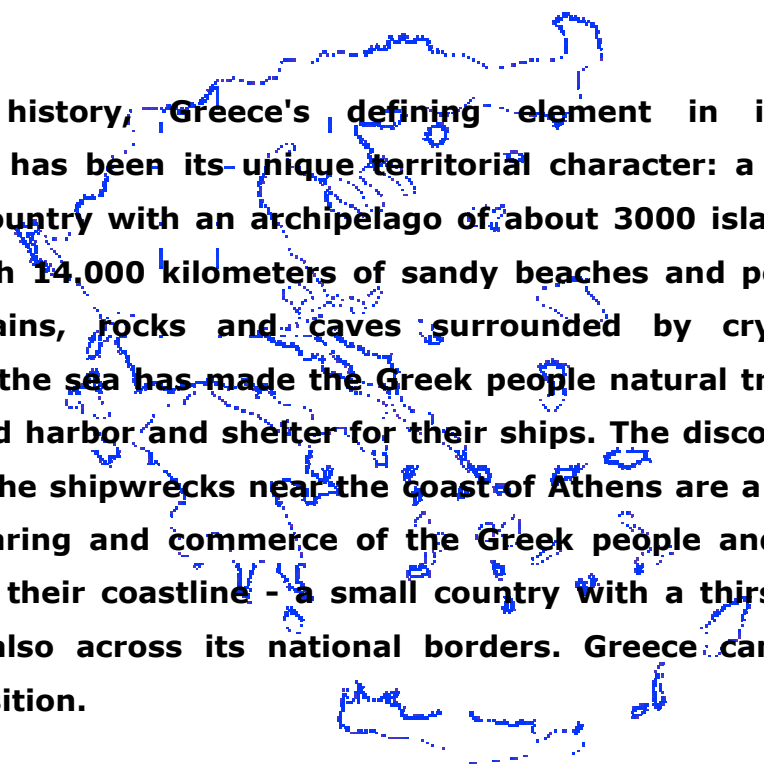




**A Trade Promotion Strategy for Greece
Report
Netherlands Domain Leader
Netherlands Ministry of Economic Affairs**

Throughout history, Greece's defining element in its economic development has been its unique territorial character: a mountainous peninsular country with an archipelago of about 3000 islands. It has a coastline with 14,000 kilometers of sandy beaches and pebbly shores, with mountains, rocks and caves surrounded by crystal waters. Proximity to the sea has made the Greek people natural traders, as the bays provided harbor and shelter for their ships. The discoveries earlier this year of the shipwrecks near the coast of Athens are a testament to ancient seafaring and commerce of the Greek people and the trading routes along their coastline - a small country with a thirst for trading within and also across its national borders. Greece can regain this favorable position.





Greek exporters face major challenges:

- widespread administrative barriers to export
- absence of practical support for export driven sales strategies
- a narrow export base preventing Greek businesses to tap into the benefits of foreign markets.

The Greek authorities have signaled their interest to receive technical assistance, at the State level, for designing and implementing a trade (promotion) strategy and have identified the Netherlands as 'best practice' which they would like to emulate. The Dutch administration has responded favorably to this request and have accepted to take on a leading role for providing assistance to the Greek authorities as the domain leader for the development of Greece's Export Promotion Strategy. The Netherlands' assistance to the Greek authorities is being coordinated by the Task Force for Greece.

As domain leader, a team of Dutch national experts has executed three scoping missions to review the existing structures, policies and programs for trade and investment promotion in Greece. The role of the domain leader will be to provide assistance to the Greek authorities for establishing a trade promotion strategy and designing a roadmap. The roadmap should articulate in a coherent and coordinated way all the components for trade promotion and in a possible second phase, the role of the domain leader would be to ensure that the roadmap and its subsequent work streams (actions/projects) are delivered in a coherent manner, within a defined timeframe.

Other work is currently being done to address the administrative barriers to export. A team of international experts, also coordinated by the Task Force for Greece, has identified priority issues and recommended actions to overcome administrative barriers to export. A concrete action plan has been established offering a step-by-step roadmap within a defined timeline. Both the export facilitation strategy and the export promotion strategy are part of Greece's single - three pillar - strategy on exports.

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The Hague
November 2012



Table of Contents

- I – Executive Summary
- II – Context
- III - Vision and strategy
- IV - Current Export Promotion in Greece
- V - Recommendations
- VI - Roadmap

Boxes

- Box 1: Learning from the Dutch experience
- Box 2: Ambitions and Export Promotion
- Box 3: What is Economic Diplomacy
- Box 4: Trade & Investment Promotion
- Box 5: Rules of the Game - Greek stakeholders

Tables

- Table 1: Greece international trade



I - Executive Summary

Compared to its European peers, Greece remains a relatively closed economy. Greek exports, at 24% of GDP including tourism and shipping, are the lowest in the European Union. The EU (27) average is about 44% (2011). To counter the current downward spiral of continuous economic recession, Greece stands to gain from fostering strong economic growth. The most likely way to foster economic growth is through a boost in Greece's export performance. It is therefore highly recommended that the current fiscal measures are supplemented by a common vision on the promotion of trade. However, current efforts to boost Greek exports are being implemented on an ad-hoc and stand alone basis.

Current Trade Promotion in Greece

Greece has much to gain from a coherent and integral trade promotion strategy. Currently different stakeholders have different views on the priorities, there is no defined common goal or target to where the country should be headed for. While the various state actors mention the importance of trade promotion, expanding the export base and moving into higher value products and services, and recognizing the potential of the rising emerging economies, there is an absence of a coherent and integral approach. Therefore, Greece currently lacks a vision and strategy for its trade and investment promotion.

Within the public sector, trade and FDI promotion are done in parallel. In part this is also true for the branding activities. There seems to be overlap in the promotional activities of the various stakeholders tasked with export promotion and attracting foreign direct investment. As the box illustrates there exists considerable overlap between the various stakeholders and their promotional activities.

Greek stakeholders involved in trade promotion & attracting foreign direct investments Who does what?

Promotional activities: HEPO (exports), HELEXPO and TIF (various fairs), Invest in Greece (FDI), GNT0 (tourism), HRDAF (privatizations), SG Communication

- Branding: HEPO, Invest in Greece, GNT0, TIF, SG Com/Info
- Information: HEPO, OAEP, Invest in Greece, GNT0, SG Com/Info
- Fairs: HEPO, HELEXPO, TIF, GNT0, Invest in Greece
- Business missions: HEPO, TIF, GNT0, Invest in Greece
- Conferences: HEPO, HELEXPO, TIF
- Networking (domestic): HEPO, Invest in Greece, HRDAF
- Analysis/studies: OAEP, Invest in Greece, HRDAF, KEPE
- Networking (abroad): HEPO, Invest in Greece, GNT0, HRDAF
- Financial support: HEPO
- Resources (structural funds & state budget): HEPO, Invest in Greece, GNT0



Promotional activities do not target the high potential markets, strategic issues are not being addressed. The fundamental relationship between trade promotion, attracting FDI, stimulating innovation and an accommodating economic diplomacy is not being recognized. There is (therefore) no collaboration between trade promotion and attracting FDI - the implementing agencies do not seek collaboration.

There is currently no clear division between the design of trade promotion policies and the implementation of those policies. A policy unit dedicated to the Greek investment climate and attracting FDI seems to be absent. There is no culture of making the public sector or public authorities 'accountable' for the effectiveness of their policies. Neither are the implementing agencies being held accountable for their results - this is currently not possible as there are no mutually agreed upon targets and results.

Current trade promotional activities are not addressing some of the structural problems faced by Greek businesses today. There seems to be a general lack of knowledge about the opportunities in foreign markets. More generally, Greek business lacks an outward-looking vision. The relatively large share of small-scale businesses in Greece poses a problem in reaching the critical mass needed to enter foreign markets. Last, but not least, the Greek economy is characterized by structural rigidities, including a host of red tape issues), but it can unlock enormous benefits by adapting to international trade.

Currently, Greece lacks clear strategies to boost economic growth and represents a relatively inward looking economy. At only 24% Greece's exports (including tourism and shipping) as a percentage of its GDP are the lowest in the European Union which has an average of 44%.

Fiscal consolidation may be necessary but will not make Greece's economy sustainable. Greece needs economic growth and becoming 'extrovert' is a prerequisite to attain it.

Economic Diplomacy

Throughout Europe and Northern America, countries face the strong economic growth of emerging economies and consequently their economic footprints are becoming relatively smaller. Especially small countries, like Greece, have much to gain from adapting to the drastically changing conditions outside their borders and must continuously look for appropriate adjustment measures to ensure their competitiveness within the ongoing process of globalisation. The emergency of these countries have dramatically changed the scene of international relations and cooperation, including the international business scene. To successfully engage in trade promotion and attracting FDI, the world's leading exporting nations use Economic Diplomacy as an effective tool to boost their exports and increase their FDI.

When 70% becomes 30%: Greece and Western countries are facing the growing competition and economic growth of emerging economies, so the international landscape becomes even more challenging. Western Europe, the US and Japan currently account for about 70% of world GDP; in 2050 these regions will contribute a mere 30% of world GDP.



There is currently an urgent need for engaging in Economic Diplomacy

Greece can gain tremendously from transforming into an outward looking economy: to devise a clear strategy and vision for trade (including export, import and FDI); building the capacity to implement it; facilitating Greek business in a targeted and coordinated manner.

It is therefore highly recommended that the current fiscal measures are supplemented by a common vision on the promotion of exports. The timely implementation of this common vision, backed by modernised and reinforced institutions conducive to international trade and supportive of attracting much needed FDI, is crucial to strengthen the growth potential of Greece's economy. It is highly recommended that this vision and a comprehensive roadmap is developed soon, together with key actors, in the coming weeks. This vision and roadmap should be endorsed at the highest political level by all cabinet members whose ministries are involved, directly or indirectly, in trade and FDI promotion.

