic diplomacy over 50% are small enterprises, followed by medium and large enterprises. Conversely, the Dutch exporters who do not make use of economic diplomacy predominantly belong to the trade sector (40%), followed by the industrial sector, and most of them are small companies (about 75%).⁸⁹

Figure 17 Characteristics of firms who export goods to Latin America (2006-2011)



⁸⁹ The use of economic diplomacy as a whole, or other instruments (e.g. endorsement by Embassy, trouble-shooting etc. as described earlier in chapter 3) and for other types of international business (e.g. export of services or FDI, multinational companies), might have a different profile.

Table 2 below also shows that companies with more international experience and who export more products to more countries make more use of economic diplomacy. They seem to be able to find their way to government services, while smaller firms or less experienced exporters seem less likely to do so.⁹⁰ In any case, surveys have indicated that in general only about a quarter of Dutch companies have contacts with Dutch representation abroad. They either make their own way (51.7%) or are unaware of such services (29.3%).⁹¹

Table 2 International orientated companies make more use of economic diplomacy		
	Trade with ED	Trade without ED
Average number of destinations	42	30
Average number of goods exported	51	39

Different kinds of companies (with regard to size or sector) have different needs with respect to economic diplomacy. Based on interviews and a review of documents from embassies in Latin America it appears that in general trade missions are particularly useful for smaller companies in establishing contacts in new markets (and actually also for networking within the group of Dutch companies and government). The larger Dutch multinationals have their own networks abroad and use trade missions to maintain their contacts (such as, for example, the round table meeting in 2009 with the Dutch Prime Minister, the Brazilian President and the CEO of Petrobrás). With regard to information, larger companies collect their own intelligence, for which they obviously have more resources than smaller firms, but they might still use Dutch representation for support with specific problems. In Argentina, for example, the Dutch government was asked to mediate in a conflict between Shell and the Argentinean government about diesel prices.⁹² In Mexico, the European embassies joined forces to tackle problems at the airport in Mexico City, which threatened to harm various European airlines, including KLM.⁹³

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Focusing on particular instruments, as presented in the following figures, illustrates how information is primarily accessed by firms that do not export goods to Latin America (but may, however, export services, or import from or invest in Latin America). Moreover, some of these companies might not export to Latin America precisely due to the outcomes of commercial diplomacy (for instance when they have been provided with the necessary information to make such a decision).

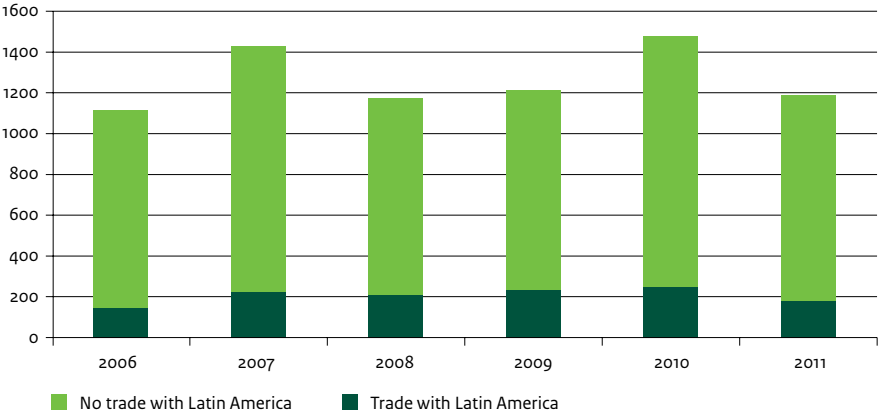
⁹⁰ The group of companies that uses economic diplomacy but does not trade has very little experience with exporting goods and are mostly small. This could imply a problem with pre-selection by NL Agency or be the result of the database being restricted to exports of goods (i.e. those firms do have experience with investment abroad or export of services).

⁹¹ FME-CWM (2011). Resultaten IO 2011: *Economische Diplomatie*. <http://www.fme.nl/dsresource?type=pdf&objectid=default:40912&versionid=&subobjectname=>, last accessed September 20, 2013.

⁹² Baud, M. (2013). *Beleidsvaluatie Nederland-Argentinië, 2005-2012*. Report for IOB.

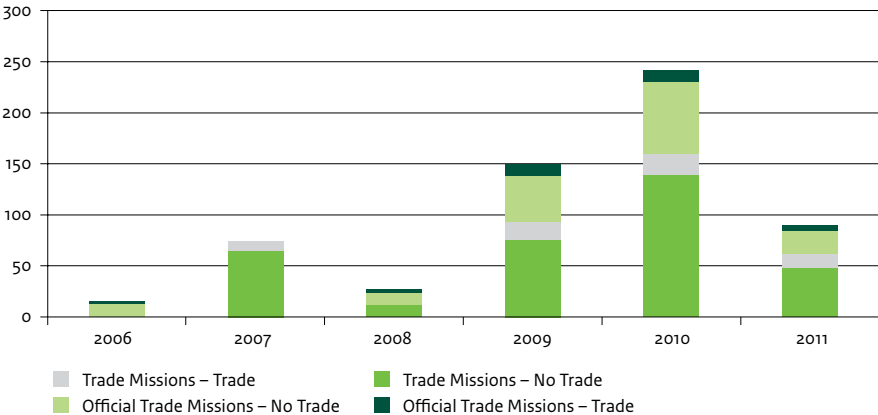
⁹³ Pansters, W. G. (2013). *Achtergronden, doelstellingen, uitvoering en resultaten van de Nederlandse buitenlandse politiek met betrekking tot Mexico (2006-2012)*. Report for IOB.

Figure 18 *Use of information services on Latin American countries by Dutch companies (2006-2011)*



The data indicates that the use of trade missions pertains to SMEs (though most export value is generated by the large participating firms), predominantly located in three sectors (services, trade and industry) and exporting to Brazil and Mexico.⁹⁴ Figure 19 compares the use of trade missions by those who do and do not export to Latin America, including trade missions headed by government officials or business missions subsidized by the government. Given that trade missions require much more commitment from firms (at least in terms of travel expenses, compared to free information services), one would expect less interest from companies that do not trade with Latin America, but this does not seem to be the case. Nevertheless, this graph should be approached with care, as companies that are not trading goods may still be trading services or investing in Latin America.

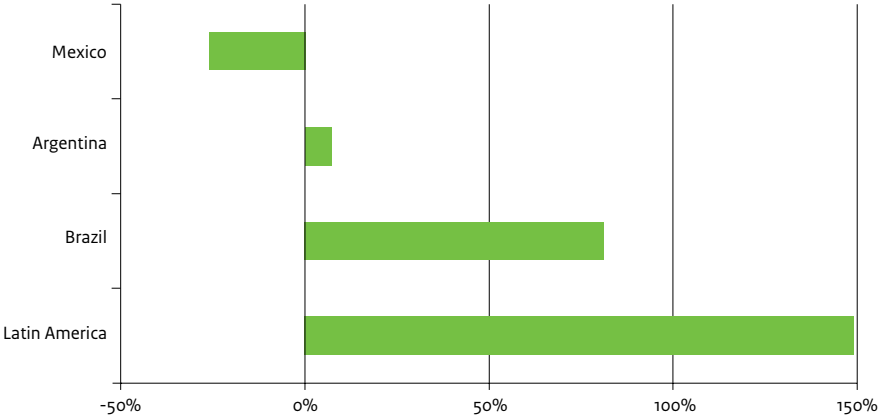
Figure 19 *Participation in trade missions by companies who export, or do not export, goods to Latin America (2006-2011)*



⁹⁴ Note that some firms exported to more than one Latin American country and that some overlap thus will occur.

Finally, the data also indicates that those who use economic diplomacy have a higher export value on average than those who do not, except for exporters to Mexico (Figure 20).⁹⁵

Figure 20 *Difference in average exported value of companies that use economic diplomacy, compared to companies that do not use economic diplomacy*



The question that logically follows from this graph is whether there is any relationship between the use of economic diplomacy and exports. This requires multivariate analysis, as there are other, possibly more important determinants of export values (such as export experience, firm size, sector and type of economic diplomacy). This analysis will be presented in Chapter 6.

⁹⁵ This also depends on the characteristics of the firms (e.g. large firms that participated in an official trade mission have higher export values than those in business missions; for small firms, however, a higher export value is associated with business missions).

4

The special case of Brazil

Having established the potential role for economic diplomacy in Latin America based on the characteristics of the market (such as the nature of government involvement and barriers to trade), the question to be considered is whether such economic diplomacy has in fact been effective. Brazil was chosen for the case study because it plays a key role in Dutch policy on Latin America and is a priority country for Dutch economic diplomacy, as a result of the opportunities the country is thought to offer Dutch traders and investors.⁹⁶

4.1 Trade environment, including the nature of government involvement and the existence of barriers to trade

4.1.1 Trade and investment⁹⁷

Dutch exports to Brazil increased from EUR 566 million in 2002 to EUR 1.519 billion in 2011.⁹⁸ Their share in the total exports of the Netherlands has also increased in the past few years, although this was still a relatively small share of 0.55% in 2011. With regard to services, in 2011, Dutch firms exported about EUR 1.5 billion worth of services to Brazil, equivalent to 1.6% of total Dutch services exports.⁹⁹ Between 2002 and 2011, medium-sized companies in particular managed to increase their share of exports to Brazil.¹⁰⁰ However, entry and exit rates of firms exporting to Brazil are significant. In 2008, 53% of the Dutch firms exporting to Brazil entered this market for the first year, while 32% of the same set of firms stopped exporting to Brazil.¹⁰¹

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⁹⁶ Brazil has also been identified as one of the focus countries of the Dutch Trade Board, a public-private partnership for the promotion of foreign investment and trade by the Netherlands.

⁹⁷ Trade data is drawn from Centraal Bureau voor de Statistiek (2012). *Evaluatie Nederlandse handel en investeringen met Latijns-Amerika 2002-2011*. Report for IOB. For the longstanding history of NL in Brazil since 1630, see Bethell, L. (ed.) (1984). *The Cambridge History of Latin America*. Cambridge: Cambridge University Press; Burkholder, M.A., L.L. Johnson (2008). *Colonial Latin America*. Oxford: Oxford University Press; Vainfas, R. (2000). *Dicionário do Brasil colonial: 1500-1808*. Ceará: Objetiva.

⁹⁸ It is interesting to note that the export to Brazil (as for all BRICs) consist of relatively little re-exports: 36 percent compared to 46 percent for all Dutch exports in 2011. Centraal Bureau voor de Statistiek (2012). *Sterke groei export naar BRIC-landen*. <http://www.cbs.nl/nl-NL/menu/themas/internationale-handel/publicaties/artikelen/archief/2012/2012-bric-2011.html>. Last accessed April 25, 2013.

⁹⁹ The largest category of services exported is the 'other business services' (EUR 872 million in 2011), which includes transit trade, operational leasing, legal services, advice and consultancy, R&D and intra-concern services (e.g. from Petrobrás Nederland BV that supplies the company in Brazil with machinery and services from Europe).

¹⁰⁰ When compared to Dutch exports to Latin America, exports to Brazil show a larger participation of middle-sized companies and smaller shares for the other two groups of firms. Centraal Bureau voor de Statistiek (2012). *Evaluatie Nederlandse handel en investeringen met Latijns-Amerika 2002-2011*. Report for IOB.

¹⁰¹ Centraal Bureau voor de Statistiek (2012). *Sterke groei export BRIC-landen*. <http://www.cbs.nl/nl-NL/menu/themas/internationale-handel/publicaties/artikelen/archief/2012/2012-bric-2011.htm>, last accessed September 20, 2013.

