



MASTER'S THESIS

Paving the Road to Emerging Markets?

Evaluating the facilitation of Dutch companies' internationalization through the Top Sector policy

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*Evaluating the facilitation of Dutch companies' internationalization
through the Top Sector policy*

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Abstract

Emerging markets are a ‘hot topic’: not only in academia, but also within governments all around the globe. After all, the economic growth of emerging markets is widely regarded as a unique opportunity to increase trade and exports. The Netherlands is in this respect no exception. During the last decades, the Dutch government designed a variety of policies to spur internationalization. The current demand-driven type of sector policy approach seems, however, rather new and is framed as a clear break from the past. The goal of this research is to evaluate to what extent this ‘Top Sector policy’ –with a specific focus on the removal of trade and export barriers– is implemented, executed (the *output*), and how this policy facilitates the internationalization of Dutch companies towards emerging economies (the *outcome*). Based on, inter alia, interviews and in-depth literature review, a qualitative embedded case-study research (with the sub-units Russia and Ukraine) is conducted. With regard to this case-study, we conclude that, although the Top Sector policy facilitates the internationalisation of Dutch companies to emerging markets, it does not do a significantly better job than previous policies. This situation is, primarily, the result of a discrepancy between the (initial) goals and aims of the Top Sector policy and the actual policies implemented in the day-to-day reality. In the end, especially with regard to internationalization, only the demand-driven approach is what sets the Top Sector policy apart from previous Dutch industrial- innovation and enterprise policies.

Keywords

Top Sector policy – Trade- and Export barriers – Internationalization strategies – Policy
Implementation – Emerging Markets

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Abbreviations and Acronyms

| | |
|---------|--|
| CBS: | Centraal Bureau voor de Statistiek (<i>Statistics Netherlands Agency</i>) |
| CD: | Commercial Diplomacy |
| COC: | Crashteam Oneerlijke Concurrentie (<i>Team Unfair Competition</i>) |
| DHK: | Kennisverwerving, Haalbaarheidsstudies, Demonstratieprojecten (<i>Acquisition of knowledge, Feasibility studies, Demonstration projects</i>) |
| EC: | European Commission |
| ED: | Economische Diplomatie (<i>Economic Diplomacy</i>) |
| EU: | European Union |
| EEN: | Enterprise Europe Network |
| EKV: | Exportkredietverzekering (<i>Insurance for Export Credits</i>) |
| EM: | Economische Missies (<i>Economic Missions</i>) |
| EPA | (governmental) Export Promoting Agency |
| EVD: | Economische Voorlichtingsdienst (<i>Economic Advisory Office</i>) |
| FDI: | Foreign Direct Investment |
| FIB: | Finance for International Business |
| FOM: | Faciliteit Opkomende Markten (<i>Fund Emerging Markets</i>) |
| FOM-OS: | Subcategory of the FOM, focusing on development aid and cooperation |
| IPR: | Intellectual Property Rights |
| MH: | Meldpunt Handelsbelemmeringen (<i>Trade Obstacles Reporting Centre</i>) |
| MS: | Marktscan (<i>Market Scan</i>) |
| NTB: | Non-Tariff Barrier |
| OECD: | Organization for Economic Cooperation and Development |
| ORIO: | Ontwikkelingsrelevante Infrastructuurontwikkeling (<i>Infrastructural development</i>) |
| PESP: | Programma Economische Samenwerkingsprojecten (<i>Programme Economic Cooperation</i>) |
| PIB: | Partners for International Business |
| POM: | Programma Opkomende Markten (<i>Programme Emerging Markets</i>) |
| PPP: | Programma Publiek Private Samenwerking (<i>Programme Public-Private Cooperation</i>) |
| PSB: | Programma Starters op Buitenlandse markten (<i>Programme Starters on Foreign Markets</i>) |
| PSI: | Private Sector Investeringsprogramma (<i>Private Sector Investment Programme</i>) |
| PSO: | Programma Samenwerking Oost-Europa (<i>Programme Cooperation Eastern-Europe</i>) |
| PSOM: | Programma Samenwerking Opkomende Markten (<i>Programme for Cooperation with Emerging Markets</i>) |
| SIB: | Starters International Business |
| SOP: | Standard Operating Procedure |
| SPS: | Sanitary and Phytosanitary (measures) |
| TA-OM: | (Financiering Technische Assistentie in Opkomende Markten (<i>Technical Assistance in Emerging Countries</i>)) |
| TBT: | Technical Barriers to Trade (sometimes also referred to as Technical Trade Barriers) |
| TF: | Transitiefaciliteit (<i>Transition Facility</i>) |
| TRQ: | Tariff Rate Quota |
| TTB: | Temporary Trade Barrier |
| USA: | United States of America |
| WTO: | World Trade Organization |
| ZS: | Zakenpartnerscans (<i>Business partner scans</i>) |

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The research' central theme consists out of a combination of several topics in which I am very interested: (the effectiveness of) 'new' policies, the difficulties surrounding the implementation of policies, emerging economies (such as the BRICS-countries), countries in transition (such as the Central- and Eastern European countries) and a political and economic environment which becomes more and more globalised and oriented towards internationalisation.

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Chapter 1 Introduction

“International competition is increasing, due to the strong economic growth of emerging markets in Asia, Latin America and other parts of the world. Especially for the Netherlands, this trend is important, as Dutch businesses are characterized by a strong international orientation. We should not conceive this momentum in the global economy as a reason for concern. On the contrary, the economic growth of emerging economies must be seen as a unique opportunity to extend Dutch exports and to enter, previously unknown, markets”.

(former) Minister of Economic Affairs Maxime Verhagen (2011, p.2)

In the last decennia the Netherlands has become one of the most competitive and innovative economies in the world (Ministerie van EL&I, 2011, p.7). The latest direction of the Dutch enterprise policy, which is aimed at strengthening the current position of the Netherlands within the world economy by shaping a demand-driven type of sector policy approach, was published in the fall of 2011 by the Ministry of Economic Affairs, Agriculture and Innovation (EL&I)¹. This so-called “Top Sector policy” focuses on nine sectors, which are: *life sciences, high-tech materials & systems, agro-food, water, energy, horticulture and propagation materials, chemistry, the creative industry, and logistics*. The premise of the policy is not to set rules or to distribute subsidies, but to give companies more room to do business, to invest, to innovate and, above all, to export. The Top Sector ‘approach’ is to bring governmental officials, researchers and entrepreneurs (the so-called “golden triangle”) together with the aim of strengthening Dutch competitiveness (Ministerie van EL&I, 2011, p.8).

The Top Sector policy was first published by the Ministry of Economic Affairs, Agriculture and Innovation (EL&I) in 2011 and continued to be one of the pivotal economic strongholds within the 2013 Coalition Agreement (Regeerakkoord, 2013, p.8). The origins of this policy, however, date back to the September 2010 Coalition Agreement. According to this document “Freedom and Responsibility”, as agreed upon by the minority cabinet consisting of the Liberals (VVD) and the Christian-Democrats (CDA) with the PVV (populist right wing) giving tacit support, the Dutch government should actively support the national (Dutch) economic interest in its foreign policy (Regeerakkoord, 2010, p.7). In this document it is argued that a large part of the Dutch national

¹The Ministry of Economic Affairs, Agriculture and Innovation is a newly established ministry (2011), resulting from the merger of the Ministry of Economic Affairs (EZ) and the Ministry of Agriculture, Nature and Food Quality (LNV).

income is earned through international investments, trade and exports. In order for Dutch companies to compete on the European and international markets, the government should put more emphasis on its (diplomatic) economic relations in the international political arena. Hence, embassies and consulates should focus more and more on *economic* diplomacy (ibid, p.8). Furthermore, it is put forward in this document that within the national budget for development cooperation there will be more room for the expansion of business opportunities for Dutch businesses. In addition, Dutch development aid should primarily focus on sectors in which “the Netherlands excels”, such as water management and agriculture (ibid, pp.8-9). In order to increase the overall competitiveness of Dutch businesses, the government aims to pursue policies promoting innovation and entrepreneurship, inter alia through cooperation between businesses/industries, educational- and research institutions and the government (ibid, p.10). In the 2010 Coalition Agreement the cabinet decided to merge the Ministries of Economic Affairs (EZ) and Agriculture, Nature and Food Quality (LNV) into one new *Ministry of Economic Affairs, Agriculture and Innovation*. This newly established Ministry is responsible for developing competitive and stimulating policies for the so-called “current and future economic top areas of the Netherlands” and should focus primarily on the regulatory burden, public procurement procedures, sustainability, policies surrounding taxation, research and development, innovation and the promotion of export (Regeerakkoord, 2010, pp.10-11).