Building a vision and strategy

To build a vision and strategy for its trade and investment policies, Greece needs to set:

- ❖ Clear and shared ambitions for all stakeholders involved
- ❖ Clear strategies which are in line with broader economic policies and strategic needs
- ❖ Clear roles for the stakeholders involved
- ❖ Clear rules of the game to ensure smooth cooperation
- ❖ Empowerment for exports.

In this context, our recommendations can be presented as follows:



Recommendation 1

- We strongly advocate in favour of increasing the government's focus on economic diplomacy. We recommend a new prioritization within the current public infrastructure to accommodate Greek business through effective Economic Diplomacy.
- All parties involved in trade and FDI promotion need to agree on a common vision for a comprehensive trade and FDI strategy that incorporates common objectives.
- The vision needs to be endorsed at the highest political level by all cabinet members whose ministries are involved, directly or indirectly, in trade and FDI promotion.



Recommendation 2

- In order to facilitate the smooth functioning of an active Economic Diplomacy, including trade and investment promotion, we recommend that MFA and Min Dev
 - Merge their current activities related to trade policy, including trade promotion, into a new policy unit dedicated to the design of trade and investment policies,
 - Institutionalize the cooperation between this new unit and the two ministries in a Joint Venture
- This will help embed the emerging partnership between the ministries, and in doing so, will provide for a sustainable infrastructure for collaboration between all stakeholders involved in Economic Diplomacy and trade and investment promotion.
- As part of this development, Ambassadors' tasks should be redefined to include a (much) more active role in facilitating and promoting Greek business abroad.
- MFA may consider setting an ambitious target of allocating up to 80% of its staff to economic diplomacy for those countries and markets which are currently important for Greek exporters and where potential foreign investors are. But also for those countries and regions where strong growth rates provide for potential markets in the medium to long term.
- A branding strategy to support trade and investment promotion should be developed and be consistent with an overall national brand strategy.



Recommendation 3

- We recommend a clear and distinct demarcation between the roles of the public and the private sector in terms of trade and investment strategies, policies and implementation.
- We also recommend a clear distinction between the role of setting policies and that of implementing policies.
- We recommend that the Greek authorities avoid unnecessary overlap in their trade and investment promotion activities, by consolidating similar promotional activities and tasking specific agencies to execute these tasks to counter the current fragmentation and duplication of promotional activities. In this light:
 - HePo and Invest in Greece - as far as their current promotional functions are concerned - should be merged into a new single state agency: Greece Trade and Invest.
 - the cooperation between this new Agency and (agencies of) ministries should be laid out in Service Level Agreements.



Clear Rules of the Game

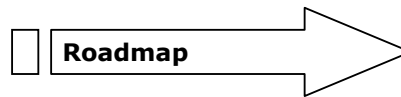
Recommendation 4

- We recommend a rolling agenda on all visits and missions abroad of all members of the Greek cabinet to be part of the weekly deliberations of the Greek cabinet.
- We recommend that the Greek authorities develop appropriate mechanisms to monitor and evaluate the effectiveness of the trade and investment policies, both at the policy level but also at the implementation level.
- We recommend that a platform is created where the relevant government ministries and agencies can interact periodically with business (organizations) about the further development of the export promotion policy.

Empowering for Exports

Recommendations 5

- We recommend that Greece undertakes an analysis and develops a clear vision of its trade and investments objectives and opportunities in foreign markets.
- We recommend that Greece develops a proper information and advisory function, providing Greek business with high quality information on foreign markets.
- We recommend that Greece develops initiatives aimed at assisting the very small Greek businesses looking for trade opportunities, provide training in exporting to SME's, and support broader extroversion initiatives.
- We recommend that the Greek private sector and Greek business associations take an active role in promoting good business examples and raise awareness on the best practices for exporting.
- We recommend that Greece Trade and Invest, in conjunction with the embassies abroad, develops a customer's relationship management tool.



Recommendation 6

- Building on the workstreams described in this report, we suggest that a detailed roadmap is developed together with relevant Greek actors; for this a series of meetings and workshops will be organised; the roadmap should entail all necessary actions needed to implement the recommendations.
- A Monitor Group should be established to oversee the timely implementation of the export promotion roadmap, a working group should be tasked with the implementation of the roadmap (operational level).
- Given the interrelations between export promotion and the two other pillars of the National Export Strategy, and in order to keep progress in these three pillars ongoing and synchronized, it is highly recommended to establish a mechanism enabling for overall coordination of the export strategy as a whole. This will have to be done taken into account the future creation of the interministerial coordination structure (due December 2012). Until then, we recommend to avoid any effort which might duplicate or have overlap with this. We recommend that any initial (temporary) steps geared towards coordination of the three pillars strategy be taken in line with the expected interministerial coordination structure. Furthermore, we recommend not to take any decision towards an initial or temporary steering committee which can not be reversed.

We propose the following steps in order to proceed with these recommendations:

- Presentation of the Report - December 6, 2012 in Athens
- Endorsement of the Report - December 2012
- December 2012 - preparing meetings and workshops to detail out the workstreams (see below)
- 1st Quarter 2013 - meetings and workshops convening relevant actors and stakeholders resulting in overall Roadmap.

The proposed export promotion workstreams are the following:

1. Building a vision & strategy for trade and investment promotion

- a. Economic Diplomacy as point of departure
- b. Establish relationship between trade, FDI, export base, etc.
- c. Establish synergies with private sector

2. Establishing an effective public infrastructure for Trade Promotion in Greece

- a. Creation new policy unit Min Dev & MFA
- b. Capacity building for policy analysis & evaluation
- c. Justifying role of government - allocating scarce public resources
- d. Connecting relevant actors using MoU's and SLA's



3. Establishing an effective public infrastructure for Trade Promotion abroad

- a. Reallocation from staff MFA - from A to B
- b. Develop Training

4. Creating a state Agency for implementation of trade and investment promotion

- a. Merger of HePo and Invest in Greece (promotional functions)
- b. Describing relations with other ministries with Service Level Agreement / Joint Venture
- c. Implementation of promotional activities, outsourcing promotional activities to third parties (including private sector)
- d. Capacity building, Monitor & Evaluation systems, customer's information system
- e. Business and Market Intelligence (how to gather relevant information)

5. Developing Promotional instruments

- a. Information & advice, Website, Prepare2Start for SME's, Collective Promotional Activities, Studies, Complex Foreign Markets, etc.

6. Stimulating Public Private Partnerships

- a. Collaboration with private sector, synergies, overlap

7. Branding (nation and product)

- a. Developing a brand strategy for trade and investment promotion
- b. Establishing consistency with nation branding strategy.

8. Governance Roadmap (December)

- a. Design a Monitor Group to oversee implementation of the export promotion roadmap, the establishment of a working group tasked with implementation of roadmap (operational level)
- b. Define relations with other projects (pillars) of export promotion - export facilitation and broadening of the export base; development of options ensuring sufficient coordination between these three pillars



II - Context

Greece and 'the rise of the rest'

The rise of emerging markets is a fact. Western Europe, the US and Japan currently count for about 70% of world GDP, in 2050 these regions combined will contribute a mere 30% of world GDP¹. At the same time, 'the rise of the rest' is a positive development as it provides for new markets for foreign products/services and brings new potential investors and tourists. However, the emergence of these countries has dramatically changed the scene of international relations and cooperation and has given rise to several fields of potential tensions. As the global financial crisis has clearly illustrated: the shift in global economic power has not been paralleled by a similar development in the global economic governance system and structures. The rapid economic development of emerging markets also means increased demand and competition in access to scarce global resources. Also, in many of the emerging economies the role of the state is relatively larger than in the EU. This means that the Greek state has an important role to play in offering access to these emerging markets.

Throughout Europe and Northern America, countries face strong economic growth of emerging economies and consequently their economic footprints are becoming relatively smaller. Especially small countries, like Greece, have much to gain from adapting to the drastically changing conditions outside their borders and must continuously look for appropriate adjustment measures to ensure their competitiveness within the ongoing process of globalisation.

Greece and the EU

Compared to its European peers, Greece remains a relatively closed economy. Notwithstanding Greece's historic comparative advantage in international trade, during the last decade its economic development has been mostly driven by high levels of private and government consumption growth², leading to the current situation of unsustainable (public) debt, a deep recession with very high unemployment and a bleak outlook in terms of economic recovery. The spurt in domestic demand was also fuelled by high levels of imports while the business and investment climate remained unfavourable, preventing it to attract investment capital to build job-creating businesses.

Greek exports as percentage of its GDP are 24%, the lowest in the European Union (2011), while the EU(27) average is about 44% (2011). Countries like Hungary and Slovakia score close to the top of the EU(27) with exports reaching 92% and 90% of GDP respectively (2011), with Hungary showing solid growth of its export sector during the last decade (up from 63% of its GDP in 2002)³. Also, Greece has not been able to attract sizable FDI during the past decade. During 2000-2008 the average EU(15) inward FDI as a percentage of total capital formation stood at 17%, while Greek inward FDI as a percentage of its total capital formation was merely 4%⁴. While Greece showed strong economic growth rates during that period, these rates were driven by public and private (final) consumption and not by exports: moreover, during this period Greece's negative trade balance had a negative effect on its economic growth rates⁵.

¹ Source: Goldman Sachs.

² Mostly financed by the inflow of foreign capital.

³ Source: Eurostat.

⁴ Eurostat: without Luxembourg.

⁵ Total net exports accounted for -12 billion euro's (2000-2008). Source: McKinsey May 2012.



While for many countries during the past decade increasing openness has been associated with stronger economic performance, Greece has remained somewhat closed. If Greece wants to spur economic growth it must embrace a path which leads to increasing and deepening economic integration with the outside world. Increasing its exports has now become more important for Greece than ever before.

Greece

The Greek economy is characterised by structural rigidities. The private sector indicates that the administrative burden is very high (red tape). Work is being done in this field by the Taskforce for Greece under the trade facilitation track and some red tape has been cut. The lengthy and cumbersome process is slowly being lifted. However there remains a host of rigidities and removing this administrative burden, which is a necessary but not sufficient condition, is unlikely to be a solution to the general problem of an inward looking business climate in Greece.