The Netherlands is a large investor in Brazil.¹⁰² As mentioned above, this was historically concentrated in the industrial sectors, in the manufacture of consumer goods (Unilever, Philips, Heineken) and in the fuel sector (Shell). In recent years, there has been a diversification of Dutch investment in Brazil, with ‘new’ sectors such as oil and gas gaining relevance, and activities related to maritime transportation, together with technology-intensive services (including finance and insurance, services associated with the oil and gas industry and maritime transportation).¹⁰³

The Netherlands appears in the third place as an FDI destination for Brazil, with a share of 10.8% of the stock accumulated by 2011, after Austria (24.6%) and the Cayman Islands (16.7%). This feature is closely related to the tax regime and other comparative advantages that the Netherlands offers to the settlement of holding companies in the country.

Trade and investment data provides clear evidence of the economic importance of Brazil to the Netherlands, as well as pointing to the opportunities that still remain to increase export shares and attract more Brazilian investment to the Netherlands. This in itself, however, does not provide sufficient reason for employing economic diplomacy. In general, Dutch companies have been able to spot and respond to such opportunities, as can be witnessed from the longstanding activity of Dutch companies in Brazil.

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4.1.2 Brazil's industrial policies

The analysis of Brazilian trade and investment policies over the past decades, conducted as part of this evaluation, provides useful insights to determine the need for Dutch economic diplomacy.¹⁰⁴ As frequently mentioned in interviews conducted for this evaluation: ‘once you’re in, you’re in’. However, ensuring that Dutch companies are ‘in’ is not easy.

Historically, Brazil's unilateral trade and industrial policy has strongly been influenced by the country's successful experience with industrialization, which was based on government support for domestic industry and import substitution (1950s to 1970s). This model, which has proven to be resilient across governments with various political orientations, continues to be supported by a broad coalition in both the public and private sectors.¹⁰⁵

It was only during the late 1990s that opposing interests emerged out of competitive export sectors, in particular in agribusiness and mineral extraction. Partly thanks to government

¹⁰² Interestingly, investment data collected through the Brazilian Central Bank paints a different, less positive picture of Dutch investment in Brazil. The Brazilian authorities consider that more than 90% of the FDI stock from the Netherlands is not truly Dutch (i.e. controlled by Dutch owners). For more detailed explanation of this methodology, see the website of Central Bank of Brazil: http://www.bcb.gov.br/Rex/Censo2010/port/Resultados_preliminares_Censo_2011.pdf.

¹⁰³ KPMG (2011). *Investment in Brazil*. São Paulo: Escrituras Editora.

¹⁰⁴ This chapter draws heavily from CINDES (2012). *Overview of Brazilian Trade and Industrial Policies and Bilateral Economic Relations with the Netherlands*. Report for IOB.

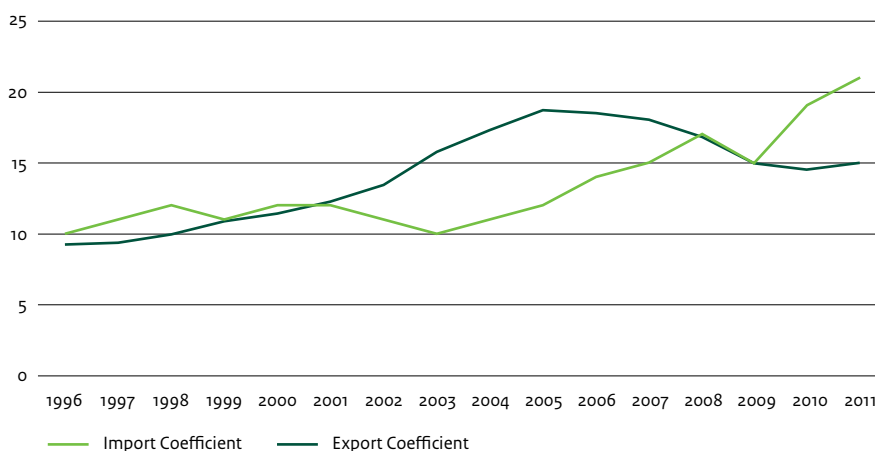
¹⁰⁵ Its main supporters are the executive branch of the government (economic ministries, Ministry of Foreign Affairs, the National Development Bank), industrial associations (at the national level, e.g. the National Confederation of Industry, or state level, e.g. FIESP), and even the Unions and Congress (who play a relatively minor role in trade and industrial policymaking).

policies implemented since the 1970s (such as the opening up of the Western territories and financial incentives), the agricultural sector had become one of the most efficient and competitive in the world, both technologically up to date and attuned to the world markets. The agribusiness sector was influential in pushing the Brazilian government towards more offensive positions with regard to market access and subsidies in the agricultural negotiations of the WTO Doha Round. However, in recent years, the Chinese demand for commodities and the high prices for agricultural goods in the world markets has reduced the need for agribusiness to rely on trade agreements with developed countries. As a result, this sector now no longer counterbalances the general protectionist stance that still prevails in Brazil's trade policies.

The deepening of the international crisis in 2009 had a severe impact on the Brazilian economy, leading to initiatives to boost consumption and once again stimulate domestic industrial production. Following a sharp increase in Brazilian imports at the beginning of 2010 (see figure 22), the Brazilian government became more responsive to calls from the private sector for protectionist measures. This shift has been accentuated by the recent 'Plano Brasil Maior', the new industrial policy plan launched by the Dilma Rousseff administration in August 2011.¹⁰⁶

Figure 21 *Import/Export Coefficient for the industrial sector¹⁰⁷*

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The purpose of this new industrial policy is to stimulate investment and innovation and thereby increase the competitiveness of the nation's goods and services. Local content requirements are a key feature of the policy, including requirements for domestic content in order to access official credit and tax incentives, and preferences for local companies in government procurement. In addition, current industrial policy discriminates against

¹⁰⁶ www.brasilmaior.mdic.gov.br/inicio

¹⁰⁷ Centre for the Study of International Trade Foundation (2012). *FuncexData*. <http://www.funcex.org.br/>. Last accessed July 22, 2013.

imported goods through the use of differentiated domestic taxes, for example, in the automotive industry.¹⁰⁸

By 2012, however, this economic strategy seemed to have reached its limits.¹⁰⁹ The enforcement of some of the measures had become overly complex and the fiscal space to support such industrial policies – with intensive use of subsidies – narrowed significantly. As a result, the government is now shifting its focus towards what has been called the ‘Custo Brasil’, that is, the systemic and regulatory costs that negatively impact on the cost of production and investment in Brazil. This has led to proposals for concessions and privatizations in relation to infrastructure (especially in the transport sectors) and measures to reduce the cost of energy in Brazil through the tax regime. While the Custo Brasil was relatively easy to identify, it has proven to be very difficult to address.¹¹⁰

4.1.3 Brazil’s policy on foreign investment

As a large investor in Brazil, the country’s approach to Foreign Direct Investment is of particular importance to the Netherlands. Interestingly, compared to other countries with a history of import substitution, and in contrast with the treatment of imports, Brazil has not been overly discriminatory in the regulation of FDI flows (although key sectors are currently protected by local content requirements). It is precisely this distinction that has actually served the Brazilian model of development: the large, dynamic domestic market that was protected by all sorts of trade barriers was also what attracted FDI to Brazil, with the profitability of foreign investments guaranteed by protectionist trade and industrial policies.¹¹¹

A bilateral investment protection treaty was signed between the Netherlands and Brazil in November 1998. However, none of these treaties was subsequently ratified in Brazil, with the agreements blocked in Congress by the PT. To date Brazil remains the only emerging economy that has no agreements in place to protect foreign investors’ rights.¹¹²

¹⁰⁸ Policies affecting the services sector do not differ greatly from the goods sector, leading to the same combination of protectionism in trade combined with a relative openness to FDI. In general, Brazil allows international service provision by foreign companies located in Brazil, but limits cross-border services, that is, the provision of services in Brazil from abroad (e.g. imports of services are subject to higher tax rates than those charged to domestic suppliers).

¹⁰⁹ CINDES (2012). *Política Comercial em Foco* N. 10. http://www.cindesbrasil.org/site2010/index.php?option=com_jdownloads&Itemid=7&view=finish&cid=684&catid=6. Last accessed July 22, 2012.

¹¹⁰ In part, the difficulties arise because the interests of state governments do not necessarily converge (e.g. reform of tax structure). Addressing the Custo Brasil is also hampered by resistance from the federal bureaucracy, for example, the Receita Federal do Brasil (RFB) is responsible for both tax policies and tax collection. Moreover, the policy choices do not readily accord with the political stance of the current major government party (Partido dos Trabalhadores: the Workers’ Party).

¹¹¹ In addition to being relatively liberal, the Brazilian investment regime has been notable for its stability, being regulated by constitutional rules and by law since the early 1960s (Law number 4.131) and thus surviving significant political changes in Brazil between the 1960s and the 1980s.

¹¹² Brazil has restricted itself to signing and ratifying the WTO agreements for goods and services only. The lack of a valid bilateral investment treaty between the Netherlands and Brazil was mentioned by Dutch companies and organizations interviewed for this evaluation. Furthermore, in recent years, important interest groups in Brazil – such as CNI – have cautiously proposed a reopening of the discussion of Brazil’s position on investment agreements. This has been influenced by a shift in Brazil’s position from a recipient of FDI to an active investor abroad.

Box 2 Tax agreements

With respect to both Dutch FDI in Brazil and Brazilian FDI in the Netherlands, tax agreements are also of importance, with the Netherlands and Brazil signing a treaty to avoid double taxation and fiscal evasion in 1990, which came into effect in 1992 and lasted until November 2012. However, the Netherlands has had problems in Brazil because of the former's status as a 'tax paradise', or 'special holding regime'. According to the business sector, both in Brazil and abroad, this approach inhibits the expansion of foreign investment flows, especially those generated by SMEs.¹¹³ Several Dutch ministers have brought up this issue with the Brazilian government during trade missions (2010, 2012), including missions dedicated specifically to this issue (March/June 2012). The Netherlands is now no longer considered to be a privileged tax regime (IN 1037).¹¹⁴ In principle, this should have removed some of the barriers to FDI between the countries, but the suspension requires close monitoring.

4.2 Relevance of Dutch economic diplomacy in Brazil

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4.2.1 Experience of Dutch companies in Brazil

Interviews with various Dutch companies conducted for this case study as well as various publications on 'doing business in Brazil' in general confirm the combination of opportunities and barriers in Brazil described above. Apart from the Custo Brasil and Brazilian industrial and trade policies, the more elusive obstacle of 'culture' is also often mentioned, referring both to the language and the business culture.

In 2011, the Dutch Ministry of Economic Affairs commissioned a survey of 400 Dutch SMEs active internationally to look into the limited success of Dutch companies in the BRICs.¹¹⁵

The main country-specific constraints in Brazil were said to be:¹¹⁶

- Trade and other barriers (formal and informal, local content rules, tender procedures, import taxes);
- Importance of local presence (difficulties in identifying local agents, high cost of production, lack/costs of qualified personnel);
- Bureaucracy (including complex and unstable tax and labour regulations, unclear and bureaucratic rules, both exacerbated by differences between different levels of government);

¹¹³ Motta Veiga, P. da (2010). *Acordos para evitar a dupla tributação: a especificidade brasileira*. Technical Note. Confirmed by interviews. Rio de Janeiro: CINDES.

¹¹⁴ Falcão, T. (2012). *The Brazilian transfer-pricing rules: a new approach to transfer pricing?* www.taxjustice.net/cms/upload/pdf/Brazil_transfer_pricing_rules_1106_Falca7710.pdf. Last accessed January 30, 2013.

¹¹⁵ The findings were confirmed by the interviews conducted for this evaluation.

¹¹⁶ APE (2011). *Nederland en de BRICs: oorzaken van de beperkte aansluiting van Nederlandse bedrijven*. Onderzoek voor het Ministerie van Economische Zaken, Landbouw en Innovatie. Den Haag.