During the last decades the Dutch government designed a variety of policies and used a range of policy instruments when shaping the Dutch socio-economic (enterprise) policy². The Top Sector approach seems, however, rather new and is framed by politicians (such as former Minister of Economic Affairs Verhagen) as a clear break from previous policies. By focussing on several “economic top areas”, in combination with the strong emphasis on innovation, export (to emerging countries) and demand-driven policy where businesses, research institutions and the government are dependent on one another, the 2010 Coalition Agreement can be seen as the starting point for the policy that is currently known as the Top Sector policy.

When implementing this policy the Dutch government aimed at creating excellent preconditions for businesses and, at the same time, establishing commitment for the (new) enterprise policy within the Dutch business community. In order to achieve this objective the Top Sector policy is designed as a so-called ‘demand-driven’ policy where input from entrepreneurs and businesses is highly desired and needed. The focus on demand-driven policy-making also stems from the desire to involve more societal actors in the policy-making procedures (Ministerie van ELenI, 2011, pp.7-8).

² For a more elaborate historical overview of the Dutch enterprise policy, I kindly refer to chapter 4

The Ministry of Economic Affairs formulated three key concepts of the Top Sector policy:

1. *Demand-driven*: Not the civil servants within the government propose policy options, but entrepreneurs, businesses, research institutions and universities are asked to provide input in order to identify the opportunities and constraints they perceive in daily life.
2. *Sector approach*: Businesses within the same sector have to deal (most of the time) with similar constraints. Hence, a sector approach is regarded as the most feasible policy option. Furthermore, using a sector approach enables all actors within the sector and the government to utilize the (scale) advantages of networks.
3. *Integral approach*: An integral approach to the different sectors is indispensable, as one of the goals of this policy is to reach as much businesses / entrepreneurs within the sector as possible.

The selection of the nine Top Sectors (*life sciences, high-tech materials & systems, agro-food, water, energy, horticulture and propagation materials, chemistry, the creative industry, and logistics*) was determined by four factors. Only those sectors were selected which are “knowledge-intensive”; export-oriented; have to deal with sector-specific laws and regulations, and are able to make a significant contributions to solving social issues (Ministerie van ELenI, 2011, p.8). The starting point of the Top Sector policy is that several constraints and opportunities, although perceived by different stakeholders, can be tackled more easily when there is a smooth interaction between businesses/entrepreneurs, research institutions and the government (often referred to as the ‘golden triangle’). Thus, for each sector a so-called ‘top-team’ has been established consisting out of an ‘innovative Small- and Medium sized Enterprise’ (SME), a scientist, a civil servant and a so-called ‘figurehead’ working in the sector in question (Ministerie van ELenI, 2011, p.10).

This approach can be seen as exemplary for what has become known as *Networked Governance*. The basic idea is that the different stakeholders involved in the policy-making procedures are mutually interdependent from one another. Hence, inter-organizational coordination is needed in order to realize the desired policy outcomes (Klijn and Twist, 2007, p.4). One of the main assumptions of scholars studying Networked Governance is that a better horizontal coordination (involving a broad range of societal actors) improves the overall quality of, and public support for, a policy. Furthermore, it leads to more innovation and a faster and more smooth process of implementation (Sorenson and Torfing, 2006, pp.199-214).

According to several policy documents, internationalisation³ is one of the pivotal objectives of the Top Sector policy. For example: the 2010 Coalition Agreement, which can be seen as the starting point for the Top Sector policy, states that the Dutch government should put more emphasis on the Dutch economic interest in its foreign policy by focusing (inter alia) on economic diplomacy (Regeerakkoord, 2010, pp.7-8). Furthermore, (former) Minister of Economic Affairs Verhagen (2011) argued in his letter to the House of Representatives⁴ that the Top Sector policies' aim is to help Dutch companies utilize the (business)opportunities in (emerging) foreign markets:

“... the strong growth of emerging economies can be seen as an opportunity, unprecedented in the recent decades, to extend the markets for Dutch products. This situation offers excellent opportunities for Dutch companies to capitalize emerging markets” (Verhagen, 2011, p.2).

The European Commission shares this point of view: they argue that most of the EU member states “are finding in (industrial) exports a remedy to the faltering internal market’s demand” (European Commission, 2013a).

However, if we take a closer look at the ‘guiding ideas’ of the policy (primarily the 2010 Coalition Agreement and former Minister Verhagen’s letter to the House of Representatives), two things catch the eye. First, there is only very limited detailed and specific information on the actual (design of) the implementation and execution of the Top Sector policy with regards to internationalisation. We can identify several, rather general formulated, policy objectives:

- Increase the role of ‘economic diplomacy’ and ‘Holland branding’ by Dutch embassies;
- Ensuring a fair ‘level playing field’.
- Increase the capacity of the so-called Reporting Center for Trade Barriers (in Dutch *Meldpunt Handelsbelemmeringen*);
- Revisioning of compliance with EU laws and regulations;
- Employ all means necessary to higher the level of investment protection laws and regulation, especially at the EU level (Ministerie van Elenl, 2011, p.28).

Hence, the question remains *how* these policy objectives concerning internationalization were (or, still are) implemented in the day-to-day reality: the policy instruments are to be defined more specifically.

³ In this context *internationalisation* is defined as (1) a companies’ (attempts to) trade with or export to foreign countries; (2) a companies’ (attempts to) import from foreign countries; (3) a companies’ (attempts to) cooperate with a foreign company; and (4) a companies’ (attempts to) engage in foreign direct investments.

⁴ This letter to the House of Representatives is the first, more elaborate, outline of the actual Top Sector policy. The different objectives and goals of the policy as well as the several ‘tools’ designed to achieve the objectives/goals were formulated in this document.

Second, although ensuring a so-called 'fair level playing field' is one of the main objectives of the Top Sector policy, very little (explicit) attention paid to specific export and trade barriers, although there is an extensive body of (academic) literature underlining the importance of this topic. Leonidou (2004), for example, describes a range of *internal* and *external* trade barriers, whereas Uhlenbruck (2006) and Peng (2003, 2008) stress the explanatory value of *political ambiguity* (for example corruption) as a barrier to trade and export. There is also abundant academic literature on so-called Non-Tariff Barriers (NTBs), for example by Hillman (1996) and Bureau & Berghin (2006). Furthermore, there is a solid academic foundation of theories justifying governmental intervention (through, inter alia, export promotion and assistance, economic diplomacy or gathering foreign market information). Governmental intervention is sometimes needed in order to overcome barriers to export, such as asymmetric information or other market failures (Balch, 1980; Hausmann and Rodrik, 2003; Lederman et al., 2006; Greenaway and Kneller, 2007).

As most of the growth in export for Dutch companies is to be expected in emerging countries, this research will focus on these kinds of emerging economies. We have to note, however, that the term 'emerging economy' is very broad and can be defined only rather vaguely. Moody (2004), however, is the first one to wrap-up all the definitions scattered around in many different fields of academia. He argues that the *essential* features of the concept of 'emerging markets' are:

1. a high degree of volatility and;
2. a transitional character, with "at the same time transitions occurring in different economic, political, social and demographic dimensions" (Moody, 2004, p.5).

Summarizing, we can distinguish several topics guiding this master thesis:

- The establishment of the Top Sector policy, which can be seen as the latest direction of the Dutch enterprise policy.
- Strong calls (see for example: Regeerakkoord, 2010 and Verhagen, 2011) for policy measures focussing on (improving) the internationalisation of Dutch companies;
- Scholars and politicians who underline the need to internationalise (especially towards emerging markets), and;
- A vast body of academic research focusing on the importance of acknowledging trade- and export barriers.

1.1 Problem Statement and Research Question(s)

The goal of this research is to evaluate to what extent the Dutch Top Sector policy – with a specific focus on the removal of trade and export barriers – is implemented, executed (the *output*), and how this facilitates the internationalization of Dutch companies towards emerging economies (the *outcome*), in order to formulate recommendation to improve this.