The share of small enterprises and family businesses in the Greek economy is very large; much larger than in other EU member states. This is particularly true for the food & beverages industries and the tourism sector. Small businesses have only a limited productive capacity and lack a critical mass to enter new markets. In addition, the typical Greek SME lacks the necessary skills and resources needed to prepare a proper export strategy and business plan and make the initial investment. These barriers prevent Greece from realizing its export potential.

Tourism is a key sector in the Greek economy which also significantly contributes to employment. While the sector has been growing for the last decade, the growth has been driven mostly by domestic demand. The sector is facing structural problems and has seen a drop in its revenues during the past year and in the first half of this year, although this trend may seem to be on the reverse at the end of the high season this year (receipts last August showed a 2,9% rise year-on-year). Tourism in Greece includes mainly organized forms (package-holiday) and is characterized by low value added services. Because of its geographical position and climate the Greek tourism sector offers low cost and traditional sun & bed holidays. Greece therefore competes mainly with other Mediterranean countries (like Turkey) and attracts mostly low budget foreign tourists. Boosting and developing the tourism sector requires a comprehensive approach coupled with major investments, most of which must come from abroad and must be driven by a boost in foreign demand.

Moreover, the overall low productivity levels in the manufacturing and agricultural sectors which are not coupled with low wage levels and the relative low-value products produced all lead to an overall low value added margin for the export sector in general and call for a comprehensive structural economic growth strategy to make Greece's tradable sectors more competitive.

Greek tradable sectors include tourism, manufacturing, agriculture, business services and shipping. Greek trade statistics show that Greece is running a trade deficit in terms of its merchandise trade, while it maintains a positive trade balance in terms of its international trade in services.



Table 1: Greece international trade: in millions Euro - GDP current prices

	Export		Exports as % GDP	Import		Trade Balance	
	2010	2011		2010	2011	2010	2011
Goods	16.391,8	22.451,1	10,4%	45.152,7	42.045,4	-28.760,9	-19.594,3
Services	28.477,8	28.624,1	13,3%	15.229,4	13.985,4	13.248,5	14.638,7

Source: ELSTAT, Bank of Greece

The overall trade balance remains negative, however there has been a significant improvement since 2011. The improvement was mostly driven by a fall in (merchandise) imports and to an increase in exports. The increase in exports was mainly spurred by a rise in the price level of its main exporting sector: mineral fuels and related products (see appendix). The most recent figures now show for a second month in a row a surplus on the current account (euro 1,6 billion for August), driven by a rise in tourism receipts for the month of August⁶.

The Greek economy - in particular its merchandise trade - enjoys a narrow export base. As table 1 above illustrates, the level of the merchandise trade compared to GDP is a little more than 10%. Low productivity levels across economic sectors, including its tradable sectors, and very low workforce participation rates make for a relatively small labour force supporting a generally unproductive economic system and pose obstacles to wealth creating and growth. Boosting exports involves a host of reform measures to increase competitiveness and will entail considerable amount of adjustment of product and factor markets and investment. At the same time, the potential impact of these efforts are considerable and could lead to favourable growth rates, jobs and better living standards.

For example: the food processing sector currently has a negative trade balance of euro -2 billion (2010)⁷ while in Greece there is ample availability of high quality raw materials and produce and specialized know-how. Greece has a natural comparative advantage in this field to become a net exporter but is not capitalizing on this export potential and thus foregoes on a potential important source of income. Greece's ambition could be to become a net-exporter for the food procession sector.

Learning from others

Currently, the economic situation in Greece is very difficult, but some of the challenges are not specific to Greece only. Many countries have experienced hard times in the past and have grappled with similar issues. Getting their economies back on track often implied a process of difficult but necessary reforms and at times has come with painful yet crucial political decisions. Focusing on the Netherlands, we observe that throughout history, international trade has been the lifeline of the Dutch economy. Today, the Netherlands ranks among the world leaders of successful exporters (and importers) and foreign investors, and it continues to attract vast amounts of foreign direct investment from the world into its territory. Moreover, in the most recently published competitiveness index by the World Economic Forum, the Netherlands ranks #5 on the global ranking list of most competitive economies in the world.

Maintaining its top competitive position in a rapidly changing world requires continuous focus and prioritization and must come with continued political will to adjust according to the situation. This is true today, but it has been true for the Netherlands in the past as well.

⁶ Tourism receipts rose in August by 2,9% (year-on-year).

⁷ McKinsey, May 2012.



Box 1: Learning from the Dutch experience

Economic reforms: stay the course

The Netherlands was not without problems of its own during the last three decades. The country suffered a severe deterioration of its international competitive position that took far-reaching reforms to turn the economy into the export-oriented success story that it is today.

First, wages rose dramatically during the decades following the relatively modest wage increases in the post-war years. Wages increased much faster than productivity as a result of the abandonment of centralised wage policies that kept wages low. The ensuing inflation caused even higher wage demands, which seriously dented the international competitive position of the Dutch economy. Secondly, the two oil crises during the 1970s led to a strong increase in the price of oil imports. Thirdly, large natural gas deposits were discovered in the North of The Netherlands. The generated income was mostly invested in the non-tradable sectors, which raised the relative wages in these sectors. Gas exports led to an appreciation of the Dutch guilder, which hurt competitiveness even further. This came to be known as the "Dutch disease"⁸. Fourthly, the loss of competitiveness led to a very defensive industrial policy with direct support to companies. Finally, during this period the Dutch welfare state was evolving, which was financed by an increased tax burden on the economy.

The early 1980s saw a number of simultaneous changes that initiated the Dutch economy's recovery. First of all, the dominant economic paradigm of a demand-oriented approach towards battling economic crises gave way to a vision focused on the need for structural reforms, relying increasingly on market forces, curbing the rise of nominal wage rates, consolidating public finances, and the promotion of privatisation and deregulation. This was coupled with a focus on innovation as one of the main policy goals and, later on, fiscal burdens on industry were lessened. Secondly, the Wassenaar Accords of 1982 - which brought employers and employees together by entering a covenant - envisaged a policy of wage moderation that would last a decade - the so-called 'Poldermodel'. This in turn was one of the main drivers of the improvement in the country's competitiveness. Reforms followed that increased the attractiveness of part-time work, increasing the Dutch supply of labour.

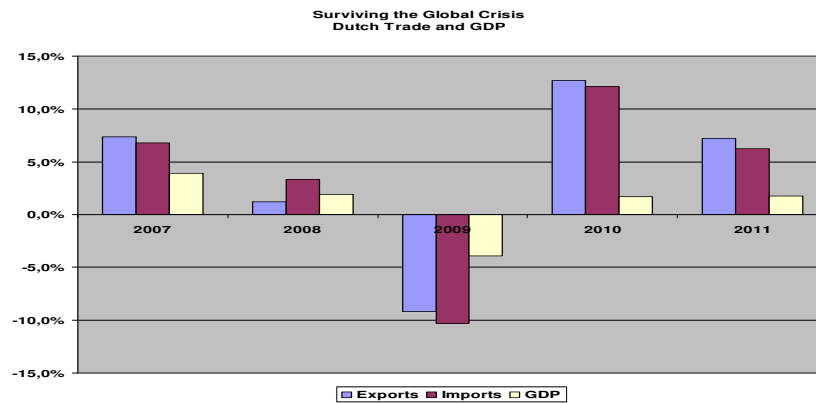
While several factors played a role in restoring the international competitive position of The Netherlands, wage moderation and labour and product market reforms seem to have had the largest impact. As a result of these measures, exports became the most important driver of economic growth in The Netherlands from the 1980s. The OECD concluded that the Dutch policy of wage moderation initiated a 'virtuous circle' of increased competitiveness, increased profitability, increased investment and improved labour market performance and economic growth that lasted until the economic slowdown of the early 2000s.

As an open economy, the Netherlands continuously looks for opportunities for international trade and investment abroad and to attract foreign investors into the country itself. The importance of exports to the Dutch economy also became apparent with the recent crisis. After the collapse of world trade in 2009, Dutch exports regained their top position in the following years and were the main driver behind the recovery and growth rates.

⁸ There is no conclusive empirical evidence that gas exports actually impacted competitiveness negatively.



Surviving the global crisis - Dutch Trade and GDP



International Trade – Lifeline of the Dutch Economy
Exports main driver for recovery



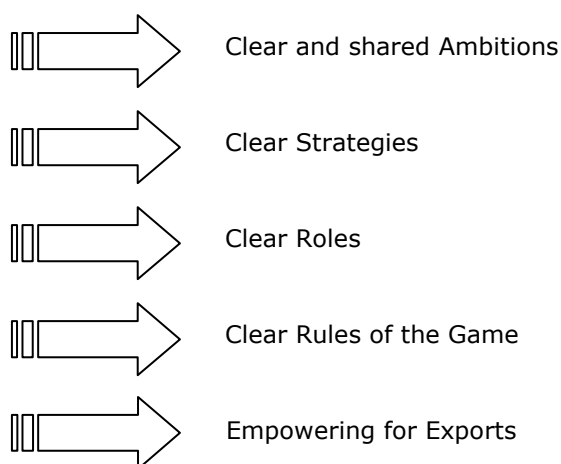
Source: Netherlands Statistics Bureau

The Dutch figures show the importance of a vibrant exporting sector to overcome the crisis. To overcome the current crisis and put the country on a path of sustainable growth, Greece too can greatly benefit from a vibrant export and trading sector and can do so by focusing on stimulating and developing its international trade position and its exports.



III - International trade and investment: Vision and strategy

To be able to stimulate and develop international trade and investment and come up with a trade strategy, it is important to have a vision of what a trade strategy must accomplish, what ambitions the country has both in the short to medium term but also in the long term. Looking at best practices, a national vision and a strategy on international trade and investment includes:



First, clear and shared ambitions. A vision and strategy include a clear statement on what ambitions the country has and where it wants to go.