- Language, culture and way of doing business (through for example more personal and long-term relationships, differences in time management);¹¹⁷
- Risk of copyright infringement and plagiarism, and investment risks in general. While this mattered to only a minority of Dutch companies exporting to Brazil, in the interviews companies did mention the lack of an investment agreement between the Netherlands and Brazil as well as the uncertainties surrounding the double taxation agreement;
- Corruption was not often mentioned in the survey or in the interviews. However, in the interviews the implications of the Brazilian government's stricter stance on corruption, that is, the fact that this increased the bureaucracy (for example complex regulation), was emphasized.

Clearly, it is not just Brazilian trade and industrial policy that steers foreign companies to work closely with or through Brazilian partners. It is also necessary to deal with other aspects of the business environment, including the cultural context. As described by one of the interviewees, 'you cannot be taken seriously without a Brazilian address on your business card'.¹¹⁸

4.2.2 Implications for Dutch economic diplomacy in Brazil

This business environment, combined with Dutch-Brazil patterns of trade and investment, has several implications for economic diplomacy:

1. Without doubt, Brazil is an attractive market for Dutch international business. It is, however, not an easy market in which to gain a foothold. The country's trade and industrial policies are geared towards the support of local production, which makes the business environment burdensome for new entrants, in particular when importing in competition with local industries. However, the same policies that keep foreign companies out also result in relatively high margins once in. Moreover, recent attention to technological innovation and investment in infrastructure as part of the *Custo Brasil* agenda provides opportunities for Dutch companies (regarding for example infrastructure investments).
2. It is certainly important that the Dutch economic network in Brazil (but also the relevant agencies in the Netherlands) forewarn new exporters or investors about the complexity of the Brazilian market.¹¹⁹ Moreover, using its proximity to the Brazilian

¹¹⁷ When using the measurement of cultural distance, developed by Hofstede, the distance between the Netherlands and Brazil differs significantly on collectivism and hierarchy. However, it makes little sense to undertake a comparison with Brazil as a whole, given the substantial differences within the large country, between and within states. Notwithstanding, in general there seem to be significant differences in business culture.

¹¹⁸ At the same time, it should be noted that a study of export decisions by large Dutch companies indicated that market entry costs (including institutions and regulation, cultural distance) were the main determinants in the decision to enter the export market or not, rather than the volume exported. For small and new exporters to Brazil, these high start-up costs and uncertain environment might well be insurmountable. Centraal Plan Bureau (2010). *Export margins and export barriers: uncovering market entry costs of exporters in the Netherlands*. The Hague.

¹¹⁹ According to the Dutch Chamber of Commerce in Brazil, the fact that companies often underestimate the complexity of the Brazil business environment is partly due to lack of preparation by Dutch firms and only partly due to Brazilian policy. Dutcham (2012). *Kompas 2012-2013*. São Paulo.

government and high-level actors, the Dutch representation in Brazil can play a unique role in monitoring the country's trade and industrial policies. At the same time, given the country's popularity, information on Brazil is generally readily, widely and publicly available, which reduces the role of the Dutch government in this area (such as the provision of 24 hour market scans). Moreover, in-depth knowledge of constantly changing regulations and legislation affecting specific sectors requires expertise that cannot be expected from the Dutch government in its current set up (although this might not be the case for attachés, who are generally more specialised). A referral role should suffice here.

3. When devising a strategy to increase Dutch business with Brazil, the more favourable reception of FDI compared to imports should be taken into account. The growing use of local content rules in sectors of interest to Dutch companies (such as oil and gas, maritime transportation) also influences the choice whether to export to or invest in the Brazilian market. At the same time, investments require different inputs, such as capital, production scale and guarantees, that are not necessary for export operations. Thus, the way in which economic diplomacy offers support will also differ. Increased FDI between the Netherlands and Brazil, moving in both directions, also necessitates attention in the form of bilateral or regional (EU-Mercosul) agreements.
4. This also has implications for the kind of companies that can enter the Brazilian market. In particular, companies that have sufficient capital, both human and financial, an adequate scale of production, and experience with international business will be able to make the longer term investments (including in commercial relationships) required to be successful in Brazil. Given the capacity of the economic network, it is appropriate to acknowledge this reality upfront in any strategy for economic diplomacy and trade promotion.
5. The importance of the services sector in trade and investment flows from the Netherlands is growing. However, the services sector has increasingly been subjected to restrictions in Brazil, particularly regarding imports (cross-border services). The obstacles experienced in the services sector differ significantly from those that investors or exporters of goods must deal with. Again, this needs to be incorporated into the strategy for economic diplomacy.
6. On the positive side, Dutch exports and investment in Brazil are relatively technology intensive, which is generally attractive to the Brazilian government as part of their economic development strategy. Dutch supply generally reflects the main goals and instruments of domestic industrial policy, for example, the Brazilian demand for infrastructure investment, and the Dutch economic network can respond by facilitating cooperation in this area, promoting technology-intensive Dutch FDI.¹²⁰

¹²⁰ This started with the addition of a Science, Technology and Innovation attaché to the network in 2012.

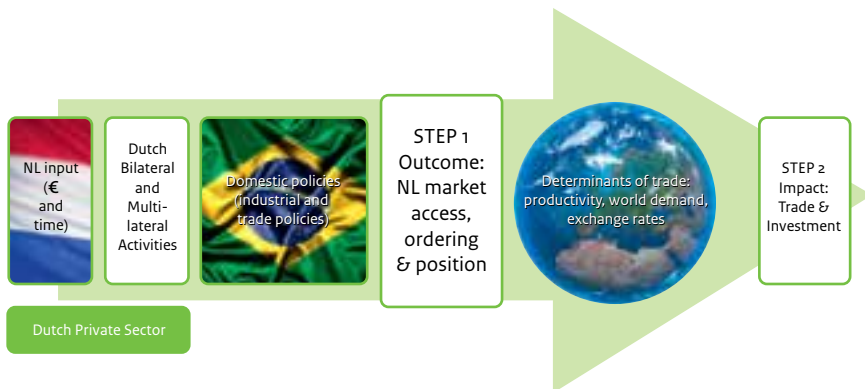
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Evaluating Dutch economic diplomacy in Brazil

5.1 Methodology

As discussed earlier and illustrated in figure 22, the evaluation starts with a qualitative assessment of the use of economic diplomacy in Brazil. The case study evaluates the effectiveness of Dutch economic diplomacy at the outcome level, that is, the extent to which economic diplomacy facilitates Dutch trade and investment with Brazil, for example by positioning Dutch business and facilitating market access.

Figure 22 Step 1 in evaluating the effectiveness of Dutch economic diplomacy



Rather than broadly describing Dutch economic diplomacy in Brazil, which spans many different sectors (at least all of the nine key sectors), this evaluation took a more specific case study approach to assess the effectiveness of Dutch economic diplomacy, focusing on the ports, maritime transport and logistics sector.¹²¹

This sector was chosen because:

- It has been a priority sector of the Dutch government in Brazil since 2007, leading to significant support to Dutch companies in this sector (both economic diplomacy, as well as financial support);
- The significant involvement of the Brazilian government means that it fulfils at least one of the criteria for utilizing economic diplomacy (according to the decision tree in Figure 1);
- Two Memoranda of Understanding (MoU) were signed by the Brazilian and Dutch governments concerning this sector (2009, 2012), through which different instruments of economic diplomacy are employed.

¹²¹ Though the conclusions are specific for the case study sector, discussions of preliminary findings with different audiences do give the impression that lessons emerge that are more widely applicable. For example, Dutch Trade Board Brazil meeting (October 2012) and the meeting of the Dutch economic network in Brazil (November 2012).

5.2 Relevance

According to the main policy documents, the case study sector was given priority for economic diplomacy in Brazil because:¹²²

- the opportunities (including public and private investments in infrastructure, demand for new technologies, etc.) were considered greater than the barriers (inward focused country, protectionism, tax burden, complexity of regulations and rigid labour market);
- there was an interest from Dutch companies active in this sector (or the interest could be generated);
- participation by the Dutch government was thought to have a clear added value.

An extensive review of the ports and maritime sector in Brazil conducted as part of this evaluation confirms that its characteristics justify the use of Dutch commercial diplomacy.¹²³ There are indeed specific barriers to Dutch business that can be lowered through the involvement of the Dutch government.

Based on the decision tree for economic diplomacy (Figure 1), the following elements stand out:

- There is complex regulation and legislation in the sector and fluctuating policy developments that at times hinder foreign investment and trade (knowledge function as well as market access function);
- There are benefits to the collective promotion of Dutch expertise in the sector (signalling function);
- There is significant involvement of the Brazilian government in the sector at both the state and federal levels (access function). Moreover, the customers are large, often fully or partly state-owned companies (such as Petrobrás and Transpetro).

5.3 Inputs: the economic network¹²⁴

The economic network in Brazil is highly appreciated and has grown steadily, even in recent years while the Dutch government has suffered budget cuts and other embassies in Latin America have been closed. However, the activities of the economic network seem

¹²² As described in Ministerie van Economische Zaken (2009). *Visiedocument Brazilië*. Den Haag; Ministerie van Infrastructuur en Milieu (2012). *Overzicht Sector: Havens, Transport en Logistiek*. Den Haag.

¹²³ CINDES (2012). *Desempenho da Diplomacia Econômica Holandesa no Brasil: Estudo de caso. 1ª parte*. Report for IOB. See also other publications by José Tavares de Araujo Jr. and Eduardo Augusto Guimaraes: <http://tinyurl.com/CINDESports>, last accessed September 20, 2013.

¹²⁴ Unfortunately, there is insufficient information to assess the overall costs of providing economic diplomacy for the case study sector, beyond the costs of specific activities. This would require better registration of activities by the economic network, including developing a method to attribute overhead costs to this particular sector.

insufficiently prioritized, which may hamper the capacity of the network to proactively carry out economic diplomacy.¹²⁵

The network is centrally managed from Brasília, and while several people in the network report back to different ministries in The Hague, the network in Brazil itself seems to be an example of cross-sectoral cooperation. In recent years, for example, the agriculture attaché has increasingly been integrated into the network.¹²⁶ Other areas, such as public diplomacy, culture and human rights, are also called upon in economic diplomacy.¹²⁷ For example, part of the funds for human rights are made available for activities in the area of corporate social responsibility, managed by the economic network. In the same vein, the strategic plans (starting in 2009 but even more so in 2012) have a strong focus on economic diplomacy across all sectors.¹²⁸

It is important to monitor how the subjection of all forms of bilateral relations to economic diplomacy affects other aspects of bilateral relations. This may in turn affect economic diplomacy due to the way it portrays the Netherlands.¹²⁹ In the interviews conducted for this study, the image of a pushy salesman was often used, generally not much appreciated in Brazil. Even after visiting Germany, which has much stronger commercial and historical ties with Brazil than the Netherlands, President Rousseff stated in a Brazilian magazine:¹³⁰ ‘I wanted to make clear that Brazil no longer wants to be seen as a destination for speculative capital or just a consumer market for the products they export’.

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Ultimately, people make or break economic diplomacy. From interviews with Brazilian counterparts and Dutch companies that interacted with the network,¹³¹ a generally positive appreciation of the economic network in Brazil and of those involved in the case study sector emerged. The Dutch diplomats and government officials were thought to be ‘attentive, frank and technically strong’.¹³²

¹²⁵ The network is currently assessing the geographical spread, including the use of honorary consuls to expand coverage. Re-assessment of the NBSOs’ location (but perhaps also its activities) should likewise affect the capacity of the network.

¹²⁶ Also confirmed by Ministerie van Buitenlandse Zaken (2011). *Rapport organisatiedoorlichting ambassade van het Koninkrijk der Nederlanden te Brasilia*. Den Haag.

¹²⁷ For example, the Year of Holland in Brazil (Ano da Holanda no Brasil) combined cultural events with network opportunities for companies. Ministerie van Buitenlandse Zaken (2011). *Ano da Holanda no Brasil*. São Paulo.