Hence, the central question guiding this Master's thesis is framed as:

Does the Dutch Top Sector policy facilitate the internationalisation of Dutch companies to emerging markets and how can this be explained?

The following sub questions can be derived from the central question:

Theoretical framework

- Which barriers to trade and export are recognised in literature?
- In what way can (national) governments facilitate internationalisation (instruments and implementation)?

Analysis

- What is the background and content of the Dutch socio-economic enterprise policy towards internationalization?
- Which trade- and export barriers towards emerging economies can be found in practice?
- Which policy measures are taken to facilitate the internationalization of Dutch companies and the removal of trade- and export barriers?
- How do these measures, aimed at facilitating the internationalization of Dutch companies, compare to the *best practice*?
- How is the Top Sector policy (its measures) implemented with regard to the internationalization of Dutch companies and the removal of trade- and export barriers?
- What explains the successful or non-successful implementation of these measures?

Despite Moody's (2004) efforts to define several characteristics of emerging countries, the classification of a country as 'emerging market' remains somewhat arbitrary. Taking this into account, within the analysis on export- and trade barriers we will focus on two cases which, although

having very different characteristics, can be grouped under the name of ‘emerging economies’: Russia, as part of the BRICS⁵ and Ukraine, as a non-EU emerging economy⁶.

1.2 Societal Relevance

As mentioned by, for example, former minister Verhagen (2003) there are great opportunities for Dutch companies in the overseas markets of emerging economies, unprecedented in the recent decades. This situation offers excellent opportunities for Dutch companies to capitalize these markets and to export products to formally unreached countries. Especially in times of economic crises and downfall it is important to critically examine the governmental policies aimed at strengthening the Dutch position within the world economy. This research is aimed at gaining a better understanding of the policy-making procedures related to the internationalization of Dutch companies by mapping the barriers to trade and export, and evaluating the implementation processes. Furthermore, we will evaluate whether this policy is really a *break from the past*, as suggested by (amongst others) Verhagen (2011).

1.3 Scientific Relevance

One of the goals of this research is to enhance the academic literature and knowledge on innovation policies and, more general, policies on internationalization. With this research we underline, together with the European Commission (2012a), the need to understand the consequences of globalization and internationalization, but also to emphasize the opportunities it creates. Furthermore, this research will contribute to the academic literature on policy implementation, and can be seen as complementary to research from, amongst others, Matland (1995) and Hill and Hupe (2002). Third, with this research we try to augment the knowledge on trade- and export barriers towards various kinds of emerging economies (Russia as a so-called *BRIC* and Ukraine as a non-EU emerging economy).

1.4 Methods

Within this Master’s thesis, we will make use of qualitative research methods when focusing on the implementation of the Top Sector policy (focusing on the facilitation of internationalization). Amongst, but not limited to⁷, these methods are:

⁵ The term “BRIC” refers to the emerging economies of Brazil, Russia, India and China and (from 2010 onwards, transforming the ‘BRIC’ into ‘BRICS’) South-Africa (Cassiolato and Vitorno, 2009)

⁶ See chapter 3 for a more elaborate explanation of the methodological choices made in this research

- A literature review (theoretical framework)
- Interviews with key-stakeholders
- In-depth analysis of two case-studies (Russia and Ukraine)
- Ex-durante evaluation of the Top Sector policy (inter alia by a documentary analysis)

The methods used in this thesis will be further explained in chapter 3 (Methodological Framework).

1.5 Thesis Structure

This thesis will be structured as follows. The second chapter is dedicated to the theoretical framework. In this chapter, theoretical insight will be provided on the concepts of trade and export barriers, (national) innovation- and internationalization policies and policy implementation. Several hypotheses will be formulated in this chapter. In chapter three, the methodological choices made in this thesis will be defended and explained. Furthermore, the key concepts within this research will be operationalized. In chapter four we will outline the background and content of the policy implementation process in the case of the Dutch Top Sector policy, focussing on internationalization. The fifth chapter is dedicated to the relationship between the Top Sectors and internationalization. We will show why the Top Sector policy is linked inextricably to internationalization and export. Furthermore, we will elaborate on the role of *AgentschapNL* (NL Agency) in facilitating internationalization. The next part of this research consists out of an *embedded* case-study, including the sub-units Russia and Ukraine, dedicated to a description of the different (perceived) barriers and a detailed description of the policy implementation. Chapter six will consist out of a concise analysis, which can be seen as a prelude to the last chapter, which is dedicated to answering the research question(s) and to give some concluding remarks. Furthermore, several policy recommendations, for the Dutch Ministry of Economic Affairs, will be formulated at the end of this chapter.

1.6 Chapter Summary

This chapter is, as the title suggests, the introduction to this thesis research. Hence, we gave a brief overview of the Dutch Top Sector policy, also in connection with the internationalisation of Dutch companies to (emerging) overseas markets. Furthermore, we touched upon several important subjects, such as the problem statement and research question(s), which will guide us through the following chapters of this research.

⁷ For a *complete* overview of the methods used in this research I refer to chapter 3

Chapter 2 Theoretical Framework

2.1 Introduction

Almost all governments around the globe, the Dutch government included, strive to enhance internationalization and export as this is seen as a way of increasing the overall economic growth and prosperity. Internationalization is, however, a rather complicated process during which many things can go wrong: there are numerous trade- and export barriers that can impede this process (see *section 2.2: Barriers to Trade and Export*). Furthermore, there are several (types of) barriers that can be seen as typical for emerging markets. Examples are those barriers that stem from institutional transition and, related, so-called *political ambiguity*.

As ‘the market’ is not able to overcome and solve these barriers on its own, we have to apply governmental intervention in order to overcome trade- and export barriers and facilitate internationalization (see *section 2.3: (Facilitating) Internationalization*). As we will see, governments can facilitate export and internationalization in several ways. The broad range of policy measures aimed at facilitating internationalization will be discussed in general, after which we will focus on measures that are particular promising to overcome barriers in emerging economies. These latter measures will be used in this Master’s thesis as a yardstick to assess the policy measures of the Dutch government from a comparative perspective.

Although certain policy measures have proven to be successful (the so-called *best practices*), policies also have to be implemented into the day-to-day governmental practice (see *section 2.4: Policy Implementation*). During the process of implementation, as with the majority of processes discussed within the area of Public Administration, there are many caveats which might influence the speed, quality and effectiveness of the implementation of policy instruments and measures and, therefore, the policy itself. Hence, it is necessary to turn to the implementation of policies as well, and focus on the factors that can affect the success (or failure) of particular policy measures.

2.2 Barriers to Trade and Export

As we have seen before, one of the main goals of the Top Sector policy is to help Dutch companies increase their export to countries in- and outside Europe. Especially the ‘emerging’ economies (such as the BRICs, but also the Central- and Eastern European countries) are brought under the attention of the Dutch government, as a major part of the growth in export for Dutch companies is expected to

take place in these countries. However, since a couple of years, there is much attention of scholars to the various barriers hindering businesses to engage in export activities to these countries: from the field of Economics and Business Administration (for example: Leonidou, 2004 and Peng, 2003, 2008) as well as Public Administration and Political Sciences (for example: Uhlenbruck et al., 2006). In accordance to Wilkinson and Brouthers (2006), these scholars agree that “understanding how barriers or inhibitors impede the exporting process is of vital importance in the attempt to understand why and how firms become involved in overseas markets” (Wilkinson and Brouthers, 2006, p.235).

Before turning to the best practices and their implementation, two questions arise. First of all we have to define the concept of ‘emerging economies’: what exactly does this concept comprises, and how do we use it in this research? Second, notwithstanding the many benefits businesses can derive from exporting in today’s globalised world, there is a fairly large number of obstacles in the process of internationalization. Hence, we have to explore the academic literature on this topic and identify the nature and the impact of these (possible) barriers.

Emerging economies

The term ‘emerging economy’ is very broad and can be defined only rather vaguely. It seems that only in recent years a concise definition of ‘emerging economy’ or ‘emerging market’ has been developed. Luo (2002), for example, argues that we can classify economies as ‘emerging market’ if its national economy grows rapidly and its market is promising but volatile. Furthermore, the country should undergo significant economic, social and political reforms when, at the same time, shifting towards a more market-oriented (capitalistic) economic system (Luo, 2002, p.5). The definition Hoskissen et al. (2000) use is fairly similar, but focuses more on the fact that emerging markets use economic liberalization as the primary “engine of growth” (p.294). Other scholars, such as Göndör and Nistor (2012), just consider countries which “(...) are in transition from the status of developing countries to developed country status” (p.1257) as emerging markets. Peng (2003) contributes to the academic debate by mentioning that the so-called ‘transition countries’ (the formally socialist countries in Central and Eastern Europe and the former Soviet Union) should be seen as a *subset* of the classification emerging markets/economies (p.277).