- These goals and ambitions need to be endorsed by the relevant stakeholders, both from the public as well as the private sector.
- The goals and ambitions need to articulate a coherent set of promotional programs and initiatives
- which cater to the clients needs. The client is the Greek entrepreneur, Greek businesses and knowledge institutes.

Second, a strategy on international trade and investment sets clear and strategic choices and would thus be an integral part of Greece's Economic Diplomacy policy. The strategy must address the fundamental relationship between

- attracting foreign direct investment
- promoting foreign trade
- stimulating innovation
- and an accommodating economic diplomacy.

Thus, a strategy on international trade and investment will have to be consistent and in line with Greece's broader economic development policies.



Third, clear roles. A vision and strategy on international trade and investment is clear about

- the distinction and demarcation between the role of the public sector and private sector.
- It should abide by the principle of efficiency, both in terms of efficient government (operational) as well as in terms of efficient allocation of scarce public resources.
- There should be a clear division/separation between those responsible for policy making and those implementing those policies (i.e. implementation of promotional programs and activities).

Fourth, clear rules of the game. A vision and strategy on international trade and investment needs to be clear about

- how cooperation between the various stakeholders is secured.
- There must be a clear structure for the inter-ministerial cooperation,
- a structure for the cooperation between the ministries, state agencies, private sector and the embassies abroad.

Last but not least, a vision and strategy needs to include

- a system of monitoring and evaluation to ensure that policies are effective and can be adapted if needed.

Fifth, empowering for exports. Promoting exports should go in tandem with empowering exporting businesses or those looking for export opportunities by

- providing training to those who lack the proper skills to export,
- by facilitating small businesses to organise themselves to reach critical mass needed to enter foreign markets and by
- reinforcing and collaborating with private sector initiatives aimed at trade and investment promotion.

Clear and shared ambition



A vision or ambition tells what the country wants to achieve. The strategy tells us how to do this. To ensure that the strategy can be consistently implemented, the vision and strategy need to be endorsed by all major stakeholders involved and must have full political backing and support. The vision and strategy must define a coherent set of promotional programs and initiatives with clear political backing and support both in terms of commitment but also in terms of the necessary resources. For example: some basic elements of a promotional program entail: good and reliable information on foreign markets, available to all Greek business. Support to business firms who have no prior experience with exporting (starters) or want to enter new markets. Facilitating trade fairs and strategic missions abroad. Nation and product branding. Last but not least, any vision and strategy on international trade and investment needs to be fully in line with a broader economic development strategy for the country.



Box 2: Ambitions and Export Promotion Initiatives

Ambitions and Export Promotion Initiatives

Many countries, whether small or big, have recently announced the launch of new initiatives to boost their exports. Faced with economic downturn on their domestic markets, countries are setting ambitious targets to dramatically increase their exports. Four examples:

- In his 2010 State of the Union, President Obama announced the new National Export Initiative (NEI) which called for a doubling of U.S. exports by the end of 2014 to support millions of jobs at home. The NEI focuses on i) improving trade advocacy and export promotion, ii) increases access to credit especially for SME's, iii) removing barriers to the sale of U.S. goods and services abroad, iv) enforcing trade rules, and v) pursuing policies at the global level to promote strong, sustainable and balanced growth;
- The UK government recently provided £13 million for new funding to help UK Trade and Invest achieve its goal of doubling UK exports to £1 trillion by 2020;
- The Danish government revised its strategy to boost Denmark's export to six emerging markets by 50 percent over the next five years. The current strategy for the BRIC countries plus the new strategy for the six other emerging markets is expected to raise export income to about 90 million Danish kroner (\$15 billion), up from the current 60 billion kroner;
- Estonia announced a true export revolution. Changing the Estonian company 'culture and thinking' to delegate the management of export sales to a dedicated export manager would allow for strong growth in export volumes and expanding into new markets.
- Last, but not least, in many countries, like Sweden, Denmark or Germany, the investment and trade promotion organizations are merged according to the UK Trade and Investment example.

Source: news items and websites

In line with the Europe 20/20 strategy, Greece has set various goals, for example increasing the employment rate to 70% for the age group 20-64. In terms of its international trade and investment strategy, Greece needs to formulate ambitions and define specific goals.

Clear Strategies: Economic Diplomacy



A crucial change for global markets is the relatively strong role of the state/public sector actors in many emerging markets, such as China, Russia and Brazil. Moreover, political and cultural factors are increasingly part of (business) negotiations and there seems to be a tension between Western 'market mechanism' orientation versus the non-Western 'state capitalism' approach. In terms of trade policy there is increasing tension between multilateralism and bilateralism/regionalism. Last but not least, because of the ever increasing interdependence of national economies, macro economic coordination between countries becomes more and more crucial, while for example protectionism and fiscal policy competition are on the rise. To be able to facilitate international business and cooperation, governments increasingly engage in so-called economic diplomacy.



Box 3: Economic Diplomacy

What is Economic Diplomacy?

We can define Economic Diplomacy as a set of activities - both regarding methods and processes for international decision making - related to cross border economic activities (export, import, investment, lending, aid, migration) pursued by state actors and non-state actors. Typically economic diplomacy consists of three elements:

- The use of *political influence and relationships* to promote and/or influence international trade and investments, to improve on functioning of markets and/or to address market failures to reduce costs and risks of cross border transactions (including property rights), but also many activities of non governmental organizations (NGO's) are relevant under this heading
- The use of economic assets and relationships to increase the cost of conflict and to strengthen the mutual benefits of cooperation and politically stable relationships, i.e. to increase *economic security*. This subfield both contains structural policies and bilateral trade agreements (aimed at achieving specific geographic trading patterns) and the political distortion of trade and investment as in the case of boycotts and embargoes
- Ways to consolidate the right political climate and international political economic environment to facilitate and institute these objectives. This subfield covers multilateral negotiations and is the domain of the supranational organizations and institutions such as the World Trade Organization, the Organization of Economic Cooperation and Development and the European Union.

Source: Bergeijk and Moons (2008)

The definition above is somewhat broad and all-encompassing. In terms of trade and investment promotion, most of the activities would fall into the first category. For the Netherlands, making trade and investment promotion part of the Economic Diplomacy effort entails several core activities, some of which are listed in the box below.



Box 4: Trade & Investment Promotion in the context of Economic Diplomacy

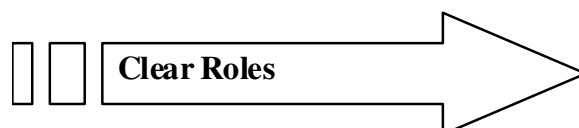
The Netherlands Economic Diplomacy and Trade & Investment Promotion

- Opening doors for (small) business to enter foreign markets through local support and facilitation by commercial attaché's and diplomats. A facilitating role by government emanates a 'vote of confidence' to the participating businesses when entering a foreign and especially complex market. It also provides for a 'hallmark of quality and legitimacy' towards the foreign partners
- Organization of trade missions led by high level officials
- Facilitating and assisting potential exporters to enter foreign complex markets by providing information and advise and organizing promotional activities
- Contact desk where business can complain about unfair competition practices
- Partners for International Business - facilitating clusters of businesses to enter foreign complex markets by identifying and solving barriers to enter
- Platform International Tenders and Contracts. A collaborative effort between business and public sector to inform and provide guidance to business to increase their chances to succeed with bidding procedures of the multilateral institutions.
- Branding. A consistent branding strategy and implementation, with a consistent set of tools that can be used for different purposes and aimed at different audiences, but with the same overarching themes and message.

Investing in innovation through foreign capital requires a consistent national branding message, and must be in line with the product branding of current and potential export products (and services). Entering foreign complex markets, either for promoting exports or attracting foreign investors, requires a facilitating role of government. We therefore underline the fundamental relationship between:

- Promoting foreign trade, including tourism
- Attracting foreign direct investments
- Stimulating innovations
- A national brand strategy
- And an accommodating economic diplomacy.

Clear Roles



1) Public and Private

There needs to be a clear demarcation between the role of the public sector and the private sector). To the extent that the private sector also engages in trade and investment promotional activities, the role of government in trade promotion can be justified if i) there are market failures preventing business to engage in trade and investment, ii) if businesses face barriers which they



cannot overcome on their own, and iii) when government intervention leads to positive spill over effects (externalities). However, the justification for government to engage in trade and investment promotion does not necessarily imply an active role for government. In general, all trade and investment related activities performed by government need to be assessed in terms of whom and which governmental body can best perform a specific task. Proper prioritization will greatly enhance the efficient operation of government and the efficient allocation of scarce public resources.

Moreover, government should at all times avoid duplication in its efforts and seek efficiency gains in its own operations. Merging trade promotion and attracting FDI together will lead to important gains in efficiency and will greatly contribute to effectiveness.

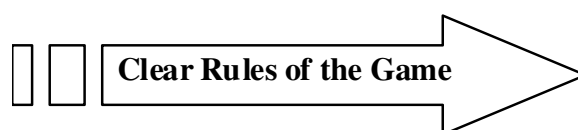
For example: there exist important overlap and interfaces between promoting trade and attracting foreign direct investments. These are:

- Close cooperation and interaction with embassies abroad. Both trade promotion and attracting FDI will use the same 'public infrastructure' abroad and deal with the same people (economic counselors, economic diplomats and ambassadors).
- Consistent branding message: such as product branding abroad for trade promotional purposes, while sector branding for attracting FDI. Same message.
- Sharing strategic information on foreign markets and sharing CRM systems
- Engaging high level officials in strategic missions (multiple purposes) and international fairs participation
- Bringing needed technology (innovation, R&D) into the country through FDI to stimulate innovative growth and expanding the export base.

2) Policy and Implementation

Economic policy, Economic diplomacy, trade and investment policies, including promotional policies are the domain of government, while implementation of promotional programs need to be put at a distance. These promotion programs may be executed by the public sector or by contracting private sector parties. Separating policy from implementation of (promotional) policies is.....text...