¹²⁸ Ministerie van Economische Zaken (2009). *Visiedocument Brazilië*. Den Haag; Ministerie van Buitenlandse Zaken (2012). *Meerjarig Interdepartementaal Beleidskader*. Internal document.

¹²⁹ Though this has not been evaluated in this case study, initiatives such as the Dutch Visitors Programme (in which international opinion makers such as parliamentarians, human rights lawyers, journalists, are invited to the Netherlands) draw attention to other kinds of relations between the countries. This might (but not necessarily has to) affect economic relations.

¹³⁰ Veja (2012). *Edição 2262*. March 28, 2012.

¹³¹ However, surveys with Dutch companies point out that only one quarter of companies has contact with the Dutch representation abroad (8.8% for Brazil). FME-CWM (2011). *Resultaten IO 2011: Economische Diplomatie*. <http://www.fme.nl/dsresource?type=pdf&objectid=default:40912&versionid=8&subobjectna me=>, last accessed September 20, 2013.

¹³² Interviews Brazilian counterparts.

Certainly, at times the economic network has been hampered by limited local knowledge, limited language skills and an inadequate handover process – for example when diplomats change positions as part of the four-year rotation system.¹³³ However, over time the economic network has built up in-depth sector-specific knowledge and contacts. Moreover, the network has been able to rely on qualified local staff with longer term contracts, and Brazilian government counterparts have said they valued this consistency and continuity of the contacts with the Netherlands.¹³⁴

Before the substantial expansion of the network in 2011-2012, capacity was limited, at least relative to the demands on the network in a priority country such as Brazil.¹³⁵ Moreover, despite the evident motivation of individuals in the current economic network, it is striking how much of their time is spent on activities that are only indirectly related to economic diplomacy to the detriment of economic diplomacy (such as establishing and maintaining relationships and follow-up).¹³⁶ This leads to situations in which senior economic advisors book hotels (which is no sinecure in the major Brazilian cities), but lack time to cross the same traffic-jammed cities to attend a trade show for a priority sector. Outsourcing to private parties, which occurs only on an *ad hoc* basis (for example for the subsidised business missions), has not always been successful in reducing the workload for the economic network.¹³⁷

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In principle, the economic network serves all Dutch companies regardless of their size.¹³⁸ However, as discussed above, generally speaking Brazil is not an easy market for smaller firms to engage in. Given the protection of domestic industry, market access is limited to all but a select group of smaller sized companies, for example, those offering a specific technology-intensive product or service. In the case study sector these are mostly service deliverers (for example engineering, consultancies, training). Large companies generally find their own way into Brazil, including contacts with the Brazilian government.

Nevertheless, they can benefit from diplomacy which ‘opens doors’ and gives them access to new markets (for example participation in high-level trade missions, meetings accompanied by the ambassador). This works both ways in fact, as the Dutch government and other Dutch companies also benefit from Dutch companies that are already established

¹³³ Brought up in interviews with both stakeholders, companies and counterparts, as well as in the report of the internal inspection of the Ministry of Foreign Affairs. Ministerie van Buitenlandse Zaken (2011). *Rapport organisatiedoorlichting ambassade van het Koninkrijk der Nederlanden te Brasilia*. Den Haag.

¹³⁴ Interviews.

¹³⁵ Ministerie van Buitenlandse Zaken (2011). *Rapport organisatiedoorlichting ambassade van het Koninkrijk der Nederlanden te Brasilia*. Den Haag.

¹³⁶ Proper time registration is badly missing though. Interviews ego-group, as well as Ministerie van Buitenlandse Zaken (2011). *Rapport organisatiedoorlichting ambassade van het Koninkrijk der Nederlanden te Brasilia*. Den Haag.

¹³⁷ Interviews private companies and economic network.

¹³⁸ In Brazil, as elsewhere in the world, it is acknowledged that ‘Dutchness’ is a rather fluid concept (e.g. location does not equal ownership). It is, for example, possible that foreign companies with a Dutch address join Dutch trade missions, while Dutch companies that are multinational and have the international division based abroad, are excluded (interviews).

in Brazil, some of which have been present for many years (such as AkzoNobel, Philips, Shell, Unilever). The Port of Rotterdam is another example: it is often perceived as being part of the Dutch government (as a semi-public institution), and this has a positive effect on its reputation, while also enhancing the reputation of the Netherlands in the port sector in general.

In practice, there is some filtering of firms, for example on the basis of their experience with exporting outside the EU. Some of this filtering occurs in The Hague, where NL Agency is the entry point for trade questions and market scans. In several interviews, however, the need to improve the current selection procedures, for example for trade missions or market scans, was mentioned.¹³⁹

5.4 Activities

The Dutch economic network has been actively engaged in economic diplomacy in the ports, maritime transport and logistics sector since 2007. Different instruments and programmes have been used across the whole sector. Figure 23 provides a schematic overview of the combination of:

1. **Dutch representation in Brazil**, which not only implies the sector-specific element of the network (max. 1.5 FTE) in combination with the work of the ambassador, but also the broader bilateral relations between the countries (including public diplomacy, cooperation in other sectors, the Netherlands as part of the EU).
2. **A bilateral agreement**,¹⁴⁰ the Memorandum of Understanding (MoU), supported by a bilateral working group set up in 2008, with representatives from government and business meeting annually.¹⁴¹
3. **Trade missions** from the Netherlands to Brazil and from Brazil to the Netherlands (incoming). Cooperation in the sector started with the visit of President Lula to the Netherlands in 2008 after a Dutch state visit to Brazil in 2003. Since then several high government officials and ministers have visited the Netherlands (including to participate in a master class) and vice versa.
4. The MoU also includes an action plan through which a number of **services of Dutch companies** are offered to the Brazilian government. This is partly covered by the public-private partnership (2g@there), with some co-financing from the Brazilian government. For example, Dutch companies have been involved in the development of a master plan for seaports and with the policy for developing hinterlands.
5. The **2g@there programme** also included financing for the Holland Marine House Brazil in Rio de Janeiro, set up to represent the interest of the Dutch shipbuilding

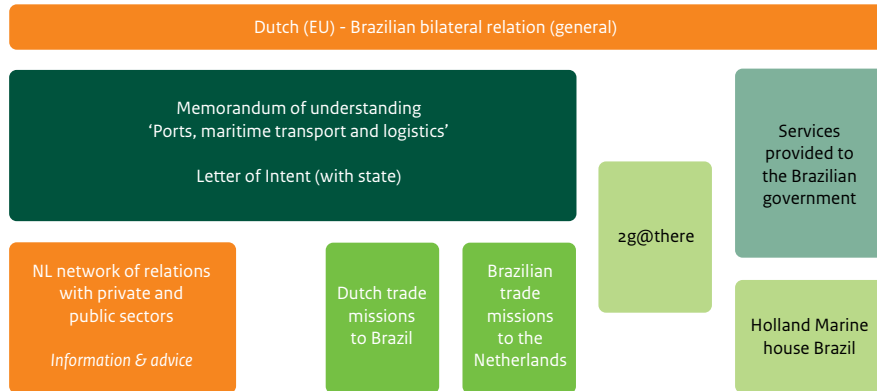
¹³⁹ Interviews stakeholders and Dutch companies.

¹⁴⁰ The 'Letter of Intent between the State of Rio Grande do Sul of the Federal Republic of Brazil and the Ministry of Transport, Public Works and Water Management of the Kingdom of the Netherlands' was signed in 2008.

¹⁴¹ For the Netherlands: Amports, Haven van Rotterdam, NEA, HME and the ministries of Economic Affairs and Infrastructure and the Environment.

industry and support Dutch companies in the case study sector (such as with advice on regulations).

Figure 23 *Economic diplomacy activities in the ports, maritime transport and logistics sector*



5.4.1 Information and advice

The added value of information provided by the Dutch representation in Brazil lies in it being based on its unique network of government contacts in the private and public sectors, in both Brazil and the Netherlands, to which other sources have less access.

In the past, the Dutch Chamber of Commerce in Brazil (São Paulo), Dutcham, was subsidized by the Dutch government to assist Dutch companies with information and advice (matchmaking, market scans and trade questions). This task has now been taken over by the economic network in Brazil in cooperation with NL Agency.¹⁴²

As discussed above, such information and advice comes in different forms and depth. An assessment of the quality of the information is beyond the scope of this evaluation. However, it is clear that the Dutch economic network is by no means the only source of information.¹⁴³ In Brazil there is a legion of Dutch and international private companies that provide information for companies interested in the country, in general or for specific sectors and issues.¹⁴⁴ The added value of information provided by the Dutch representation in Brazil lies in it being based on its unique network of government contacts in the private and public sectors, in both Brazil and the Netherlands, to which other sources have less access. However, based on our document review and interviews it appears that the information provided by the economic network in Brazil is not always restricted to this realm of comparative advantage, but overlaps with information available in the private

¹⁴² Dutcham now focuses on 'post-match' or second-order services. www.dutcham.nl.

¹⁴³ Interviews stakeholders and companies.

¹⁴⁴ The case study included interviews with a few of them, such as Transfer, NCH and Connection Consulting.

sector.¹⁴⁵ Large companies have their own ways of collecting information and creating their own networks.¹⁴⁶

5.4.2 State visits

Until the recent state visit to Brazil by the Prince and Princess of the Netherlands (November 2012), the Netherlands is thought to have been lax in this regard, which was particularly noticeable during the inauguration of President Rousseff (January 2011) and Rio+20 (2012). Economic diplomacy in the ports, maritime transport and logistics sector got underway with President Lula's visit to the Netherlands in April 2008, a response to that of the Dutch Queen Beatrix to Brazil in 2003. The President was accompanied by the Minister of Ports, the Minister of Development, Industry and Trade, the Minister of Foreign Affairs and representatives of private companies. During this visit, Brazil and the Netherlands both expressed their interest in working together in the area of ports, maritime transport and shipbuilding.¹⁴⁷

Even though Brazil has long been a priority country for the Netherlands, there have been no Dutch state visits in the past few years. The Netherlands was represented by the Prime Minister of Curacao for the inauguration of President Rousseff in January 2011.¹⁴⁸ However, in November 2012, the Dutch Royal family visited Brazil with an extensive business delegation (143 companies and a total government budget of about EUR 900,000).¹⁴⁹

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5.4.3 Ministerial visits

In general, high-level trade missions are appreciated by Brazilian counterparts, in particular when focused on a specific sector or issue and including expert knowledge. However, not all visits have been so focused. Moreover, it has proven to be a challenge to coordinate different Dutch government visits (not to mention those by other levels of Dutch government, such as those by larger Dutch cities).

Overall, there has certainly been no lack of official visits by ministers or senior government officials from the Dutch government to Brazil since 2007, always combined with a business delegation. For example, successive Ministers of Infrastructure, including the water sector, visited Brazil with Dutch companies in March 2009, April 2010 and April 2012.¹⁵⁰

¹⁴⁵ Interviews with Dutch companies and economic network.

¹⁴⁶ These networks overlap. While this can strengthen the networks, at times there have been conflicting interests and approaches of Dutch companies and the Dutch government (e.g. when companies are insufficiently prepared, or take a different approach towards the Brazilian counterparts).

¹⁴⁷ Ministerie van Buitenlandse Zaken (2009). *Internal document*. Den Haag. Ministerie van Infrastructuur en Milieu (2012). *Overzicht Sector: Havens, Transport en Logistiek*. Den Haag.

¹⁴⁸ While it is difficult to investigate, some interviewed thought this might have been considered discourteous by the Brazilian government (even diminishing the appetite for a return visit, as was made to Germany in 2012, or Presidential attention to the state visit in 2012).

¹⁴⁹ Agentschap NL (2012). *Internal documentation provided to IOB*.

¹⁵⁰ Agentschap NL (2012). *Internal documentation provided to IOB*.