Moody (2004), however, is the first one to wrap-up all the definitions scattered around in many different fields of academia. He argues that the *essential* features of the concept of ‘emerging markets’ are:

1. a high degree of volatility and;

2. a transitional character, with “at the same time transitions occurring in different economic, political, social and demographic dimensions” (Moody, 2004, p.5).

The first feature, the volatility of emerging markets, has been documented earlier by Aguiar and Gopinath (2004). Aizenman and Pinto (2004) focussed more on the different policy approaches to manage volatility. Both agree, however, that volatility can arise from many different sources including (but not limited to) natural disasters, (external) price shocks and domestic political instability and uncertainty. One of the main issues in assessing the volatility of emerging markets is whether this volatility results from uncontrollable factors (such as natural disasters) or the overall policy framework in which countries operate (Moody, 2004, p.6). The second defining characteristic of emerging markets is their transitional features. According to Moody (2004) there are several dimensions to the transition of emerging markets. They are almost always in transition in a demographic sense: (positive) change in fertility rates, life expectancy, and educational status. Furthermore, the nature, strength and depth of their economic and political institutions is also transitioning. Third, emerging markets are in the midst of transition towards greater interaction with international markets. Finally, it is important to mention that the process of transition is almost always long drawn and, from time to time, quite disruptive (Moody, 2004, pp.6-7).

Despite Moody's (2004) efforts, the classification of countries as emerging markets remains arbitrary. A vast range of international (financial) institutions compile rankings and classifications, using different methods and categories. Kearney (2012) combined various classifications, resulting in a list of 27 countries (Argentina, Brazil, Czech Republic, Chile, China, Colombia, Egypt, Hungary, India, Indonesia, Israel, Jordan, Malaysia, Morocco, Mexico, Pakistan, Peru, Philippines, Poland, Russia, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, and Venezuela) which might be categorized as an emerging market. This list includes 4 of the top 10 countries in the world, when measured by gross domestic product (GDP): Brazil (ranked 8th), Russia (ranked 6th), India (ranked 4th) and China (ranked 2nd) — the so-called *BRICs*, as O'Neill (2001) named this group of countries which will have an increasing weight in world GDP over the coming decades (pp.6-7).

Barriers

Now we have shed some light on the discussions surrounding the definition of the concept of emerging economies/markets, it is time to focus on the barriers (for foreign businesses) to enter these markets. It is important for governments to acknowledge the importance of a good understanding of export barriers, as it gives insight in areas where appropriate assistance should be given and the way this should be structured (I will turn to this below). As we will see, there is much

overlap between the barriers and the actual *features* of emerging markets (for example the high degree of volatility and the transitional character of economical, political and social institutions). Before 'zooming in' on the actual barriers, we first pay attention to the nature of export barriers by defining the concept and reviewing the academic literature on (export) barriers.

Leonidou (2004) argues that export barriers refer to "all those constraints that hinder a firm's ability to initiate, to develop, or to sustain business operations in overseas markets" (P.281). This definition incorporates *internal* (such as informational problems) as well as *external* (such as procedural and governmental problems) barriers (Leonidou, 2004, p.281). In a rather similar approach, Seringhaus and Rosson (1990) place export barriers into four broad categories: Motivational, Informational, Operational/resource based and Knowledge barriers. However, regardless of which way of categorizing is used, barriers to export are responsible for the fact that, for example, many neophyte exporters have a negative attitude towards exporting and many business (especially Small- and Medium sized Enterprises) view exporting with scepticism. Hence, they often refrain from engaging in activities abroad (see for example: Miesenbock, 1988). In line with Seringhaus and Rosson (1990), Ramaswami and Yang (1990) divide export barriers into four categories (namely: Export knowledge, Internal resource constraints, Procedural barriers and Exogenous barriers). They place, however, more emphasize on external factors hindering export. The first two barriers are concerned with businesses' internal constraints. The third (Procedural) and fourth (Exogeneous) barrier, however, are more related to external factors ranging from governmental red tape, trade barriers imposed by importing countries to activities by other participants on the (global) marketplace (Ramaswami and Yang, 1990, pp. 189-190).

Leonidou (2004) identifies three factors influencing the development of export: *Managerial* factors (such as the overall competence of decision-makers within a firm), *Organizational* factors (such as the characteristics of the business structure) and *Environmental* factors (factors beyond the control of the business itself) (Leonidou, 2004, p.284). As this research focuses on those barriers which are interesting for the study of Public Administration, and can be influenced (and perhaps altered) by the government, we focus only on the latter. Environmental factors can affect export barriers in two ways: they can either be the source of barriers in the home market (such as governmental and infrastructural facilities) or they are the source of foreign market obstacles, in which a business has to operate (such as economic, political and socio-cultural conditions). Leonidou (1995) set forth that these barriers are "affected by rapid external change, incorporate high levels of uncertainty, and usually fall beyond the control of the individual firm" (pp.32-33).

Earlier we touched upon the division between *internal* and *external* barriers. These two categories each can be divided into several sub-categories:

Internal

1. *informational barriers*, which refers to information inefficiencies such as problems with identifying, selecting and contacting international markets (Morgan and Katsikeas, 1997, in Leonidou, 2004, p.285). Meyer and Skak (2002) also note that country-specific knowledge and expertise is necessary to enter foreign markets. This is especially the case for countries with a very different economic, political and cultural environment, such as most of the emerging economies (p.179);
2. *functional barriers*, which refers to certain inefficiencies within the individual businesses (ibid, p.287);
3. *marketing barriers*, which deal with “the company’s product, pricing, distribution, logistics and promotional activities abroad” (ibid, p.288). In the academic literature on export barriers most attention is paid to this sub-category (see for example Kedia and Chhokar, 1986 and Moini, 1997). This is not surprising, as most of the literature has an Economics or Business Administration, rather than a Public Administration or Political Science background.

External

1. *Procedural barriers* focus on different aspects of transaction with foreign costumers and can be divided into three subcategories: unfamiliarity of the exporting firm with foreign procedures and techniques, problems related to communication failures and problems concerning (receiving) payments (Leonidou, 2004, p.292);
2. *Governmental barriers* which refers to the actions (or lack of action) from the *home* government in regard to exporting businesses. Leonidou (2004) identifies two aspects of governmental barriers. First, there is an alleged lack of support from the home government to current (and potential) exporters. Second, regulatory frameworks often play a restrictive role (pp. 292-293);
3. *Task barriers* focus on the customers and competitors in foreign markets, which might have a negative impact on the possibilities to export successfully (ibid, pp.293-294);
4. *Environmental barriers*. This forth category refers to a broad range of barriers concerning the “economic, political-legal, and socio-cultural environment of foreign markets” (ibid, p.294). It is rather hard to grasp these barriers, as they are usually subject to rapid changes. Amongst others, these barriers include changing or deteriorating foreign economic conditions, political instability (caused by either economic, societal or political factors), rules and regulations

(such as entry restrictions, price controls or special tax rates for foreign products), several different tariff and non-tariff barriers, unfamiliar business practices, differences in socio-cultural habits and barriers stemming from a difference in language (ibid, pp.294-296).

Environmental trade- and export barriers: emerging markets

Previously, we identified (using primarily Leonidou, 2004) a large number of *internal* and *external* barriers. Furthermore, we argued that environmental barriers are of most interest for this research. One of the most prevalent (environmental) barriers are the so-called *non-tariff trade barriers* or NTBs. Hillman (1996) defines NTBs as all governmental instruments, other than customs duties, which restrict international trade (p.2). Bureau and Berghin (2001) use a more elaborate definition of the concept. They postulate that NTBs are:

“Any governmental device or practice other than a tariff which directly impedes the entry of imports to a country and which discriminates against imports, but does not apply with equal force on domestic production or distribution” (p.181).