Clear Rules of the Game



Implementing a Trade and Investment Strategy often entails a host of different stakeholders. For an efficient implementation of an effective economic diplomacy and trade and investment promotion programs it is necessary to have a clear understanding of how the different stakeholder will cooperate, trying to avoid unnecessary overlap and duplicating efforts, and ensuring all stakeholders subscribe to the same vision and contribute to the same goal.

Ministries themselves can find appropriate mechanisms and agree on a common framework for collaboration and good governance. The public authorities need to be held accountable for the effectiveness of their policies and implementing agencies need to be held accountable for their results. There must be a monitoring and evaluation system in place. Collaborative efforts between the public and private sector such as platforms can be a useful tool to ensure constructive and effective cooperation between the two.



Empowering of Exports



Trade and investment promotion can at best sow the seeds for better trade and investment performance. To ensure that promotional programs actually lead to results we must provide for 'fertile grounds'. That is: Greek businesses need to be able and be adequately equipped to take advantage of the business opportunities in foreign markets.

Firms may face different barriers when exporting or when they start with exporting. Entering new markets entails investing in time to gather relevant information, prepare a business plan and also make initial investments. Such a process poses a real cost to the firm. Depending on the specific characteristics of the firm, some firms may lack the necessary resources or skills to engage in such a process and therefore they cannot enter new markets or engage in exports. This is especially true for small sized firms. Providing proper training will enable these firms to grab the opportunities which foreign markets provide. This way, part of the underutilized Greek export potential can be realized.

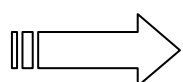
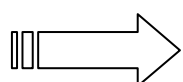
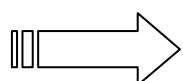
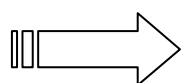
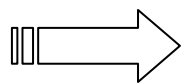
Firms might also encounter external barriers when entering new markets such as a difficult and non-transparent business environment with cumbersome legal procedures or protective measures. Proper information and advice on the business environment and how to tackle the issue of protective measures in that particular market can help the firm take the proper decisions and make a strategic business plan to enter its target market.

Empowering businesses to be able to engage in international trade and attracting foreign direct investment also entails bringing the opportunities in foreign markets in line with a country's own strengths (comparative advantages) and its specific and strategic needs. This alignment of strengths and needs with the opportunities abroad must be carefully analyzed and translated into a clear vision and strategy for both the short and medium term as well as for the longer term.



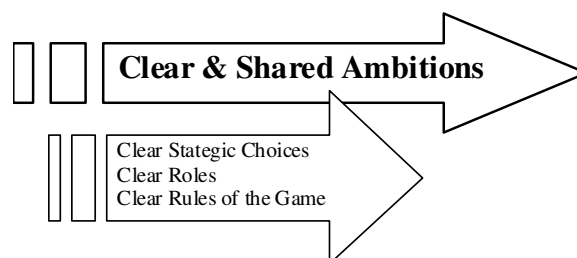
IV Current Export Promotion in Greece

To take a close look at the current situation in Greece and its existing structures, policies and programs for trade and investment promotion, we use the analysis approach from the previous chapter. These are the five elements which comprise a national vision and strategy on trade and investment promotion. In this chapter we use each element to analyze the current Greek situation, in the next chapter we follow the same structure when outlining our recommendations.

-  Clear and shared Ambitions
-  Clear Strategies
-  Clear Roles
-  Clear Rules of the Game
-  Empowering for Exports

Clear and shared ambitions

Greece currently lacks a vision and strategy in terms of its trade and investment policies. Different stakeholders have different views on where the priorities are, there is no defined common goal or target to where the country should be headed for. There is currently no common commitment in terms of trade promotion between the public actors or between the public and private sector actors.



In addition, promotional programs (including branding) are being implemented without defined goals and targets. There is a total lack of prioritization in terms of choosing target countries, sectors or even target clients. This makes for an inefficient allocation of scarce public resources.

Promotional activities are implemented mostly on an ad-hoc basis. There is currently no coherent set of programs and initiatives. While state actors often speak of institutional aspects as the main problem definition in terms of trade promotion, the intermediary organisations and other stakeholders of the private sector often speak of the problems faced by the exporting business itself. There seems to be a gap between the current promotional activities by the public sector and the needs of the, especially small, Greek exporting business.

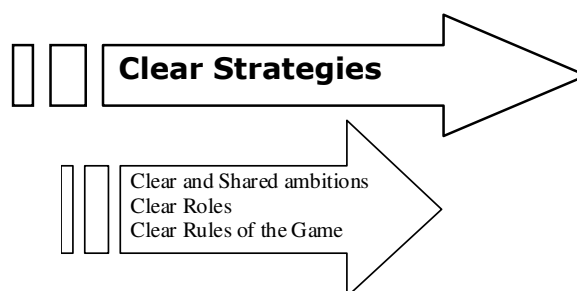


Public sector institutions engaged in export promotion tend not to set specific goals, nor do they have an overarching strategy or objective. Current export promotion activities mostly focus on existing export markets and serve a rather fixed client base. There is little to no specific effort directed at reaching out to new and potential exporters. The current promotional activities are not targeting the high-growth emerging markets and therefore miss out on the possible high return of export promotion in these markets, albeit their returns might not be realized in the very short term. The lack of cooperation between the public sector actors also leads to the duplication of efforts and makes the system inefficient.

While the various state actors, ministries and implementing agencies mention the importance of promoting trade and attracting foreign investment, expanding the export base and moving into higher value products and services, and recognizing the potential of the rising emerging economies in terms of new markets for exports and finding potential foreign investors, there is a complete absence of a coherent integral approach.

Clear Strategies: Economic Diplomacy

Most stakeholders involved in trade promotion (both within the public sector as well in the private sector) indicate a need for trade promotion geared at the emerging markets. These parties stress that the current pattern of Greek trade flows are not in line with the developments abroad and the opportunities which the emerging markets provide for. Parties call for a better alignment between Greek (potential) exports, trade promotion and the opportunities in those dynamic markets abroad. They also call for more and better assistance from the commercial attaché's abroad.



Trade promotion and promotional activities to attract FDI are done in parallel. In part this is also true for the branding activities. Strategic issues are not being addressed.

At the same time we observe an alarming development: the number of commercial attachés at Greek embassies worldwide has decreased sharply over recent years. Those remaining are faced with too high a workload to effectively assist Greek businesses operating abroad. This specific section of the Ministry of Foreign Affairs seems to have suffered disproportionately from the hiring freeze mandated by the central government. And apparently there seem to be no plans for redeployment of MFA personnel towards economic diplomacy from other positions. The role of government is therefore not well designed. The need for adequate and competent commercials at the embassies assisting Greek businesses abroad, has been signalled by all stakeholders.

Many parties speak of the need of a national brand strategy. Some parties stress the need for a nation-wide umbrella strategy, while others indicate the need for a focus on regional branding. We observed several parties that see branding as a practical issue (innovative packaging), while others speak of the need for restoring trust and reliability of the country as key. The problem here is that the different stakeholders seem to speak different languages when talking about national branding.



Summarizing we can state that:

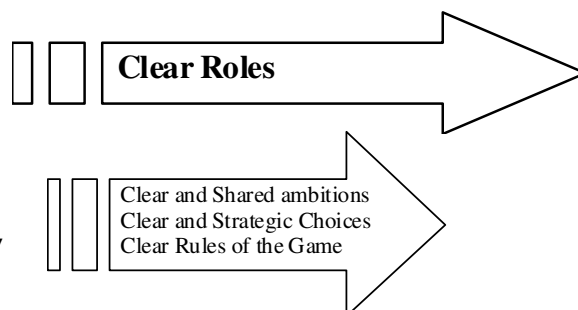
- Currently trade promotion is being implemented as a stand-alone effort. The current promotional activities do not target the high potential markets, strategic issues are not being addressed
- There is currently no collaboration between trade promotion and attracting foreign direct investments - the implementing agencies do not seek collaboration
- Efforts at bringing in foreign capital to invest in innovative growth strategies are absent
- The various actors engaged in branding do not follow a national coherent approach
- Last but not least, there is currently no accommodating economic diplomacy.

Clear roles

Public and private roles

There are currently duplicating efforts within the public sector entities. State actors do not or hardly seek any collaboration with each other (no horizontal cooperation), and there is little cooperation between the public and private sector (no vertical cooperation), except for a few. This leads to inefficiencies with the public infrastructure.

In addition, promotional programs (including branding) are being implemented without defined goals and target. There is a total lack of prioritization in terms of choosing target countries, sectors or even target clients. This makes for an inefficient allocation of scarce public resources.



The state agency (HePo) engaged in promotional activities organizes trade fairs and missions, both within Greece and abroad. These activities seem to be successful and several of these programs are being executed on a (full) cost recovery basis. HePo's management has pointed out that it might become 'fully self supporting'. While the activities might be successful, the problem here is that these constitute a commercial activity and should not be undertaken by the public sector, as this creates a direct market distortion (by the public sector itself). We came across the same problem at other state agencies (Helexpo and TiF).

Policy and implementation

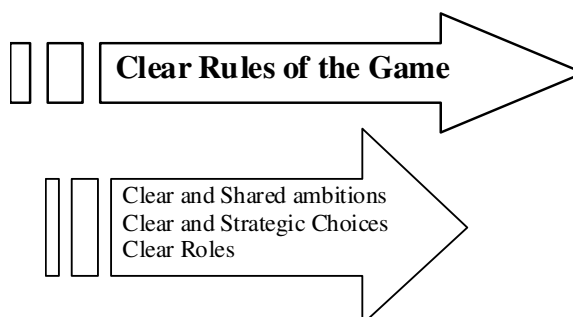
There is no clear division between those civil servants designing the trade promotional policies (min Dev) and those implementing those policies (HePo, IiG?). Those responsible for policy do not set goals and targets, do not engage in monitoring and evaluation of their policies. There is no culture of making the public authorities 'accountable' for the effectiveness of their policies.