According to those interviewed, trade missions with high-level officials are thought to be useful for:¹⁵¹

- Promotion: drawing attention to the expertise of the Netherlands and its private sector (for example through press coverage, exposure during trade fairs) as well as using participation as a seal of approval from the Dutch government (though there is in practice little screening of participants);¹⁵²
- Market access: opening doors to the Brazilian government and companies using the Dutch government's high-level network (during for example round tables with Dutch CEOs and Brazilian counterparts);
- Positioning the Netherlands: network and relationship management (for example during official events), mainly to consolidate existing relationships.¹⁵³

It is popular to ascribe contracts directly to trade missions, for example when contracts are signed during those missions (as occurred between the Dutch insurer Atradius and Petrobrás in November 2012). However, in practice, trade missions are more often 'the icing on the cake', as one interviewee suggested. Trade missions are preceded by other forms of engagement and economic diplomacy, such as bilateral dialogue between the two countries, contact between the Dutch economic network and large state companies such as Petrobras, dialogue during earlier trade missions, and the significant preparations made by the Dutch companies themselves. In other words, the decision to enter a contract will have been made long before the trade mission, although the mission may well provide additional high-level attention.¹⁵⁴

The MFA coordinates the Strategic Travel Agenda through which trade missions (involving ministers but also representatives from major cities) and state visits should be coordinated and linked. Although coordination is thought to have progressed, there is still room for improvement.¹⁵⁵ For example, in some cases key messages have been relayed from one ministerial visit to another (such as with regard to the Dutch tax regime), while in other cases (such as signing the renewal of the ports, maritime transport and logistics MoU) this has proven more difficult. It has also proven difficult to ensure that Dutch ministerial visits reflect the agenda of Brazil rather than following an agenda set by The Hague. As a result, there has been relative little Dutch presence at certain times and too many visitors at others (including government officials who are not part of the strategic agenda, representing cities or other parts of the Kingdom of the Netherlands).

¹⁵¹ Interviews stakeholders and Dutch companies. Confirmed by Ministerie van Infrastructuur en Milieu (2012). *Resultaten internationale missies ten behoeve van de watersector*. Internal document.

¹⁵² Publicity in the Netherlands, which is often more than in Brazil (e.g. with recent state visit) is equally welcomed by the Dutch government as a way to attract attention of the Dutch SMEs to the potential of Brazil (interviews).

¹⁵³ Interestingly, participants also often mention the value of interaction between participating Dutch companies and the Dutch government.

¹⁵⁴ Interviews private sector and economic network.

¹⁵⁵ According to the economic network and Dutch companies interviewed. In several interviews, Brazilian counterparts also brought up the need to strategically organize visits to Brazil (i.e. both timing and content) in response to the overload of countries visiting the country.

A picture of an ideal mission can be reconstructed based on the interviews.¹⁵⁶ In short, 'less is more'. Such a mission:

- Is planned according to the Brazilian agenda;
- Is focused on one or few related sector(s);
- Has a specific objective (addressing a particular trade issue, sector, trade fair);
- Addresses specific needs or demands of Brazilian counterparts ('no free handshakes', in the words of a Brazilian counterpart);
- Is headed by government officials with sufficient knowledge of the focus area and a personal style appropriate to the country visited (such as language skills and commitment);¹⁵⁷
- Includes a strategy for follow up by participants and organizers.

5.4.4 Incoming missions

Incoming missions to the Netherlands seem to be particularly effective in positioning the country and establishing relations. They are often smaller and targeted at a specific issue or sector, and by nature are linked to Brazilian demand. They provide an opportunity to present the Netherlands in a context in which it has the relatively undivided attention of its guests. However, the Dutch government invests comparatively little in this particular instrument (compared to other countries).

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Brazilian counterparts have visited the Netherlands on the invitation of the Dutch government, of Dutch companies or on their own initiative, often combining visits to several European countries. For the case study sector, such visits always include the ports of Rotterdam and Amsterdam, visits to Dutch companies active in the sector (and often involved in the 2g@there programme) and sometimes the Ministry of Infrastructure and the Environment and the Ministry of Economic Affairs. Moreover, the Netherlands organised master classes for Brazilian government officials in the Netherlands, funded through the 2g@there programme and co-financed by Brazil.

These visits include:

- *June 2007*: the Brazilian Minister of Ports visited the Ministry of Economic Affairs and the Port of Rotterdam and subsequently returned three times to visit companies (including APM terminals).
- *November 2007*: the states of Pernambuco, Rio de Janeiro and Rio Grande do Sul visited the Netherlands accompanied by Brazilian companies. In August 2008 and May 2009 the governor and state ministers of Rio Grande do Sul returned to the Netherlands.

¹⁵⁶ Interviews with economic network, Dutch private sector and Brazilian counterparts

¹⁵⁷ Though this evaluation focuses on the policy and approach towards economic diplomacy, rather than individuals conducting the work, it must be noted that some Dutch government officials have clearly made a longer lasting impression on Brazilian counterparts due to personal style, expert knowledge and knowledge of Portuguese (based on interviews).

- *August 2012*: the Chief of Staff of Brazil, responsible for Brazil's investment programme, visited the Netherlands, including the Port of Rotterdam and Schiphol (both possible participants in infrastructure tenders in Brazil).¹⁵⁸

Interviews with different parties gave the impression that incoming missions provide a better opportunity for the Netherlands to present itself to Brazilian counterparts than outgoing missions to Brazil. Incoming missions are by nature demand-led and tailored to Brazilian interests. For example, a visit to the Port of Rotterdam is said to have been decisive in convincing Brazilian counterparts of the Dutch expertise in port development and management and related areas.

Although all of the larger Dutch companies organize such visits themselves, the involvement of the Dutch government can ensure additional attention and the endorsement required, especially when dealing with Brazilian state or federal government representatives.¹⁵⁹

Nevertheless, compared to other countries, the Dutch government has made relatively little strategic use of this instrument.¹⁶⁰ In the interviews, Dutch companies noted the way in which their competitors benefit from the red carpet treatment given to Brazilian visitors by other governments. In the case of Belgium, for example, the combination of incoming visits and fully financed training activities seems to have been useful in building relationships with Brazil. How this compares to the co-financed master classes organized by the Netherlands is difficult to establish. However, the difference is noted by various Brazilian counterparts and Dutch companies alike.¹⁶¹

5.4.5 Bilateral agreements

Bilateral agreements such as the MoU can provide a useful framework within which demand-led activities can be organized fairly flexibly. This requires active management and interest from both sides. It has at least provided a means for the Netherlands to firmly position itself as a partner of the Brazilian government within the ports, maritime transport and logistics sector and establish a longer term relationship with the sector in Brazil.

During the state visit of President Lula in 2008, the Brazilian Minister of Ports co-signed a Memorandum of Understanding (MoU) on Ports, Maritime Transport and Logistics with the Dutch Minister of Infrastructure at the time. In 2012, the MoU was renewed for an

¹⁵⁸ In her blog during the state visit in 2012, the new Dutch Minister for Foreign Trade and Development Cooperation noted: 'In August, she [Brazilian Chief of Staff] visited the Netherlands. Now she spoke of her own accord of the qualities of the Port of Rotterdam and Schiphol ... Of course I was planning to sound the praises of both companies myself. But what is better than when your conversation partner starts about it herself?' <http://www.nuzakelijik.nl/economie/2962929/minister-ploumen-blogt-cijfers-bewijzen-nut-han-delmissie.html>, last accessed July 27, 2013.

¹⁵⁹ Interviews with state and federal government in Brazil and private companies from Brazil and the Netherlands.

¹⁶⁰ Agentschap NL (2013). *Internal documentation provided to IOB*.

¹⁶¹ Interviews.

additional three years (with the option of further renewal). Such longer term commitment, or at least an expression of mutual interest, is important to a sector such as ports, maritime transport and logistics, which requires significant and longer term public investment.¹⁶²

As part of the MoU, a bilateral working group was set up which meets roughly once a year in Brazil or the Netherlands.¹⁶³ On the Dutch side, the participants in the bilateral working group are a select group of companies involved in different parts of the sector (Ampports,¹⁶⁴ Port of Rotterdam, NEA¹⁶⁵ and HME¹⁶⁶), as well as representatives of the Ministry of Economic Affairs and the Ministry of Infrastructure and the Environment. The annual meetings of the working group provide an opportunity for the Dutch companies involved and the Dutch government to establish relationships with several key government actors in the sector in Brazil over the longer term (thus despite any changes in officials on both sides) and to identify opportunities for cooperation.¹⁶⁷

Apart from this bilateral agreement between the Netherlands and the Brazilian federal government, the Netherlands has also signed a Letter of Intent with the state government of Rio Grande do Sul. This was initiated after the visit of the representatives of this state to the Netherlands in 2008, where the Letter of Intent was signed by the Dutch Minister of Infrastructure and the Governor of Rio Grande do Sul.¹⁶⁸ This agreement formed the basis for both a pilot study of ports and inland navigation and the development of a master plan for inland navigation in the state, which Ampports and NEA executed with assistance of funding from the 2g@there programme (see below). However, due to local circumstances and political developments, this state-level project has not yet led to further cooperation. Nevertheless, the master plan for Rio Grande do Sul is thought to have raised the interest of the Brazilian government in further Dutch involvement in a federal master plan.

Based on the interviews it can be concluded that the MoU functioned as a prerequisite for Dutch cooperation with the Brazilian government in this particular sector.¹⁶⁹ The MoU functions as an ‘umbrella’ under which Dutch companies can directly do business with the Brazilian government and state companies. This means that demand-led activities, such as training and consultancies, do not have to be tendered (for example master classes for the Ministry of Transport and the National Agency for Waterway Transportation¹⁷⁰ offered in May

¹⁶² CINDDES (2012). *Desempenho da Diplomacia Economica Holandesa no Brasil: Estudo de caso. 1ª parte*. Report for IOB.

¹⁶³ After two meetings of the bilateral working group, the implementation of the MoU took off with the signing of a joint Action Plan by the Brazilian Ministers of Ports (SEP) and of Transportation and the Dutch minister of Infrastructure in Brazil in March 2009.

¹⁶⁴ www.amports.nl.

¹⁶⁵ <http://nea.panteia.nl>.

¹⁶⁶ www.hme.nl.

¹⁶⁷ Interviews with ego-group.

¹⁶⁸ The state government of Pará also showed interest in Dutch expertise and visited the Dutch Ministry of Infrastructure in 2010. The 2g@there secretariat, Ampports/NEA have undertaken two visits to the state upon request of ANTAQ. However, due to political circumstances in this state, there has been little progress.

¹⁶⁹ Interviews with Dutch and Brazilian government and involved Dutch companies.

¹⁷⁰ ANTAQ, Agência Nacional de Transportes Aquaviários.

and November 2010). This of course also means that Dutch companies face similar competition due to MoUs signed with other countries. For example, the Dutch training institute STC is disadvantaged by the ‘free’ training offered by the Port of Antwerp, which is provided as part of the MoU between Belgium and the Brazilian government.

5.4.6 Public-private partnerships: 2g@there

Opinions about the 2g@there programme in Brazil are mixed. It has been a useful vehicle for implementing the MoU. Although fairly limited, the financial support is said to have led the relevant Brazilian ministries to benefit from Dutch expertise due to its flexibility compared to their own public funds. With regard to Dutch trade and investment, it remains to be seen whether the programme has an impact beyond the participating companies (in particular beyond the secretariat run by the Dutch companies NEA and Amports).

The 2g@there programme was officially approved during a visit by the Dutch Minister of Economic Affairs to Brazil in April 2009. The programme focused in particular on seaports, hinterland logistics, offshore oil and gas, and shipbuilding. Its aim was to intensify the bilateral trade and investment relationship between the Netherlands and Brazil through public and private efforts closely linked to the MoU and the Letter of Intent signed with Rio Grande do Sul.

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This was to be achieved by:¹⁷¹

- Strengthening and expanding the network of Dutch companies in relevant sectors;
- Stronger positioning of the Netherlands, both the public and private spheres, as a high-quality, innovative and strategic partner;
- Knowledge exchange and relationship building.