Environmental barriers to export in emerging markets stem also to a great extent from the institutional transition in these countries, whereby the structure of old institutions gradually (in an incremental process) gives way to new institutions creating moments of ambiguity. Hence, it is likely that (rapidly changing) barriers to export arise due to the fact that these emerging markets are moving from one primary mode of exchange to another one which, in the end, results in a reduction of uncertainty (Peng, 2003, p.278). Taking this into account, we argue that during this process of transition there is especially a *political ambiguity*, as the way in institutions work changes in an unprecedented pace. One of the most visible examples of the *political ambiguity* we discussed earlier is corruption. According to Uhlenbruck et al. (2006), corruption can be conceptualized as “the abuse of public power for private benefit” (p.402). Although companies which try to export to emerging economies often have to deal with corrupt governments or governmental officials, there is only little research on this topic. This is particularly troublesome, as the process of globalization and the growing importance of the emerging economies has raised the likelihood that businesses will encounter corruption (Hellman et al., 2000, p.4). Therefore, it is important to acknowledge the fact that that institutions (*the state*) matter: businesses have to take the way institutions work into account when they try to access a foreign market (Peng et al., 2008, pp.930-931). Authors such as Estrin et al. (2006) also stress the explanatory value of factors such as “political continuity or discontinuity, rapid or incremental change and governmental officials who are perceived to be supportive or hostile” towards new enterprises entering the market (p.34).

In recent decades, most of the emerging economies (primarily the BRICS) have opened up their economies. This process was accompanied with a reduction in the number of (environmental) trade- and export barriers, although the pace of this reduction varied across the different countries (OECD, 2009, p.2). However, a substantial number of trade- and export barriers (and the associated challenges for foreign businesses) remained. According to the OECD (2009) progress in reducing the number of barriers and opening markets has been achieved to a great extent through so-called ‘applied border measures’ (sometimes also called ‘first-generation’ reforms), which are easier to implement than ‘second-generation’ reforms that tackle domestic, but trade-related, regulations. (OECD, 2009, p.4). These reforms are needed, as many of the emerging economies fall short on “services regulation, regulation of food-safety and technical standards, intellectual-property protection, public procurement, customs administration and competition rules” (ibid, p.4).

Bown and Kee (2011) argue that the (current) global economic crises has a substantial impact of the amount and nature of environmental trade- and export barriers. Although the vast majority of the major economies (in particular the G20 member states) refrained from using (more) protectionist measures (such as tariffs, or quantitative import restrictions), protectionist measures were taken by developing or emerging countries. According to Bown and Kee (2011) most of their measures consisted out of “potentially WTO-consistent use of Temporary Trade Barriers (TTBs) such as antidumping, countervailing duties, and safeguards” (p.26). However, protectionism in the form of TTBs is not only imposed by developing or emerging countries, but also fell on emerging economy exporters:

“New TTBs continue a pre-crisis trend of affecting South-South trade in particular, 68% of the stock of 2009 TTBs that developing economy users had in place were imposed on imports from other developing economies” (Bown and Kee, 2011, p.27).

Hence, we might conclude that, although there is a significant rise in Temporary Trade Barriers (TTBs), developed countries (such as the Netherlands) are less affected than developing/emerging economies.

The list of environmental barriers, most prevalent in emerging economies, we discussed in this second section of the theoretical framework can be found in table 1 (‘Environmental barriers in emerging economies’) below:

| (Environmental) Barriers | Remarks |
|--|---|
| Non-Tariff Barriers (NTBs) | - |
| Institutional Transition / Political Ambiguity | Especially prevalent in emerging economies |
| (Applied) Border Measures | - |
| Domestic, but trade-related Measures | Especially prevalent in emerging economies |
| Temporary Trade Barriers (TTBs) | Prevalent in emerging economies, but especially affecting the so-called 'South-South trade' |

Table 1: Environmental barriers in emerging economies

Summing up, in this part of the thesis' second chapter (the theoretical framework) we focussed on a vast range of barriers hindering export to foreign markets. Furthermore, we paid attention to (environmental) barriers specific for *emerging* markets. Based on these theoretical insides we come forth with the following hypothesis:

Hypothesis (1)

"We expect Dutch companies to encounter barriers stemming from emerging countries' "political ambiguity" or domestic (but trade related) regulations in their trade with- and export to Russia (sub-case 1) and Ukraine (sub-case 2)"

2.3 (Facilitating) Internationalization

When investigating the Top Sector policy's attempts to facilitate the internationalization of Dutch companies, one should elaborate first on the several different ways in which 'internationalization' can be facilitated and spurred by national governments. The starting point in this discussion is Michael Porter's book 'The Competitive Advantage of Nations'. In this book, Porter (1990) addresses the question "why some social groups, economic institutions, and nations advance and prosper" (p.xi). According to Porter, the primary influence of a national government on the international competitiveness of business is through the creation of a favourable 'home environment' for firms: the so-called 'home base' (Porter, 1990, p.29). The national business environment is rather important for (the development) of businesses, as it shapes the identity of the business, and its approach towards strategy and internationalization. According to Porter (1990):

"The home base is the nation in which the essential competitive advantages of the enterprise are created and sustained. It is where a firm's strategy is set and core products and process technology (broadly defined) are created and maintained. Usually, though not always, much sophisticated production takes place here (...). The home base will be the location of many of the most productive jobs, the core technologies, and the most advanced skills. It is the place from which export is set up" (p.19).

As Grant (1991) argues, stressing the importance of the national environments runs somewhat counter to the intuitive association of (multi)national businesses with globalization. However, Porter (1990) shows that, while multi-nationality permits businesses access to economies all over the globe, it is the national environment that exercises a strong influence on the competitive advantages of businesses and industries. Porter's (1990) theory of competitive advantage is based on four (sets of) variables, which "influences the firms' ability to establish and sustain competitive advantage within international markets" (p.69):

1. *Factor conditions.* According to Porter (1990) it is important to recognize the differences between so-called 'basic' factors (for example natural resources and geographical location) and 'advanced' (more sophisticated resources, such as research institutions) factors. As one can imagine, the 'advanced' factors are most significant for a nation's competitive advantage (pp.73-86; 779-782).
2. *Demand conditions.* The second variable focuses on the features of the national environment which are favourable to (investments in) the creation of highly sophisticated skills and (new)

technologies (Grant, 1991, p.538). Innovation can be seen as one of the main drivers for the creation of advanced skills and technology (Porter, 1990, pp.87-99).

3. *Related and supporting industries.* The idea behind this third variable is that investments (especially industrial investments) in advanced factors within a certain branch of industry are likely to have so-called 'spill-over effects' towards other branches of industry (Grant, 1991, pp.538-539).
4. *Firm strategy, structure and rivalry.* Porter (1990) argues that rivalry between businesses within the domestic market is effective in "promoting the upgrading of competitive advantage" (p.412).

As we have demonstrated, Porter (1990) places great emphasis on the national environment (sometimes also called "national base" or "home base") as facilitator of businesses' international success. Although Porter (1990) highlights the importance of innovation (within e.g. the *demand conditions*), Lundvall (1992, 2002) is among the first to take innovation as a pivotal concept within his theories on (national) economic growth. Together with Nelson (1993) and Freeman (1995) Lundvall argues that national systems of innovation (and the networks of relationships that are formed within these systems) should be seen as necessary for businesses in order to innovate and expand successfully.

Facilitating internationalization through EPAs

However, in their efforts to facilitate internationalization, governments can do more than attempting to strengthen the domestic (national) 'base' and supporting companies in their process of innovation: specific governmental internationalization or export assistance programs. These programs (also referred to as "export promoting agencies" or "EPAs") should be seen as complementary rather than counteractive to initiatives aimed at strengthening the national business and innovation environments. Since the early 1980 there is increased academic attention to these assistance programs. Albaum (1983), for example, examined the (international) export strategies of a large sample of U.S. businesses. He concluded that, although a rather large share of U.S. companies exported in one way or another, only a very small share of the businesses used State or Federal funds or programs aimed at facilitating export (Albaum, 1983, p.68). Furthermore, Albaum stressed the need to (re)assess the "effectiveness of U.S. as well as the methods used to generate user awareness amongst businesses" (ibid, p.74).