Clear rules of the game

Cooperation

Greece lacks a central structure for its design and implementation of its trade promotion policies. The current system is fragmented and divided over many institutions. With few exceptions, state actors do not or hardly seek any collaboration with each other (no horizontal cooperation), and there is little cooperation between the public and private sector actors (no vertical cooperation). Moreover, the institutions tasked with export promotion and its implementation mainly seem to follow an *ad hoc* approach: their activities tend to stem from special requests by government authorities or private parties. As the box below illustrates there is also considerable interface, common ground and overlap between the various stakeholders and their activities. The list is not conclusive but merely illustrates the interface and overlap of some of the major stakeholders involved in trade (including tourism) and investment promotion.



Box 5: Rules of the Game - interface, common ground and overlap in activities of state- or state supported agencies

**Greek stakeholders involved in trade promotion
& attracting foreign direct investments
Who does what?**

Promotional activities: HEPO (exports), HELEXPO and TIF (various fairs), Invest in Greece (FDI), GNTO (tourism), HRDAF (privatizations), SG Communication

- Branding: HEPO, Invest in Greece, GNTO, TIF, SG Com/Info
- Information: HEPO, OAEP, Invest in Greece, GNTO, SG Com/Info
- Fairs: HEPO, HELEXPO, TIF, GNTO, Invest in Greece
- Business missions: HEPO, TIF, GNTO, Invest in Greece
- Conferences: HEPO, HELEXPO, TIF
- Networking (domestic): HEPO, Invest in Greece, HRDAF
- Analysis/studies: OAEP, Invest in Greece, HRDAF, KEPE
- Networking (abroad): HEPO, Invest in Greece, GNTO, HRDAF
- Financial support: HEPO
- Resources (structural funds & state budget): HEPO, Invest in Greece, GNTO

For example: many actors engage in information provision and give advice on foreign markets and organize trade fairs and business missions abroad. The fragmentation and ad hoc approach leads to i) an overall poor and insufficient information and advisory system and ii) an ad-hoc approach towards trade fairs & mission participation. Within the current system, Greek exporters are not being adequately served.



Monitoring and evaluation

There is no culture of making the public sector or public authorities 'accountable' for the effectiveness of their policies. Neither are the implementing agencies being held accountable for their results - this is currently not possible as there are no mutually agreed upon targets and results.

Empowering for Exports



Greek businesses in general lack the knowledge about foreign markets and the opportunities these market offer. More generally, Greek businesses lack an outward-oriented vision as well as an appetite for engaging in international trade. There is a task for the Greek Government and its agencies to enhance the awareness among domestic firms that foreign markets provide for a host of opportunities to sell their products.

The share of small enterprises and family businesses in the Greek economy is very large; much larger than in other EU member states. This is particularly true for the food & beverages industries and the tourism sector. Small businesses have only a limited productive capacity and lack a critical mass to enter new markets. In addition, the typical Greek SME lacks the necessary skills and

resources needed to prepare a proper export strategy and business plan and make the initial investment. These barriers prevent Greece from realizing its export potential.

Last but not least, the Greek authorities have not undertaken a solid analysis of how to align the country's own comparative advantage with the opportunities in foreign markets, or more specifically how to align the Greek businesses strengths and strategic needs with the opportunities of the markets abroad. Apart from the McKinsey report, which sets out recommendations for the development of several promising sectors, the Greek authorities need to undertake such an analysis of the opportunities abroad, and bring these in line with the business community's interest, set priorities and define goals and targets and develop their promotion programs accordingly.



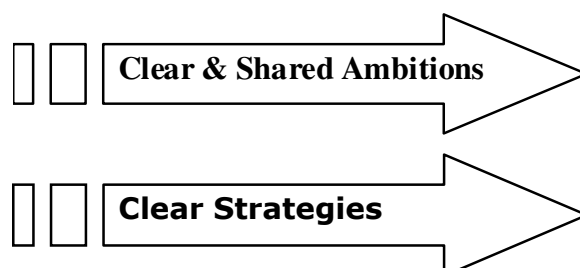
V - Recommendations

The Greek economy can unlock enormous benefits by adapting to international trade as this is the most likely way to create economic growth and become sustainable. The economy needs to be restructured to generate an effective infrastructure that is conducive to international trade and that can facilitate an effective business environment. Other countries (such as Mexico and Turkey) have survived economic hardship thanks to exports and Greece has no other option than to focus on international trade.

The Greek government as a whole, together with relevant stakeholders, can help to achieve this by developing and implementing a national strategy to enlarge the export base. A stable investment climate is key both for the Greek private sector (employers and employees) as well as foreign companies and knowledge institutes considering to do business or set up operations in Greece. This also requires the development of a coherent institutional framework to promote trade and attracting foreign investments as soon as possible. Our recommendations are:

Recommendation 1

- We strongly advocate in favour of increasing the government's focus on economic diplomacy. We recommend a new prioritization within the current public infrastructure to accommodate Greek business through effective Economic Diplomacy.
- All parties involved in trade and FDI promotion need to agree on a common vision for a comprehensive trade and FDI strategy that incorporates common objectives.
- The vision needs to be endorsed at the highest political level by all cabinet members whose ministries are involved, directly or indirectly, in trade and FDI promotion.



1.a We strongly advocate to make economic diplomacy the number one priority of the Greek Ministry of Foreign Affairs and a shared priority of all cabinet Ministers. The political influence of relatively small countries like Greece, or The Netherlands for that matter, is waning. This process is influenced by the strong growth of emerging markets that are growing at rates that seemed unimaginable to developed economies. These markets provide great opportunities for Greek businesses but are also characterised by a relatively strong influence of the national state. This requires adequate economic diplomacy in order for Greek companies to enter these markets.



1.b We recommend that the Greek authorities start building an appropriate public infrastructure, both within Greece but also abroad, that supports an active economic diplomacy, trade and FDI promotion. We view the building of such an infrastructure as a step-wise approach, with a clear prioritization in terms what needs to be done in the short term and what needs more time to be built. Facilitating Greek business that are currently active in cross border activities remains a priority while at the same time building and setting into place a strong Economic Diplomacy network.

1.c We therefore recommend that the Greek MFA starts allocating its staff towards economic diplomacy and trade promotion, especially towards the emerging markets and other relevant regions/sectors in the world. MFA may consider setting an ambitious target of allocating up to 80% of its staff to economic diplomacy for those countries and markets which are currently important for Greek exporters and where potential foreign investors are, but also for those countries and regions where strong growth rates provide for potential markets in the medium to long term. In order to reach this goal, functions from the A directorates should be redirected to the functions of the B directorates. Political diplomats should be retrained to become efficient economic diplomats who achieve tangible results for Greek businesses and knowledge institutes.

1.d All parties involved in trade promotion need to agree on a common vision for an export strategy that incorporates common objectives. The strategy needs to cater specifically to the needs of the exporting businesses and, as such, must put the entrepreneur at its centre.

1.e The vision needs to be endorsed at the highest political level by all cabinet members whose ministries are involved (Prime Minister, Minister of Finance, Minister of Development, Minister of Foreign Affairs, Minister of Tourism, and if relevant others) and the strategy needs to be adopted by a decision of the Council of Ministers.

1.f The strategy involves all Greek tradable sectors including tourism, manufacturing, agriculture and business services and shipping. The export strategy needs to be designed within the overall framework of economic diplomacy and must be in line (and calibrated) with policies to strengthen the Greek export base. Designing an export strategy will entail the definition of i) guiding principles and criteria, ii) required elements of the strategy, and iii) define the boundaries of the export promotion strategy.

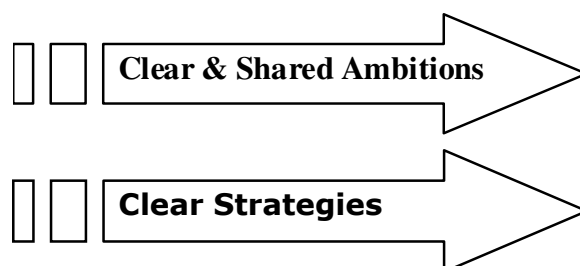
1.g In developing the common vision, we urge the Greek authorities to recognize the fundamental relationship between:

- Promoting foreign trade, including tourism
- Attracting foreign direct investments
- Stimulating innovations
- And an accommodating economic diplomacy.



Recommendation 2

- In order to facilitate the smooth functioning of an active Economic Diplomacy, including trade and investment promotion, we recommend that MFA and Min Dev should set up a new policy unit by merging their relevant activities related to foreign economic policy, trade policy, trade and investment promotion; this will embed a sustainable infrastructure for collaboration between all stakeholders involved in Economic Diplomacy and trade and investment promotion.
- As part of this development, Ambassadors' tasks should be redefined to include an active role in facilitating and promoting Greek business abroad.
- A branding strategy to support trade and investment promotion should be developed and be consistent with an overall national brand strategy.



2.a In order to facilitate the business sector's use of the international network that will thus be created, the MFA and Min Dev should set up a new policy unit by merging their activities related to trade promotion.

2.b The unit should identify priority countries, i.e. those countries that provide the largest potential for the Greek trading sector, and set up concrete plans for each of these countries. These plans would identify opportunities for Greek entrepreneurs, businesses and knowledge institutions for trade, technological cooperation and foreign direct investment. The country plans should consist of goals and actions for each industry or business. These plans should also address the allocation of human resources and financial means per country. In other words: the unit must decide to which countries it will allocate its scarce resources.

2.c As part of this development, Ambassadors' tasks should be diverted towards the management of an extroversion strategy and action plans at their embassies, consulates and other offices representing Greece abroad.

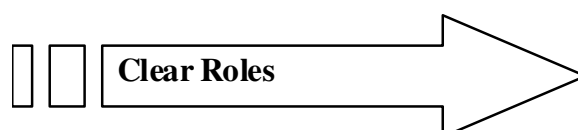
2.d Recognizing the fundamental relationship between trade promotion, including tourism, attracting foreign direct investment and stimulating innovation, a coherent national brand strategy needs to be developed by this unit. A branding strategy to support the trade and investment promotion strategies should be consistent with the overall national brand strategy.