During the years 2009-2012, slightly more than EUR 1 million was spent by the Dutch government through this programme (for subsidies and assignments).¹⁷²

Activity	Dates	Applicant	Expenditure
Preparation trade mission	2009	NL Agency	109,837
Subsidy 2g@there (4 activities)	2009-2012	Amports	445,500
Coordination 2g@there	2009-2012	Amports	133,633
Oil & Gas trade fair	2009	CG-Rio	21,184
Intermodal trade fair	2009	Amports	60,000
Holland Marine House Brazil (HMHB)	2009-2011	HME	135,000
Master classes	2010-2012	Amports	72,000
Seaports	2011-2012	Amports	92,992
Total			1,070,146

¹⁷¹ Amports (2008). *Visiedocument 2G@there*. Amsterdam; Ministerie van Infrastructuur en Milieu (2012). *Overzicht Sector: Havens, Transport en Logistiek*. Den Haag.

¹⁷² Agentschap NL (2012). *Internal documentation provided to IOB*.

Opinions about this programme vary among the participants. The few participants actively involved in the 2g@there programme, mainly smaller companies who received direct support for their business activities (such as consultancies for the development of a master plan for the Brazilian government), are much more positive than the other participants, who benefited less directly.¹⁷³ It is less clear to what extent the programme generated the expected spill-over effects to other Dutch companies in the same sector.

While it is difficult to distinguish between the effects of the MoU and the 2g@there programme, this is probably also a strength, as the various economic diplomacy activities should reinforce each other.¹⁷⁴ What is beyond doubt is that together they have all certainly played a role in positioning the Netherlands within the case study sector, presenting the Brazilian counterparts with a wide range of Dutch companies covering the whole sector.

Since 2012, the 2g@there programme has been transformed into Partners for International Business (PIB). In the new format, the Dutch government no longer provides financial support but focuses on in-kind support provided by the economic network in Brazil. While the effects of this change in the programme cannot yet be evaluated, interviews with Dutch companies and Brazilian counterparts suggest that the added value of such a programme could be limited (especially compared to the costs of applying for the services). The financial support provided under the 2G@there programme was seen to be a crucial component in the implementation of the MoU, while the in-kind economic diplomacy is provided by the economic network in Brazil in any case and regardless of the programme. In this respect, it was once again noted that compared to other countries (such as the US, Spain, Germany, Belgium) the Netherlands provides limited financial support for cooperation with the Brazilian government. While the Brazilian government does not necessarily require financial support, the availability of flexible funding for joint projects is a stimulus to cooperation (such as projects not requiring tendering).¹⁷⁵

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¹⁷³ This finding concurs with the conclusion of the overall evaluation of the 2g@there programme, which raises questions about the additionality of the programme and also notes the discrepancy in experience between the secretariat of the programmes and other participants. PricewaterhouseCoopers (2012). *Evaluatie 2G@there 2007-2011 – eindrapport*. Den Haag.

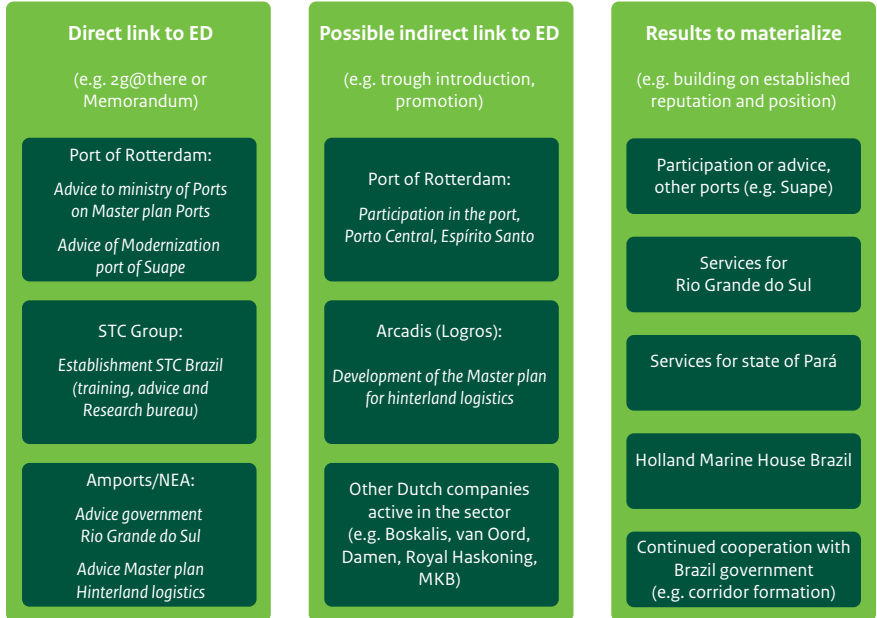
¹⁷⁴ For example, the involvement of the Port of Rotterdam in the development of the National Plan for Port Logistics (Plano Nacional de Logística Portuária), is used by the Dutch government as an example of success of the 2g@there programme, but generally thought to have been facilitated by the MoU without requiring the 2g@there programme.

¹⁷⁵ Interviews Dutch private sector, Brazilian government, economic network.

5.5 Results

Although the ultimate aim of economic diplomacy might well be increased foreign trade and investment, it is very difficult to attribute ‘contracts to contacts’.¹⁷⁶ As shown in Figure 25, the results that are directly attributable to economic diplomacy are those achieved within the 2g@there programme by its participants, and thus are clearly subsidized both in-kind and financially by the Dutch government.

Figure 24 Results of economic diplomacy in the ports, maritime transport and logistics sector¹⁷⁷



Other Dutch companies that are independently active in the case study sector might have benefited from the positioning of the Netherlands through economic diplomacy, but this is more difficult to determine with certainty (for example participation of the Port of Rotterdam in Porto Central). The same can be said concerning Dutch companies winning tenders in Brazil. For example, Arcadis Logos won the tender for developing a master plan for hinterland development.¹⁷⁸ Some argue that this was influenced by the involvement of the Netherlands in this area (such as involvement of Amports and NEA as part of the

¹⁷⁶ Paraphrasing the Minister of Foreign Affairs, in a joint speech with the UK Foreign Secretary (William Hague), 09-07-2012: ‘We have to turn contacts into contracts’. Ministerie van Buitenlandse Zaken (2012). *Speech by the Minister of Foreign Affairs, Uri Rosenthal, during Foreign Secretary William Hague’s visit.* <http://www.rijksoverheid.nl/documenten-en-publicaties/toespraken/2012/07/09/speech-by-the-minister-of-foreign-affairs-uri-rosenthal-during-foreign-secretary-william-hague-s-visit.html>, last accessed September 20, 2013.

¹⁷⁷ Results as described by Ministerie van Infrastructuur en Milieu (2012). *Overzicht Sector: Havens, Transport en Logistiek.* Den Haag.

¹⁷⁸ www.arcadislogos.com.br/novo/pt-br

2g@there programme). However, this remains speculation and is in fact denied by the Brazilian government. It is safe to say that the 2g@there programme was not the decisive factor (compared to the price and quality of the Arcadis proposal as well as the market position of the Brazilian branch of Arcadis), notwithstanding the good reputation the Netherlands has built in this sector with support from the programme.

However, as discussed above, rather than to look for contracts attributable to economic diplomacy, the first step is to evaluate the extent to which Dutch economic diplomacy has facilitated international trade and investment by Dutch firms in Brazil (outcomes). This also requires a longer term perspective, especially in a sector such as ports, maritime transport and logistics. From this perspective, the results of commercial diplomacy in this sector since 2007 seem much more impressive.

A review of the business environment in the case study sector and a comparison of competitors from other European countries and the Netherlands, clearly indicates that the Netherlands (as a whole and specific companies in particular) has been able to establish itself firmly within the targeted ports, maritime transport and logistics sector. The positioning of the Netherlands is above all based on its existing knowledge and experience in this area, both in the public and private spheres.

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However, the integrated and longer term approach using different instruments under the umbrella of the MoU and for more than five years stands out, with the Dutch government establishing a longer term relationship with the relevant Brazilian authorities in the sector (Ministry of Transport, the Special Ports Secretariat, ANTAQ and state governments). Through the MoU and the 2g@there programme Dutch companies participated in the planning of the ports system and inland navigation, which generated detailed and strategic insider knowledge of the sector. Interestingly, it is not only the Dutch that benefit. Even the Brazilian state governments have indicated that they have benefited from the reputation of the Netherlands – more specifically the Port of Rotterdam – in Brazil, for example, when negotiating with the federal government on regulations.

Government counterparts in Brazil expect to continue and expand cooperation in other areas, such as multimodal transport corridors (Programa de Corredores de Transporte Multimodal). Even in the case of joint projects with little progress to date (such as Rio Grande do Sul or Suape's port), the authorities maintain a positive assessment of the Dutch partners.¹⁷⁹ Evidently, this is mainly due to the specific expertise on offer from the Dutch private sector, which matches the Brazilian demand and compares well with international competition. However, the sector review and interviews with Dutch business and Brazilian counterparts do lead to the conclusion that this match has been facilitated and strengthened by economic diplomacy – even though contracts still need to materialize. As expressed by the CEO of Transpetro during the official trade mission in 2012, the Netherlands and Brazil 'have been engaged for a while now, though it has not yet come to a

¹⁷⁹ Interviews with Brazilian counterparts.

marriage'. He also added, however, that there is some urgency, as within a year or two the playing field will be occupied, if not by the Netherlands, by others.¹⁸⁰

Box 3 *Policy coherence: commercial diplomacy and sustainable development*

As discussed above, the Dutch policy on international economic relations from 2011 refers to sustainable development and socially responsible entrepreneurship. In the same policy documents, the government envisages a coherent approach with regard to different policies related to international entrepreneurship, including the environment and sustainability policy. The analysis of the ports, maritime transport and logistics sector and the interviews for this evaluation provide some interesting insights with regard to the coherence between the policy on sustainable development and CSR and economic diplomacy:¹⁸¹

- While CSR by Dutch companies is considered crucial to the Dutch reputation in Brazil, there is scope for further attention to CSR and sustainable development within the main instruments of economic diplomacy. In Brazil, CSR is tackled as a distinct issue by the economic network, drawing on the human rights fund.¹⁸² Sustainable development was not explicitly included as one of the objectives of the 2g@there programme or the MoU.¹⁸³
- With regard to the context, extensive environmental regulation and legislation have long existed in Brazil. In the ports sector, ANTAQ has the duty of monitoring the quality of the environmental management of ports. However, in practice, this is still quite limited. Since 2006, ANTAQ has evaluated the performance of the ports with regard to compliance with environmental standards and operational security.¹⁸⁴ Based on the survey, it is apparent that various instruments necessary for effective environmental management are used poorly or are simply non-existent in Brazilian ports (for example environmental monitoring, control of noise pollution and emission of greenhouse gases).¹⁸⁵

¹⁸⁰ Ministerie van Buitenlandse Zaken (2012). *Internal document*. Also interviews with economic network.

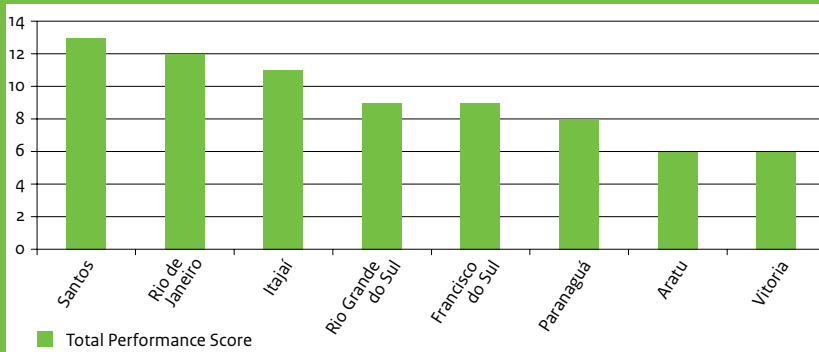
¹⁸¹ Based on interviews and CINDAS (2012). *Desempenho da Diplomacia Econômica Holandesa no Brasil: Estudo de caso*. 1ª parte. Report for IOB.