From the (early) 1990s onwards more and more scholars tried to come with a more uniform description of export assistance programs. As Kotabe and Czinkota (1993) point out, governmental

export assistance generally consist out of (1) export *service* programs, e.g., seminars aimed at (and involving) potential exporters, counseling, and export financing (p.639) and (2) so-called 'market development programs', such as "participation in trade shows, preparation of market analysis, or export news letters" (Lesch et al., 1990, pp. 29-37). Furthermore, Singer (1990) makes a distinction between export programs intended to provide *informational knowledge* and programs aimed at providing *experiential knowledge*. Informational knowledge is generally provided through 'how-to export' assistance, workshops, and seminars. Experiential knowledge, on the other hand, is communicated through the arrangement of economic (trade) missions, economic diplomacy or participation in (international) market research (Crick, 1997, pp.140-141).

Although export assistance programs are regularly studied since the early 1980s, Wilkinson (2006) argues that "the academic field of export promotion and assistance has emphasized empirical results over theoretical development" (p.237). As we have seen, earlier studies provided various and mixed opinions on the effectiveness of governmental export promotion programs and services. For example, Cavusgil and Jacob (1987) described a positive relationship between governmental export promotion programs and businesses' export performances. Moini (1998), on the other hand, suggest that the individual characteristics of businesses influences the effectiveness of governmental programs to a great extend (pp.9-13). More recently, Gençtürk and Kotabe's (2001) research pointed out that governmental export assistance programs contribute to export success. However, they argued that the extent and impact of the contribution on export is highly dependent on "the dimension of export performance being examined" (Gençtürk and Kotabe, 2001, p.66): within the sample of exporting businesses they examined, export assistance programs did not contribute to business' (direct) sales, but enhanced the overall competitive position of companies. Lages and Montgomery (2001) endorse these finding, as they argue that businesses who receive governmental export support are "able to adapt their pricing strategy to international markets (p.29): the improved export performance of these businesses resulted from the fact that both the export assistance as (international) price adaptation contribute to the international experience and expertise of companies, and (as a result) to the overall competitive environment of the industry (ibid, pp. 29-30).

The 2006 World Bank research on export promoting agencies, conducted by Lederman et al. (2006), is the first to transcend the level of research emphasizing only (single-case) empirical results, by studying the impact of governmental export assistance through EPAs (and their underlying strategies) on export performance using an extensive dataset covering all EPAs within 104 developed and developing countries. Although Kotabe and Czinkota (1993) were amongst the first scholars to come up with a description of what governmental export assistance activities actually tend to

comprise, Lederman et al. (2006) go far beyond this rather opaque description, by establishing a comprehensive typology of the services provided by governmental EPAs. First of all, Lederman et al. (2006) set forth that the objective of governmental EPAs is to “help (potential) exporters find markets for their products, as well as provide them with a better understanding of products or services demanded in different export markets” (pp.1-2). Second, Lederman et al. (2006) divide EPA services into four categories:

1. *Country image building* such as promotional events, but also advocacy on a (international) level.
2. *Export support services*. Under this banner a broad range of measures and services are listed: “export training, technical assistance, capacity building (including regulatory compliance), information on trade finance, logistics, customs, packaging, pricing” (ibid, p.2).
3. *Marketing*, such as: (trade) fairs and events, so-called ‘exporter and importer’ events and “follow-up services by representatives abroad” (ibid, p.2).
4. *Market research and publications*. Aimed at gaining general, as well as sector and firm level information. Measures and services such as “market surveys, on-line information on export markets, publications encouraging firms to export, importer and exporter databases” (ibid, pp.2-3).

According to Lederman et al. (2006), governmental intervention through export promotion can be justified by referring to the theory of asymmetric information and other market failures:

“there are important externalities associated with the gathering of foreign market information related to consumer preferences, business opportunities, quality and technical requirements etc. private firms alone will not provide foreign market information, as companies hesitate to incur research and marketing costs that can also benefit competitors” (Lederman et al., 2006, p.2).

As one can imagine, the same applies to so-called ‘pioneer exporters’, who often make rather large investments in their attempts to enter foreign markets and engage in other costly business activities that can be used by rivalrous companies (Hausmann and Rodrik, 2003, pp.628-629). High uncertainty, associated with international trade to markets with different legislation from the home market, have also been put forward as an economical justification for publicly funded export promotion and assistance (see for example: Greenaway and Kneller, 2007).

It is clear that an evaluation of publicly funded export promoting agencies based on (general) welfare grounds is rather difficult. Hence, Lederman et al. (2006) assess only whether exports have increased or new markets have been opened due to the efforts made by EPAs. Their research suggests that, generally speaking, EPA services have a clear positive (and statistically significant) impact on export to foreign markets (Lederman et al., 2006, p.3).

Lederman et al. (2006) reviewed the *overall* effectiveness of EPA services. In recent years, more and more academic attention is paid to the effectiveness of governmental export assistance and promotion programs specifically focused on Small- and Medium sized Enterprises (SMEs). Mahajar et al. (2006), for example, painted a rather grim picture of the relationship between SMEs and EPAs: according to their findings, there is only low awareness of the various EPAs available amongst SMEs. Furthermore, within their sample, many SMEs perceived EPAs as not helpful (Mahajar et al., 2006, p.70). Hauser and Werner (2010) shed a more positive light on this discussion, as they argue that EPAs can help SMEs to lower the (perceived) barriers to export. However, together with Freixanet (2012), they argue that SMEs use EPAs to a lesser extent than large(r) companies. Second, Hauser and Werner (2010) argue that it is the internal structure of SMEs itself which creates the troublesome relation between SMEs and EPAs: “the lack of specialized in-house resources of small firms (...) is the main reason why the support measures are not being accessed by small enterprises efficiently” (p.1).

In the previous part of this chapter we discussed the role (and impact) of trade- and export barriers on internationalization. As we have seen, there is an extensive debate amongst scholars about the extent to which these governmental agencies have been capable and effective in lowering barriers and facilitating trade through particular services. Ramaswami and Yang (1990) argue there are “different levels of difficulty associated with each type of barrier and the extent to which governmental assistance programs (EPAs) are helpful” (p.192). To put it in other words: some (type of) barriers are easier for businesses to overcome than others. Furthermore, governmental EPAs are structured, designed or assigned (on purpose or by accident) to be more helpful in overcoming a certain category of barriers better than other categories.

According to Ramaswami and Yang (1990), improving a businesses’ knowledge of foreign markets is rather easy in comparisons with other barriers. Furthermore, due to (inter alia) information asymmetries there is room for the government (using for example EPAs) to step in and act. However, changing barriers concerning *internal* resource constraints requires more time and effort from businesses themselves, because:

“the ultimate method of generating resources internally for exporting is either through capital surplus or through reallocation of resources” (Ramaswami and Yang, 1990, p.191).

In contrast: changes in (the perception of) barriers related to market knowledge and export procedures are relatively easily achieved since “existing resources can be used without substantial investment if proper assistance is available” (ibid, p.192). However, especially within small and medium-sized firms (SMEs), it is often hard to commit resources to gathering the information necessary to capitalize foreign markets. Again, in this situation there is room for governmental export Promoting Agencies (EPAs) to step in and provide information on foreign markets at a reasonable cost (Ramaswami and Yang, 1990, pp.191-192).

| Source of Barriers | Level of Difficulty | Assistance |
|--------------------------|---------------------|------------|
| <i>Market Knowledge</i> | Easy | Yes |
| <i>Internal Resource</i> | Hard | No |
| <i>Export Procedure</i> | Easy | Maybe |
| <i>Environment</i> | Very Hard | No |

Table 2: Difficulty of Change and Assistance Required for Barriers (Ramaswami and Yang, 1990, p. 193).

As we can see in table 2, the most difficult to handle, both for individual businesses as for governmental EPAs are the exogenous (environmental) factors influencing export to foreign markets. Individual companies are not able to influence policy outcomes concerning these exogenous factors. Even for governmental agencies it is hard, if not impossible, to influence these factors as the opportunity to change (for example) trade regulations are very limited and is concentrated, most of the time, not at the national but international (WTO / EU) level of policy-making (ibid, pp.193-194).