2.e The new unit can be part of either Min Dev or MFA; it is important that it shall exist somewhere unified. Min Dev oversees the overall growth agenda and policies towards enlarging the export base, while the MFA controls Greece's antennas abroad; the embassies. A third option could be the PM office, but that depends on the role that office is set to have. It is important that the decision about its positioning is taken soon. Where the relevant export policy tasks currently fall under different organisations, they need to be assumed by the new unit dedicated to trade and investment policies.



Recommendation 3

- We strongly recommend a clear and distinct demarcation between the roles of the public and the private sector in terms of trade and investment strategies, policies and implementation.
- We also recommend a clear distinction between the role of setting policies and that of implementing policies.
- We recommend that the Greek authorities avoid unnecessary overlap in their trade and investment promotion activities, by consolidating similar promotional activities and tasking specific agencies to execute these tasks to counter the current fragmentation and duplication of promotional activities.
- In this light we recommend HePo and Invest in Greece should be merged into a new single state Agency: Greece Trade and Invest. The relations between this new Agency and (agencies of) other ministries should be described in Memorandums of Understandings (MoUs).



3.a We recommend that the Greek authorities take a close look at the justification of the role of government when designing and implementing promotional policies. Priority should be accorded to avoiding duplicating efforts and adhering to the principle of efficient government.

3.b We strongly recommend that the Greek authorities maintain a clear distinction between staff responsible for policy making and staff implementing those policies. Furthermore, HePo, Helexpo and TiF currently perform functions which are being implemented on a full cost recovery basis and therefore can be left to the market as these functions currently could pose a market distortion.

3.c In this light we strongly feel it is necessary to create a **new** agency, "Greece Trade and Invest", to implement and execute the vision, strategy and policies. The agency should be tasked with only those tasks which are within the public sector domain. This agency should be involved in and be responsible for attracting FDI, managing and coordinating the national brand, providing support for current and potential exporters. Aggregating these tasks in a single agency creates synergies in terms of branding, events, and networking with companies in Greece and abroad.

The new agency 'Greece Trade and Invest' must work closely with relevant stakeholders like employers' organisations, private sector associations and exporters' organisations. The agency should have direct access to the MFA's international network and should be in continuous contact with the economic counsellors. The agency is responsible for the implementation of policies set by the relevant ministries through Memorandums of Understanding (MoUs).



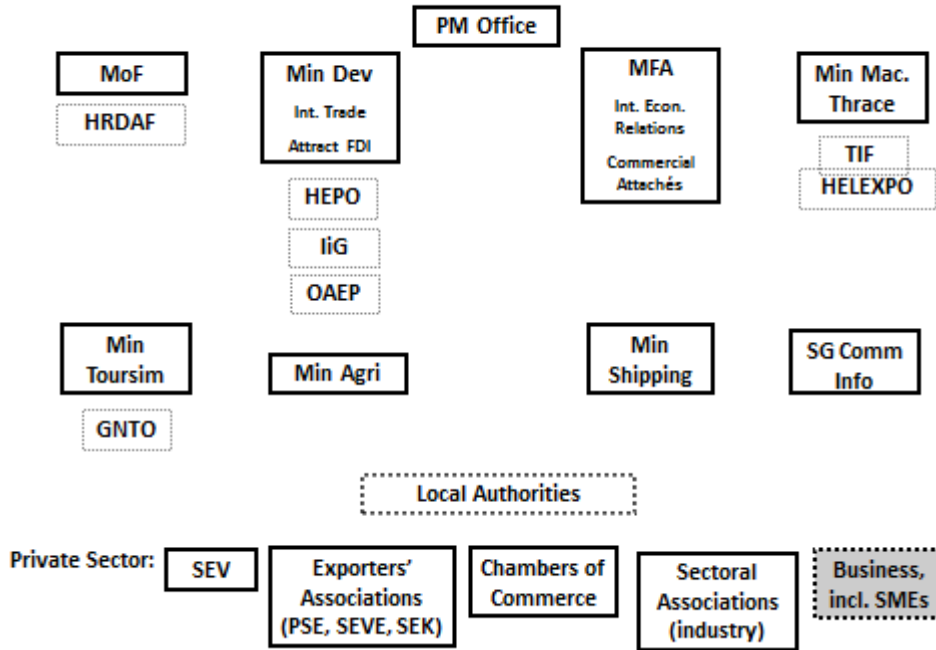
If and when Greece can use structural funds to finance (part of) trade and investment promotion programs, we recommend adherence to the following principles:

- A strict division between policy making and policy implementation
- Utilizing scarce public resources, including the utilization of structural funds, without crowding out potential private sector funding
- Avoiding political pressure and preferences when allocating public resources and financing through the utilization of structural funds.

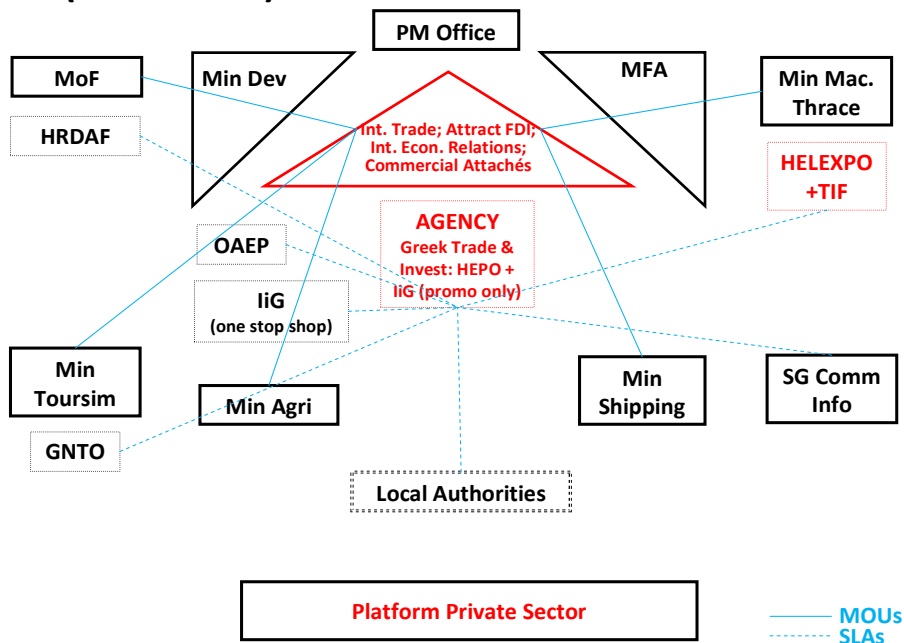
The illustrations below summarize the current and recommended situation in terms of the institutional landscape.



Now (disconnected)



After (connected)





Some explanatory notes on the graph:

I. The new policy division on Economic Diplomacy comprises of the merger of the following functions:

- International trade & attracting FDI policy (Min Dev)
- International economic relations + Commercial attachés (MFA)

The new unit cooperates with other ministries following specific Memorandums of Understandings (MoUs) between them.

II. The Agency implements the above set strategy and absorbs:

- HEPO
- Invest in Greece

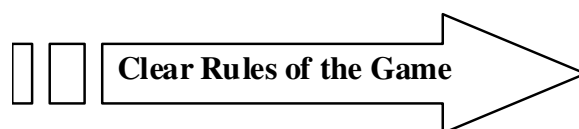
The new Agency can contract/outsource/cooperate with other agencies of the public or private sector through Service Level Agreements (SLAs).

III. The private sector is involved through a platform/forum where interaction with relevant government ministries and agencies on a regular basis is facilitated.



Recommendation 4

- We recommend that the Greek authorities avoid unnecessary overlap in their trade and investment promotion activities, by consolidating similar promotional activities and tasking specific agencies to execute these tasks to counter the current fragmentation and duplication of promotional activities.
- We recommend a rolling agenda on all visits and missions abroad of all members of the Greek cabinet to be part of the weekly deliberations of the Greek cabinet.
- We recommend that the Greek authorities develop appropriate mechanisms to monitor and evaluate the effectiveness of the trade and investment policies, both at the policy level but also at the implementation level.
- We recommend that a platform is created where the relevant government ministries and agencies can interact periodically with the business organizations about (the further development of the) export promotion policy.



4.a We recommend that the relevant ministries and the relevant agencies develop an appropriate mechanism to monitor and evaluate the effectiveness of the execution of trade promotion policies. Developing such a Monitoring and Evaluation system will allow to gauge the effectiveness of programs and services provided, and will allow the Greek authorities over time to put their main client first: Greek entrepreneurs, businesses and knowledge institutes; by adjusting the export promotion policies and programs according to the evolving needs of the Greek exporting firms and FDI flows into Greece.

4.b This way, the ministries and agencies can also set commonly agreed goals and targets for their efforts. Such a system needs to follow from close cooperation between the Ministry of Development and the Ministry of Foreign Affairs, which are the two leading ministries in trade promotion. We also recommend that the ministries and agencies report on a regular (annual) basis on their efforts and the results of these efforts.



4.c We recommend a rolling agenda on all visits and missions abroad of all members of the Greek cabinet to be part of the weekly deliberations of the Greek cabinet. Such a rolling agenda is an important tool to develop a coherent extraversion strategy and needs to be available for the agencies involved in export promotion. This agenda should be discussed on a regular basis in meetings of the college of ministers, so that ministries can combine efforts in promoting Greece and its general image abroad.

Recommendations 5

- We recommend that Greece undertakes an analysis and develops a clear vision of its trade and investments objectives and opportunities in foreign markets.
- We recommend that Greece develops a proper information and advisory function, providing Greek business with high quality information on foreign markets.
- We recommend that Greece develops initiatives aimed at reaching the very small Greek businesses looking for trade opportunities, provide training in exporting to SME's, and support broader extraversion initiatives.
- We recommend that the Greek private sector and Greek business associations take an active role in promoting good business examples and raise awareness on the best practices for exporting.
- We recommend that Greece Trade and Invest, in conjunction with the embassies abroad, develops a customer's relationship management tool.