¹⁸² The Netherlands has for example, organized a seminar on 'Business and human rights' (2011) and has been influential in including this topic in the EU human rights strategy for Brazil. However, as noted in interviews, using human rights funds for CSR might not be the best entrance point for this topic, as this might well increase sensitivities vis-à-vis the Brazilian government. Interviews Brasília, Embassy. Internal brief on CSR (March 2012).

¹⁸³ The project proposal argues that solving the logistical and transport problems of the Brazilian water sector will automatically have a positive impact on sustainable development of Brazil (e.g. by reducing road transport). Amports (2008). *Visiedocument 2g@there*. Amsterdam. This argument was repeated in several interviews with companies in the case study sector.

¹⁸⁴ www.antaq.gov.br.

¹⁸⁵ For further analysis, see Kitzmann, D., M. Asmus (2006). *Gestão ambiental portuária: desafios e possibilidades*. RAP Rio de Janeiro 40(6).

Figure 25 Performance of the main Brazilian ports (score out of 21)

- The Dutch private sector is renowned for its expertise in sustainable development. Nevertheless, the companies interviewed from the ports, maritime transport and logistics sector were not particularly in favour of becoming frontrunners in this area, as it could affect their competitive position. Moreover, the current environmental legislation in Brazil is considered relatively strict, although it suffers from implementation problems (for example, environmental licences take a long time to be granted). However, all of the companies are conscious of the need to limit damage to their reputation. There are a few examples of Dutch companies who have received bad press (for example the involvement of Arcadis with Belo Monte Dam, or Atradius providing investment insurance for dredging activities in the port of Suape).¹⁸⁶
- The lag in the implementation of Brazilian environmental policies and standards, as described above, might create potential business opportunities for Dutch companies with expertise in this area. It could be argued that there is a role for the Dutch government, given its objectives on sustainable development and the need to facilitate the involvement of Dutch companies in this area (such as technical cooperation as part of the MoU). CSR as a business opportunity, rather than the current approach in which CSR is part of human rights policy, has broader applicability and is not necessarily restricted to the case study sector.

¹⁸⁶ See for example <http://amazonia.org.br/2012/08/%C3%ADndios-kayapó-fecham-rodovia/>; Both Ends (2013). *Review of dredging activities for entry channel and harbour basin of Promar S.A. shipyard, Suape, Brazil*. Amsterdam.

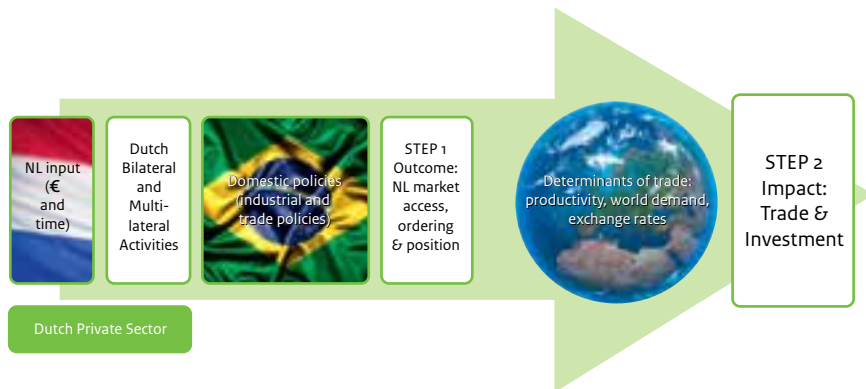
6

Evaluating the impact of economic diplomacy in Latin America

6.1 Model

After having established that economic diplomacy can affect intermediate outcomes such as market access and positioning of the Dutch private sector abroad ('contacts'), the next question is whether this results in more foreign trade and investment ('contracts'), which enhances national prosperity. The second step in the evaluation assesses this impact through econometric analysis (Figure 26).

Figure 26 Step 2 in evaluating the effectiveness of Dutch economic diplomacy



As discussed in chapter 2, this analysis, which was conducted in close cooperation with Statistics Netherlands (CBS), combined three datasets:

1. Trade data: provided by Statistics Netherlands (CBS) in 2012. Firstly, this comprises data on values of exports of goods from the International Trade dataset, which includes information on the destination country and the type of product traded.¹⁸⁷ Secondly, this data is combined with information on companies recorded in the General Business Register, including the sector and size of the company (based on the number of FTEs).¹⁸⁸
2. Economic diplomacy data: provided by NL Agency (2012), through which Dutch companies can access instruments of economic diplomacy. Two main instruments were combined into one variable, 'use of economic diplomacy'.¹⁸⁹
 - a. Information (mainly trade questions, orientation questions, market scans);

¹⁸⁷ The type of good is based on the Standard International Trade Classification and is available at 8-digit level, which was converted to the less aggregate three-digit code.

¹⁸⁸ The sector of activity is based on the NACE Rev. I and detailed in four-digit level. The base year for the sector of activity of companies is 1993 (the update in 2008 is not useful given that the period of analysis starts in 2006).

¹⁸⁹ Unfortunately, there is too little data to assess the impact of each instrument separately or the interaction between instruments. This has been studied for Colombia by Volpe Martincus, C. and J. Carballo (2010). Entering new country and product markets: does export promotion help? *Review of World Economics (Weltwirtschaftliches Archiv)* 146(3).

- b. Trade missions (government-led trade missions and private trade missions subsidized by government, known as Collective Promotion Activities).

The database of NL Agency included companies that had used one or more of these instruments in a Latin American country between 2006 and 2011, all of whom have a unique registration number with the Chamber of Commerce.¹⁹⁰ By linking this to a VAT number, the economic diplomacy data could be matched with the trade data.¹⁹¹

3. Dutch economic network. In previous studies, the number of embassies (and sometimes also consulates and export promotion offices) has been used as an independent variable. However, not all embassies conduct economic diplomacy. Moreover, the size of the embassy or the network within a country is not necessarily a good indicator of the efforts put into economic diplomacy. The variable constructed for this evaluation only included the ambassador and consuls and the people from the network employed by the economic department. All employees are weighted according to their rank and working hours on the basis of information from the personnel department of the Ministry of Foreign Affairs (three categories).

The final dataset consisted of 162,267 observations, with information on:

- Enterprise ID: type of good exported, sector of activity, size class, degree of internationalization (number of goods and value of exports worldwide), the value of exports to a Latin American country in EUR millions;
- Countries: country of destination and country for which economic diplomacy has been used, GDP per capita and distance to the Netherlands of each Latin American country;¹⁹²
- Instruments of economic diplomacy (non-binary number);
- Size of Dutch economic network.

When measuring the impact of economic diplomacy (in this analysis equivalent to information services and trade missions) it is necessary to correct for endogeneity. Endogeneity concerns the very real possibility that the use and availability of economic diplomacy is the result of existing high trade volumes rather than trade resulting from economic diplomacy (for example when the Dutch economic network is concentrated in the largest trading partners).¹⁹³

¹⁹⁰ After manually recovering some of the 316 missing registration numbers, 169 companies had to be omitted because of missing identification in the database of NL Agency. In the end, the number of observations from the economic diplomacy database totaled 9,328.

¹⁹¹ This transfer is rather complex. For example, some companies have several VAT numbers (in that case all were included) and it can be some delay in assigning VAT numbers to companies. Moreover, before 2008 certain sectors were not required to register with the Chamber of Commerce (these companies might be among the 169 missing companies which would lead to a minimal underestimation).

¹⁹² GDP data from International Monetary Fund (2012). *World Economic Outlook Database October 2012*. www.imf.org/external/pubs/ft/weo/2012/01/weodata/index.aspx, last accessed January 31, 2013. Distance from CEPII (www.cepii.fr).

¹⁹³ Econometric tests confirm that endogeneity is an issue in the analysis and thus needs to be addressed.

This problem can be tackled by estimating the impact in two steps:¹⁹⁴

1. The probability of a firm using economic diplomacy is modelled as a function of:
 - market characteristics (income per capita, growth of exports to the Latin American country and distance between the Latin American country and the Netherlands);
 - firm export characteristics (using a proxy of export experience: average global export value and export growth);
 - the size of the economic network (FTEs).
2. Then Dutch exports of goods to Latin America is modelled as a function of:¹⁹⁵
 - The same market and firm characteristics (now also including the average volume of products a company exports in total as a measure of internationalization);¹⁹⁶
 - Economic diplomacy, whereby only that part of the first stage is added that is not related to the market and firm-specific factors that determine trade as well.¹⁹⁷ The second stage thus provides insight into the effect of economic diplomacy, while correcting for endogeneity.

6.2 Results

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Table 4 provides an overview of the results. From the first step it can be concluded that:

- The economic network in Latin America has a positive influence on the use of economic diplomacy (missions and information). A larger economic network (more people or higher level) results in greater use of economic diplomacy.
- The use of economic diplomacy is also positively influenced by the economic weight of the destination country (GDP per capita).
- The distance of the Netherlands to the Latin American countries is irrelevant to the use of economic diplomacy (all countries are probably considered equally distant).
- The more international the firm (indicated by higher average export value worldwide), the more likely it is to make use of economic diplomacy. The growth in a company's exports is, however, not significant.

¹⁹⁴ Creusen and Lejour (CPB) use a similar approach. Centraal Plan Bureau (2010). *Export margins and export barriers: uncovering market entry costs of exporters in the Netherlands*. The Hague.

¹⁹⁵ The second step is a so-called fixed effects regression. This eliminates the unobserved differences between companies (e.g. ownership, culture) that might affect the impact of economic diplomacy (self-selection).

¹⁹⁶ While the first step included the export growth, the second step includes the average volume of exported products in order to avoid simultaneous models.

¹⁹⁷ These are the fitted residuals (lagged by 1 year). See also, for example, Badinger H. (2012). *Export Credit Guarantees and Export Performance. Evidence from Austrian Firm-Level Data*. Vienna: WIFO.

Subsequently, from the second step it can be concluded that:¹⁹⁸

- The use of economic diplomacy has a significant and positive effect on the value of exports of goods to Latin America by Dutch companies. This covers information and missions, but might well encompass other, related activities that occur at the same time (for example sectoral programmes such as zg@there, other private sector support programmes and public diplomacy).¹⁹⁹
- Once again, the experience that the company has in exporting (average export value worldwide) plays an important role in increasing the export values. The volume of products that a firm exports worldwide, however, does not have a significant effect on Latin American trade.
- If Brazil, the largest country in Latin America, which is also where most economic diplomacy has taken place, is eliminated from the sample, these effects still hold.

Undoubtedly, the economic representation abroad (full time employees in the economic departments of embassies, consulates, NBSO, and including the ambassador and consuls) forms the basis for economic diplomacy. In this model there is an indirect impact of economic representation on trade through the use of missions and information. This does not exclude the possibility of an independent direct impact of the economic network on trade. However, this requires a better record of activities, rather than merely the number of employees involved (FTEs).²⁰⁰ Moreover, one would have to take into account that the size of the economic network is also affected by the trade volumes (thus endogenous).

On the basis of this analysis it can be concluded that economic diplomacy, in the form of information services and trade missions, has had a significant positive relation with the export values for Dutch firms that traded goods with Latin America in the period 2007-2011. Moreover, insofar as the Dutch economic network has a positive influence on the use of economic diplomacy, at the very least it will also have a positive indirect effect on export values. This conclusion takes into account the fact that trade also affects economic diplomacy (endogeneity).

¹⁹⁸ The market (BNP per capita) is not significant. This is a macro-economic variable that might affect the total exports of the Netherlands to a country, but is probably less relevant for individual companies. A better variable to be used with the micro-trade data would be the growth in specific sectors in Latin American countries (unavailable for this evaluation).