Facilitating internationalization through diplomacy

From the last decades onwards, national governments started to recognize the importance of international trade to the national economic development, as we have seen before in this research. Next to improving the national environment (based on the ideas of, primarily, Michael Porter) or establishing governmental Export Promoting Agencies, governments have also increased their efforts in “strengthening national commercial representation in major trading partner countries” (Saner and Yiu, 2003, p.14). This form of diplomacy, aimed at facilitating trade and export, can be divided into *economic* and *commercial* diplomacy. According to Berridge and James (2001) economic diplomacy “is concerned with economic policy issues: (...) economic diplomats monitor and report on economic policies in foreign countries and give the home government advice on how to best influence them” (p.81). Commercial diplomacy, on the other hand, can be described as “the work of diplomatic

missions in support of the home country' business sector in their pursuit of economic success and the country's general objective of national development" (Berridge and James, 2001, pp. 38-39). Governments are, generally speaking, rather keen to support the national economic developments by providing support to their own enterprises in the form of commercial diplomats, who can give "export and investment advice, legal assistance, and support export incentives" (Saner and Yiu, 2003, p.13). Note that this function of (commercial) diplomacy is rather similar to the function (and goal) of governmental EPAs. Furthermore, as Berridge and James (2001) argue, commercial diplomats can also function as host to (national) trade missions (p.81).

Throughout centuries, there has always been a close connection between economic/commercial interests and diplomacy (Ruel and Zuidema, 2012, p.1). Nevertheless, research focused solely on commercial diplomacy is a relatively new phenomenon: Rose (2007) and Yakop and Bergeijk (2009) are amongst the first to investigate, in a structured and systematic way, commercial diplomacy as the primary research object. Although these studies underlined the need to understand the content and consequences of commercial diplomacy, both Rose (2007) and Yakop and Bergeijk (2009) did not transcend the level of descriptive analysis. Ruel and Zuidema's (2012) aim is to fill this gap within the academic literature on diplomacy by focusing "on the characteristics that make commercial diplomacy successful" (p.2). In the next section we will touch upon these characteristics.

In this part of the theoretical framework, in which we provided some insights on the different ways in which (national) governments may be able to facilitate internationalization, we focused especially on the functioning of governmental Export Promoting Agencies (EPAs) and economic/commercial diplomacy as (possible) facilitators of internationalization. In table 3 ("Framework for analyzing trade- and export barriers") we aim to provide an overview of the different barriers to trade and export (primarily based on the work of Leonidou (2004), in relation to the (level of) difficulty in overcoming these barriers (primarily based on the work of Ramaswani and Yang (1990) and the ways in which governments may be able to overcome trade- and export barriers and facilitate internationalization: either by using EPAs, strengthening the so-called 'national environment' (based on the ideas of Porter (1990)) or the use of economic and commercial diplomats.

| (Source of) Barriers Ramaswani and Yang, 1990 Leonidou, 2004 | Level of Difficulty (overcoming barriers) Ramaswani and Yang, 1990 | Governmental Assistance |
|--|---|--|
| <i>Internal Resource</i> <ul style="list-style-type: none"> • Informational Barriers • Functional Barriers | Hard | <ul style="list-style-type: none"> • <i>Export support services</i> (Lederman et. Al, 2006) |
| <i>Market Knowledge</i> <ul style="list-style-type: none"> • Marketing Barriers | Easy | <ul style="list-style-type: none"> • <i>Marketing</i>, such as trade fairs and events (Lederman et al., 2006) |
| <i>Export Procedure</i> <ul style="list-style-type: none"> • Procedural Barriers <ol style="list-style-type: none"> (1) Unfamiliarity with foreign procedures (2) Communication | Easy | <ul style="list-style-type: none"> • <i>Market research and publications</i> (Lederman et al., 2006) |
| <i>Environment</i> <ul style="list-style-type: none"> • Governmental Barriers <ol style="list-style-type: none"> (1) <i>Home</i> government (2) <i>Foreign</i> government • Environmental Barriers • Task Barriers | Very Hard | <ul style="list-style-type: none"> • <i>National environment</i> (“base”) as facilitator of businesses’ international success (Porter, 1990); • <i>Country image building</i> (Lederman et al., 2006); • (Economic and Commercial) Diplomacy (Ruel & Zuidema, 2012) |

Table 3: Framework for analyzing trade- and export barriers

Based on the findings of, primarily, Ramaswami and Yang (1990) we come up with the following hypothesis:

Hypothesis (2)

“We expect that ‘internal resource’ and ‘environmental’ based trade- and export barriers are more difficult to overcome than ‘market knowledge’ or ‘export procedure’ based barriers”

2.4 Policy Implementation

As with most of the concepts in the field of Public Administration, there are numerous different definitions of the concept of policy implementation. Williams (1971) is amongst the first to describe what (policy) implementation exactly is. He argues that implementation is, generally speaking, about the question whether an organisation “can bring together men and material in a cohesive organizational unit and motivate them in such a way as to carry out the organization’s stated objectives” (p.144). Van Meter and van Horn (1975) come forth with a more explicit definition of policy implementation. They argue that implementation encompasses those actions by public and private actors that are directed at achieving objectives which are set forth in prior policy decisions. These actions include both one-time efforts to transform decisions into operational terms, as well as efforts to achieve changes mandated by policy decisions (van Meter and van Horn, 1975, p.447). O’Toole (2000) argues that policy implementation is broadly defined as “what happens between the establishment of an apparent intention on the part of the government to do something, or to stop doing something, and the ultimate impact in the world of action” (O’Toole 2000, p. 266).

In field of Public Administration and Political Sciences there is a long-standing tradition to examine implementation processes at the national level. After the publication of Pressman and Wildavsky’s (1973) study on the implementation of a federal economic development programme in Oakland (USA), implementation research developed as an independent discipline and would continue to be regarded as such until the turn of the millennium (we will turn to Matland (1995); O’Toole (2000); Hill and Hupe (2002) for further insights on the implementation processes). From the late 1990 onwards, academic attention turned to the implementation processes at the European Union as well, although traditional implementation literature (focussed on the national level) has affected the EU implementation literature only in a very limited way (Zwaan, 2012, p.13). Within this research, however, we will focus solely on national (domestic) implementation processes.

Policy implementation: Best Practices

In the previous section of the theoretical framework we discussed the different measure and instruments national governments may use to facilitate internationalization. However, the way in which these policy (measures) are implemented is also of great importance as this influences the chances that a policy will be successful in reaching its goal(s) or not. Hence, several scholars (such as (Lederman et al., 2006; Mahajar et al., 2006; Freixanet, 2012 and Ruel & Zuidema, 2012) have come forth with so-called *best practices* for the successful implementation of policies aimed at facilitating businesses’ internationalization.

Concerning governmental EPAs, Lederman et al. (2006) suggest the following:

- the private sector should be highly involved in an EPA's executive board. However, a large share of the EPA's budget should be funded publicly (hence, by the national government, or governmental agencies);
- multiple (small) EPAs within one single country leads to a less effective export promotion program;
- EPAs are most effective if they focus either on non-traditional exports or have a specific sectoral focus;
- EPAs are more effective when focusing their activities and programs on large firms, which have the resources needed to take advantage of the EPA's services, but are not exporters yet;
- the use of so-called 'office representation' (such as national embassies or consulates) has a positive impact on the export opportunities (Lederman et al., 2006, pp.21-23).

Other authors also contributed to what we call in this research, 'best practices' regarding the functioning of EPA's, or (facilitating) internationalization in general. Ramaswani and Yang (1990), for example, argue that:

- changes in (the perception of) barriers related to market knowledge and export procedures are relatively easily achieved since "existing resources can be used without substantial investment if proper assistance is available" (p.192);
- a strong (competitive) national environment can be seen, according to Porter (1990), as a facilitator for internationalization;
- the effectiveness of economic/commercial diplomacy depends to a certain extent on the experience of individual diplomats, as well as their (business) network. Furthermore, in comparison to more developed countries, commercial diplomacy is especially effective in emerging countries (Ruel and Zuidema, 2012).

Also with regard to commercial diplomacy some insights on 'best practices' are given by Ruel and Zuidema (2012). They argue that there are two characteristics which influence the effectiveness (and quality) of commercial diplomacy the most. These characteristics are: "the amount of experience that commercial diplomats acquired at the foreign posts (embassies or consulates)" (p.20) and the size and quality of the diplomat's business network in the foreign market (ibid, pp.20-21). Furthermore, Ruel and Zuidema's (2012) research also indicates that "the less favorable a cognitive institutional environment in a host country is, for instance in terms of information availability, the

more relevance commercial diplomacy will have” (p.23). These findings might indicate that commercial diplomacy is especially effective in emerging countries as, most of the time, these countries are characterized by a rather volatile governmental environment. van Leeuwen et al. (2013) endorse these findings, by noting that in recent years a large share of the (European) states expanded their diplomatic actions towards strategically important emerging economies (i.e. the BRICS), while economic or commercial diplomacy within the EU had diminished (p.47).