5.a We recommend that Greece undertakes an analysis and develops a clear vision of its trade and investment opportunities in foreign markets, both in the short/medium term as well as in the longer term. Such an analysis and vision will provide for a framework to set priorities, define goals and targets for an export promotion strategy.

5.b In light of the absence of proper information on foreign markets we recommend that the export promotion strategy supports and reinforces current efforts to build an adequate platform (website), with an active role for the new agency, with information on foreign markets with current business opportunities and export sales leads, in and out going trade missions and engages the Greek embassies abroad in gathering relevant information and business leads and pass this on to the home front to be disclosed to the larger Greek business community.



5.c Extraversion will benefit from proper training in international business. This training could start as early as high school, e.g. with courses in international entrepreneurship. Producers need to realise that exporting is a strategic choice and involves a re-direction of their business orientation. We recommend that a trade promotion strategy supports an extroversion strategy for Greek business in general and that appropriate programmes are developed. We stress the importance for a mentality change of Greek businesses to become more export oriented. Next to public sector efforts, the private sector and the Greek business associations, should engage in promoting good business examples and raise awareness on the best practices for exporting.

5.d In light of the small size of the majority of Greek businesses, we recommend that initiatives be taken and instruments developed to organise potential exporters in such a way that they can reach the critical mass needed to explore and enter foreign markets. Clustering, introducing cooperative business models, or promoting wholesale initiatives are examples of policies that can be implemented in the short term. We recommend that such initiatives and others mentioned above, are taken up in close collaboration and in line with similar efforts within the private sector.

More specifically, we recommend that the new agency 'Greece trade and invest' develop:

- A clear and easy to use instrument to promote and facilitate Greek SME's to start exporting
- A service to assist more mature exporters to explore emerging markets and facilitate these exporters in successfully entering these markets
- In conjunction with the embassies abroad, a customer relationship management tool. Accessible worldwide in order to be able to serve Greek companies and knowledge institutes and the foreign companies who are current investors in Greece or interested to invest in Greece.

While these recommendations are geared towards Greece's trade and investment policy & promotion, they are closely interrelated with the field of export facilitation and the development and broadening of Greece's export base.



VI - Proposed Road Map

- Building on the workstreams described in this report, we suggest that a detailed roadmap is developed together with the relevant Greek actors; for this a series of meetings and workshops will be organised; the roadmap should entail all necessary actions needed to implement the recommendations.
- A Monitor Group should be established to oversee the timely implementation of the export promotion roadmap, a working group should be tasked with the implementation of the roadmap (operational level).
- Given the interrelations between export promotion and the two other pillars of the National Export Strategy, and in order to keep progress in these three pillars ongoing and synchronized, it is highly recommended to establish a mechanism enabling for the overall coordination of the export strategy as a whole. This will have to be done, taken into consideration the future creation of the interministerial coordination structure (due December 2012). Until then, we recommend to avoid any effort which might duplicate or have overlap with this. We recommend that any initial (temporary) steps geared towards coordination of the three pillars strategy be taken in line with the expected interministerial coordination structure. Furthermore, we recommend not to take any decision towards an initial or temporary steering committee which can not be reversed.

Following our recommendations, we suggest to develop a detailed roadmap which entails all necessary actions needed to develop the institutions and programs for Greece's trade and investment policies recommended in this report. Below we propose a set of workstreams which should form the core of this roadmap to be developed. The Netherlands, as the domain leader in this project, is willing and able to assist and facilitate, with the development and subsequent implementation of such a roadmap.

The Greek authorities are responsible for developing and building an institutional framework for trade and investment policies. To this end, it is important to have the full commitment at both the political level as well as at the level of the stakeholders involved. All relevant stakeholders need to be actively involved in the development and implementation of the workstreams.

In order to ensure maximum commitment and ownership from key players, we suggest to engage all relevant actors and stakeholders with the development of the workstreams. For this we will plan a series of meetings and workshops, to be prepared as soon as possible.

The aim is to define clear targets, tasks and timelines per work stream; in addition, synergies and interdependencies between workstreams will have to be explored and identified. During the meetings and workshops the stakeholders will work out an overall timetable for the implementation of the roadmap. An appropriate governance structure will monitor the progress in the implementation of the respective workstreams. Meetings and workshops with relevant stakeholders might show the need to define additional workstreams and/or redefining boundaries. The definite roadmap will therefore be presented for endorsement after the meetings and workshops.



Export facilitation, trade promotion and broadening of the export base are the three pillars of the current focus of Greece's export strategy. The current revision of the export promotion strategy is part of a broader set of initiatives the Greek authorities, together with a team of international experts and with the Taskforce, are taking to strengthen exports.

The work on these three pillars is interrelated and is even mutually reinforcing: the benefits of an improved trade promotion policy cannot be enjoyed to the full if cumbersome export procedures keep dis-incentivizing Greek business to export. Streamlining and simplifying these procedures will offer huge opportunities to Greek businesses, even more so if this goes hand in hand with a more effective and efficient infrastructure for export promotion, backed by better intelligence and smarter branding.

Improved export promotion, together with better export procedures, will in itself broaden the export base in Greece. Notwithstanding that, it would be recommendable to step up the work on this third pillar - broadening the export base - as soon as possible.

In order to keep progress in these three pillars ongoing and synchronized, it is highly recommended to establish a mechanism enabling for overall coordination of the trade strategy as a whole. This will have to be done, taken into consideration the future creation of the interministerial coordination structure (due December 2012). Until then, we recommend to reconsider - or put on hold - the idea to establish an Extraversion Committee as to avoid the installation of a coordination structure which will duplicate, or have substantial overlap, with this.

All in all, we propose the following steps:

- 1 Presentation of Report on December 6, 2012 in Athens
- 2 Endorsement of the report, including recommendations and workstreams
- 3 Preparations of Meetings and Workshops (December 2012)
- 4 First quarter of 2013: meetings and workshops convening relevant actors and stakeholders to detail out the work streams:
Convening relevant actors and stakeholders to work out the work streams:
 - 4.1 Building a vision & strategy for trade and investment promotion**
 - 4.1.1 Economic Diplomacy as point of departure
 - 4.1.2 Establish relationship between trade, FDI, export base, etc.
 - 4.1.3 Establish synergies with private sector
 - 4.2 Establishing an effective public infrastructure for Trade Promotion in Greece**
 - 4.2.1 Creation of a new policy unit by merging current export promotion functions of Min Dev & MFA
 - 4.2.2 Capacity building for policy analysis & evaluation
 - 4.2.3 Justifying role of government - allocating scarce public resources
 - 4.2.4 Connecting relevant actors using MoU's and SLA's
 - 4.3 Establishing an effective public infrastructure for Trade Promotion abroad**
 - 4.3.1 Reallocation from staff MFA - from A to B
 - 4.3.2 Develop Training



- 4.4 Creating a state Agency for implementation of trade and investment promotion**
 - 4.4.1 Merger of HePo and Invest in Greece (as far as their promotional functions are concerned)
 - 4.4.2 Describing relations with other ministries in Service Level Agreement / Joint Venture
 - 4.4.3 Implementation of promotional activities, outsourcing promotional activities to third parties (including private sector)
 - 4.4.4 Capacity building, Monitor & Evaluation systems, customer's information system
 - 4.4.5 Business and Market Intelligence (how to gather relevant information)
- 4.5 Developing Promotional instruments**
 - 4.5.1 Information & advice, Website, Prepare2Start for SME's, Collective Promotional Activities, Studies, Complex Foreign Markets, etc.
- 4.6 Stimulating Public Private Partnerships**
 - 4.6.1 *Collaboration with private sector, synergies, overlap*
- 4.7 Branding (nation and product)**
 - 4.7.1 *Developing a brand strategy for trade and investment promotion*
 - 4.7.2 *Establishing consistency with nation branding strategy.*
- 4.8 Governance Roadmap (December and onwards)**
 - 4.8.1 Design a Monitor Group to oversee implementation of the export promotion roadmap, the establishment of an operational group tasked with implementation of roadmap;
 - 4.8.2 Define relations with other projects (pillars) of export promotion - export facilitation and broadening of the export base; development of options ensuring sufficient coordination between these three pillars

5 Endorsement of the Roadmap and its governance structure

The schematic overview provides for a proposed timetable.



Planning - High level overview - Netherlands Domain Leader Greece Trade Promotion														
	2012					2013								
	Jul/Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	Julytill Dec	
Project preparation														
Scoping mission 1	◇	Scoping mission 1 domain leader & TFGR to Athens - result: formal debrief letter to MinDev												
Scoping mission 2		◇	Scoping mission 2 domain leader & TFGR - result: preliminary report											
Draft report & roadmap			◇	Preparing draft report & roadmap										
Test draft report				◇	6/7 nov - Test draft report & roadmap with Min Dev/MFA, define workstreams									
1. Presentation Report					◇	December 6, 2012 formal presentation report								
2. Political endorsement					◇	Endorsement report, recommendations and workstreams								
Roadmap														
Meetings & Workshops					◇	Preparations for meetings and workshops to detail out workstreams								
Meetings & Workshops						◇	◇	◇	Meetings & workshops convening relevant actors & stakeholders to detail out the workstreams					
Workstreams														
3.1 Vision & Strategy for Trade and Investment Promotion									Start implementation of workstreams and governance roadmap 					
3.2 Establishing an effective public infrastructure for Trade Promotion														
3.3 Establishing public infrastructure for Trade Promotion abroad														
3.4 Creating a state agency for Trade and Investment Promotion														
3.5 Promotional Instruments														
3.6 Public Private Partnerships														
3.7 Branding														
3.8 Governance Roadmap														
4. (prepare for) Endorsement Roadmap (including workstreams and governance structure)						◇	◇	◇						