¹⁹⁹ These have not directly been included as a variable because they were introduced only recently, are financial instruments or hard to quantify.

²⁰⁰ As discussed previously, some countries benefit from much better registration of both the activities related to economic diplomacy (e.g. time registration by UK for different components such as advisory services, networking, promotion etc.) as well as the use of economic diplomacy and related firm characteristics (e.g. date of first use).

Table 4 Impact of economic diplomacy on export volumes ²⁰¹		
	(1)	(2)
Dependent variable	Use of economic diplomacy (Y/N)	Log Export values
Sample size	26,447	14,516
Period	2006-2011	2007-2011
Method	Probit	Fixed effects
Economic diplomacy (lagged 1 year)		0.26*** (0.09)
Economic network	0.03*** (0.00)	
Log distance to NL	-0.30 (0.16)	Fixed variable
Log BNP per capita	0.18*** (0.06)	0.15 (0.23)
Log average worldwide export value per company	0.06*** (0.00)	0.64*** (0.06)
Growth export	0.00 (0.00)	
Average volume of exported products		0.00 (0.00)
R ²		0.33
Wald Chi	313	

*** Positive effect, significant at 99% confidence interval.

As discussed in the methodology chapter (2), the analysis has its limitations, among others the omission of export of services and foreign investments, because of data availability. However, by limiting the sample for the evaluation to the firms that actually export goods and comparing those that do or don't use of economic diplomacy (while excluding firms that did not trade), the bias is limited.

A first step in measuring the impact of economic diplomacy has been made by linking the existing data on economic diplomacy and trade. As the data collection by those implementing the policy on economic diplomacy (NL Agency, economic networks abroad), as well as data on Dutch foreign investments and export of services upgrades, this analysis can be perfected.

²⁰¹ *** positive effect, significant at 99% confidence interval. Otherwise, variable not significant. Between brackets the semi robust standard error.

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Annex 2 Interviews

Dutch Government	
Gilles Goedhart	Ministry of Foreign Affairs
Robert Schuddeboom	Ministry of Foreign Affairs
Renilde Steeghs	Ministry of Foreign Affairs
Pieter van Vliet	Ministry of Foreign Affairs
Wouter Lok	Netherlands Embassy Mexico
Jaap Veerman	Netherlands Embassy Mexico
Sandra Belder & Hedwig Duteweerd	Ministry of Economic Affairs
Jochem Porte	Ministry of Economic Affairs
Sharief Mohamed	Ministry of Economic Affairs
Paul Zwetsloot & Marc Hauwert	Ministry of Economic Affairs
Caroline van Heurn	Ministry of Infrastructure and the Environment
José Disseldorp	NL Agency
Pauline Döll	NL Agency
Hans van den Dool	NL Agency
Edwin Ouwejan	NL Agency
Danielle Sikma	NL Agency
Diplomatic Network Brazil	
Sara Cohen	Netherlands Embassy Brazil
Bastiaan Engelhard	Netherlands Embassy Brazil
Jörgen Leeuwestein	Netherlands Embassy Brazil
Kees Rade	Netherlands Embassy Brazil
Frans van Rijn	Netherlands Embassy Brazil
Huub Slegers	Netherlands Embassy Brazil
Bart Vrolijk	Netherlands Embassy Brazil
Tatiana Chagas & Micha Schijlen	Consulate General Rio de Janeiro
Paul Comenencia	Consulate General Rio de Janeiro
Gonneke de Ridder	Consulate General Rio de Janeiro
Jan Gijs Schouten	Consulate General São Paulo
Odécio Roland	Consulate General São Paulo
Erik Baudoin	NBSO Porto Alegre
Micaela Passamani & Robin Rooy	NBSO Recife

Foreign Embassies and Representations in Brazil	
Marco Chirullo	Delegation of the European Union in Brazil
Jonathan Dunn	British Embassy Brazil
Steve Graham	UK Trade & Industry Rio de Janeiro
Sabine Honer	German Embassy Brazil
Else Keyers	Belgian Embassy Brazil
Brazilian Government	
Ronaldo Costa Filho, Luís Carneiro, Luís Gasser	Ministry of Foreign Affairs
José Barbosa Gama	Ministry of Ports
Luiz Ribeiro	Ministry of Transportation
Márcio Ribeiro, Cristina Vellozo Santos, Camila Gomes & Rosemay Grigato	Ministry of Development of the Government of Espírito Santo
Adalberto Tokarski	National Agency for Waterway Transports
Private sector	
Daniël Breda	STC Brasil
Marc Evertse	Port Authority Rotterdam
Egil Fyjikawa Nes	Connection Consulting
Gunther Gincels & Walter van Mulders	Port Authority Antwerp
Marcel de Groot	Exalto B.V.
Leda Hahn, Eduardo Moreira da Silva & Alexandre Toussant Pereira	LLX Logistica
Carl Heiremans	Jan de Nul
Tanja Jungen	Rabobank International Brasil
Camilia Borba Lefevre	Machado, Meyer, Sendacz e Opice Advogados
Harrie de Leijer	NEA
Silvio Leimig	Fórum Global Suape
Peter Lugthart	Port Authority Rotterdam
José Novaes	Porto Central
Wim Ruigh	Amports
Antonio Seabra Netto	Van Oord Brasil
José Carlos Valsecchi	Arcadis Logos
João Gilberto Vaz Brazsat	Amsterdam Arena Representative in Brazil
Jord Veldman	Royal Boskalis Westminster
Michiel Wijsmuller	Offshore Ship Designers

Dutch Trade promotion Organizations and interest Groups	
Gerald Baal	Transfer Latin Business Consultancy
Jan Bestebeurtje & Roxana de Raad	Netherlands Council for Trade Promotion
Angélique Heijl	VNO-NCW
Bart Jan Koopman & Frannie Flinterman-Rolff	Fenedex
Juan Monfort	EuroChambres
Hans Mulder	Dutch Brazilian Chamber of Commerce
Brazilian Trade Organisations	
Wagner Cardoso	Confederação Nacional da Indústria
Antonio Ardito Garrido	Confederação Nacional da Indústria / Federação das Indústrias do Estado de São Paulo
Samir Neto	Federação das Indústrias do Estado de São Paulo
Anna Temporal & Miriam Guimarães Ferraz	Federação das Indústrias do Estado de Rio de Janeiro
Experts on Economic Diplomacy	
Henri de Groot	VU University Amsterdam
Arjan Lejour	CPB Netherlands Bureau for Policy Analysis
Selwyn Moons	Ministry of Foreign Affairs
Christian Volpe Martincus	Inter-American Development Bank

Annex 3 About IOB

Objectives

The remit of the Policy and Operations Evaluation Department (IOB) is to increase insight into the implementation and effects of Dutch foreign policy. IOB meets the need for the independent evaluation of policy and operations in all the policy fields of the Homogenous Budget for International Cooperation (HGIS). IOB also advises on the planning and implementation of evaluations that are the responsibility of policy departments of the Ministry of Foreign Affairs and embassies of the Kingdom of the Netherlands.

Its evaluations enable the Minister of Foreign Affairs and the Minister for Development Cooperation to account to parliament for policy and the allocation of resources. In addition, the evaluations aim to derive lessons for the future. To this end, efforts are made to incorporate the findings of evaluations of the Ministry of Foreign Affairs' policy cycle. Evaluation reports are used to provide targeted feedback, with a view to improving the formulation and implementation of policy. Insight into the outcomes of implemented policies allows policymakers to devise measures that are more effective and focused.

Organisation and quality assurance

IOB has a staff of experienced evaluators and its own budget. When carrying out evaluations it calls on assistance from external experts with specialised knowledge of the topic under investigation. To monitor the quality of its evaluations IOB sets up a reference group for each evaluation, which includes not only external experts but also interested parties from within the ministry and other stakeholders. In addition, an Advisory Panel of four independent experts provides feedback and advice on the usefulness and use made of evaluations. The panel's reports are made publicly available and also address topics requested by the ministry or selected by the panel.

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Programming of evaluations

IOB consults with the policy departments to draw up a ministry-wide evaluation programme. This rolling multi-annual programme is adjusted annually and included in the Explanatory Memorandum to the ministry's budget. IOB bears final responsibility for the programming of evaluations in development cooperation and advises on the programming of foreign policy evaluations. The themes for evaluation are arrived at in response to requests from parliament and from the ministry, or are selected because they are issues of societal concern. IOB actively coordinates its evaluation programming with that of other donors and development organisations.

Approach and methodology

Initially IOB's activities took the form of separate project evaluations for the Minister for Development Cooperation. Since 1985, evaluations have become more comprehensive, covering sectors, themes and countries. Moreover, since then, IOB's reports have been submitted to parliament, thus entering the public domain. The review of foreign policy and a reorganisation of the Ministry of Foreign Affairs in 1996 resulted in IOB's remit being extended to cover the entire foreign policy of the Dutch government. In recent years it has

extended its partnerships with similar departments in other countries, for instance through joint evaluations and evaluative activities undertaken under the auspices of the OECD-DAC Network on Development Evaluation.

IOB has continuously expanded its methodological repertoire. More emphasis is now given to robust impact evaluations implemented through an approach in which both quantitative and qualitative methods are applied. IOB also undertakes policy reviews as a type of evaluation. Finally, it conducts systematic reviews of available evaluative and research material relating to priority policy areas.

Evaluation reports of the Policy and Operations Evaluation Department (IOB) published 2008-2013

*Evaluation reports published before 2008 can be found on the IOB website:
www.government.nl/foreign-policy-evaluations.*

IOB no.	Year	Title evaluation report	ISBN
384	2013	Achieving universal access to sexual and reproductive health and rights. Synthesis of multilateral contribution to advancing sexual and reproductive health and rights (2006-2012)	978-90-5328-445-2
383	2013	NGOs in action. A study of activities in sexual and reproductive health and rights by Dutch NGOs	978-90-5328-444-5
382	2013	Op zoek naar nieuwe verhoudingen. Evaluatie van het Nederlandse buitenlandbeleid in Latijns-Amerika	978-90-5328-443-8
381	2013	Balancing Ideals with Practice: Policy evaluation of Dutch involvement in sexual and reproductive health and rights 2007-2012	978-90-5328-442-1
380	2013	Linking Relief and Development: More than old solutions for old problems?	978-90-5328-441-4
379	2013	Investeren in stabiliteit. Het Nederlandse fragiele statenbeleid doorgelicht	978-90-5328-440-7
378	2013	Public private partnerships in developing countries. Systematic literature review	978-90-5328-439-1
377	2013	Corporate Social Responsibility: the role of public policy. A systematic literature review of the effects of government supported interventions on the corporate social responsibility (CSR) behaviour of enterprises in development countries	978-90-5328-438-4
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Policy and Operations Evaluation Department (IOB)
P.O. Box 20061 | 2500 EB The Hague | The Netherlands

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ISBN: 978-90-5328-446-9

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13BUZ620779 | E

Economic diplomacy is an important aspect of Dutch foreign policy. A lot of attention has been given to the promotion of the commercial interests of (groups of) Dutch companies, both in The Hague and at the Dutch representations abroad. Until now, however, not much was known about the effectiveness of the Dutch policy.

This evaluation of economic diplomacy in Latin America is a combination of a qualitative evaluation at outcome level and a quantitative

impact evaluation, which is unique in the field of economic diplomacy. The study assesses the effect of economic diplomacy on the competitive position of Dutch companies operating in the Brazilian ports, maritime transport and logistics sector. Subsequently it provides an econometric analysis of the effect of economic diplomacy on the volume of Dutch exports to Latin America. Its findings support the use of economic diplomacy and may contribute to the fine-tuning and adaptation of policies.

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Published by:

Ministry of Foreign Affairs of the Netherlands
Policy and Operations Evaluation Department (IOB)
P.O. Box 20061 | 2500 EB The Hague | The Netherlands

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