In table 4 we combined the different insights provided in the previous and current section of the theoretical framework: the major (sources of) trade- and export barriers are listed, together with the corresponding level of difficulty in overcoming these barriers (based on the work of Ramaswami and Yang, 1990) and the corresponding governmental assistance services (through EPAs).

| (Source of) Barriers Ramaswami and Yang, 1990 Leonidou, 2004 | Level of Difficulty (overcoming barriers) Ramaswami and Yang, 1990 | Governmental Assistance (through EPAs) |
|---|---|--|
| <i>Internal Resource</i> <ul style="list-style-type: none"> • Informational Barriers • Functional Barriers | Hard | <ul style="list-style-type: none"> • <i>Export support services</i> (Lederman et. Al, 2006) |
| <i>Market Knowledge</i> <ul style="list-style-type: none"> • Marketing Barriers | Easy | <ul style="list-style-type: none"> • <i>Marketing</i>, such as trade fairs and events (Lederman et al., 2006) |
| <i>Export Procedure</i> <ul style="list-style-type: none"> • Procedural Barriers <ol style="list-style-type: none"> 1) Unfamiliarity with foreign procedures 2) Communication | Easy | <ul style="list-style-type: none"> • <i>Market research and publications</i> (Lederman et al., 2006) |
| <i>Environment</i> <ul style="list-style-type: none"> • Governmental Barriers <ol style="list-style-type: none"> 1) <i>Home</i> government 2) <i>Foreign</i> government • Environmental Barriers • Task Barriers | Very Hard | <ul style="list-style-type: none"> • <i>National environment</i> (“base”) as facilitator of businesses’ international success (Porter, 1990); • <i>Country image building</i> (Lederman et al., 2006); • (Economic and Commercial) Diplomacy (Ruel & Zuidema, 2012) |
| <i>Policy Implementation</i> EPAs Best Practices (Lederman et al., 2006; Mahajar et al., 2006; Freixanet, 2012) <ol style="list-style-type: none"> 1) The private sector should be involved in an EPAs executive board, the EPA’s budget should be publicly funded (national government); 2) (Multiple) small EPAs within a country leads to a less effective export promotion program; 3) Focus on non-traditional exports or a sectoral focus are most effective; 4) EPAs are most effective when focusing on large(r) firms, which have the resources needed, but are not exporters yet; 5) Office representation (embassies/consulates) has a positive impact on the export opportunities (Commercial) Diplomacy Best Practices (Ruel and Zuidema, 2012) <ol style="list-style-type: none"> 1) (individual) experience of commercial diplomats; 2) Size and quality of the (business) network | | |

Table 4: Framework for Analysis

Within the first part of this section of the theoretical framework we focused on several ‘best practices’ for the successful implementation of policies aimed at facilitating businesses’ internationalization, which are listed in table 4 (“Framework for analysis”). Based on these findings we come up with the following hypothesis:

Hypothesis (3)

“We expect an EPA to be (more) successful in overcoming trade- and export related barriers if the ‘best practices’ (table 4) are taken into account”

Subsequently,

“We expect an EPA to be less successful in overcoming trade- and export related barriers if the ‘best practices’ (table4) are not taken into account”

The framework for analysis (see table 4 above) is of relevance for assessing the implementation of the measures that match the best practices. However, in order to assess the implementation of other policy measures that are adopted to facilitate internationalization (but which are different from the *best practices* listed above) we need a more general implementation framework. The next part of this section is dedicated to the question how we can assess the implementation of these policy measures.

Top-down and bottom-up approaches to implementation

Over the last decades a large number of scholars have identified, literally, several hundred of key variables in the academic literature on implementation. Furthermore, various reasons for (the lack of) development of the theoretical framework were put forward. See for example, McLaughlin (1987), Van Horn (1987), Goggin et al. (1990) or O’Toole (1986) who argued that the field of policy implementation studies lacked development because of normative disagreement and the embryonic phase of the empirical theory on policy implementation (p.181). In the last decades, however, numerous scholars tried to increase the quality of the field’s (empirical) theory.

It is important to note that almost all of the literature on implementation can be grouped under the banner of two “two major schools of thought” (Matland, 1995, p.145): the *top-down* and *bottom-up*

approach. Within top-down models of implementation the starting point is usually an authoritative decision by a central policy actor, as centrally located actors are seen as the most relevant to producing the desired policy outcomes (Matland, 1995, p.146). Hence, 'top-down theorists' such as Mazmanian and Sabatier (1983) define policy implementation as "the carrying out of a basic policy decision (...) incorporated in a statute, but which can also take the form of important executive orders or court decisions" (p.20).

According to Matland (1995) the top-down approach meets three sets of criticism (p.147). First of all, due to their focus on statutes and (executive) orders little (or no) attention is paid to actions taken previously in the policy-making process while scholars, such as O'Toole (1989), argue that in the initial stages of the policy implementation process many possible barriers to implementation can be identified. The second criticism is that it portrays implementation purely as an administrative process, without taking political aspects into account. The third type of criticisms focus on the top-down' focus on *statute framers* as the primary policy actors. Scholars who adhere the top-down approach regard local actors as impediments to a successful policy implementation whereas opponents of the top-down approach argue that, for example, local service deliverers have the best knowledge and expertise to contribute to the policy-making and implementation (Matland, 1995, pp.147-148).

Using the bottom-up approach towards policy implementation one argues that, in order to understand the implementation better, we should look more to policy-making "from the view of the target population and the service deliverers" (Matland, 1995, p.148). Matland (1995) elaborates on work from Berman (1978) who argues that the implementation of a policy occurs at two different levels. First, there is the so-called *macro*-implementation level at which centrally located actors devise a certain policy. On the other hand, there is the *micro*-implementation level, at which local actors react to the policies/plans from the macro-level, develop their own policies and implement them. Berman (1978) argues that most of the problems with regard to the policy implementation stem from the interaction of a certain policy with institutions at the *micro*-level (p.181). Contextual factors within the local *micro*-level implementing environment can dominate policies created at the *macro*-level, making it hard for the initial policy designers to control the policy implementation process (Matland, 1995, p.148). As it is the local level where policy is implemented, the primary policy recommendations concern implementation strategies that allows for a great extend of flexibility and adaptation to local settings (ibid., p.149). As we have seen, numerous scholars formulated criticisms on the top-down approach. The same goes for the bottom-up approach. The main critique focuses on the methodology, and argues that this approach overemphasizes the

importance of the local level in the policy implementation process. The second criticism is more normative, as it argues that “policy control should be exercised by actors whose power derives from their accountability to sovereign voters through their elected representatives” (Matland, 1995, pp.149-150).

Matland’s view on policy implementation

We have discussed the difference between the two approaches on policy implementation. As we have seen, scholars who use the top-down approach argue that (high-level) ‘policy designers’ are the central actors when analyzing policy implementation. Bottom-up theorists, on the other hand, emphasize the importance of the lower (local) level of politics, as they argue that this is the level where policy is made by certain groups and service deliverers. The question remains, however, how to bridge the two schools of thought. Matland (1995) attempts to synthesize the two approaches by presenting an alternative model for “reconciling the existing findings on implementation” (Matland, 1995, p.146) in which both policy ambiguity and the level of conflict are taken into account.

Implementation and decision-making processes are closely intertwined. Hence, when examining the implementation process, we should also pay attention to different decision-making models. Both the rational politics⁸ and the bureaucratic politics model⁹ of decision-making assume that (individual) actors act in a rational and self-interested way. However, whereas the rational politics model assumes that the goals of a policy are agreed upon, the bureaucratic politics model assumes that it is not possible to come up with a fixed set of agreed-upon goals. Hence, “while the rational model defines decision-making so that conflict does not exist, the bureaucratic politics model makes conflict its primary emphasis (Matland, 1995, p.156). In the academic implementation literature, many ‘top-down’ scholars have seen policy conflict as something which can be manipulated. For example, by scaling down a project to a level on which there is less policy conflict (ibid, p.157). Scholars who adhere to the ‘bottom-up’ approach, such as Berman (1980), have argued that conflict within the process of policy-making should be seen as given and, hence, as not manipulable. Matland (1995) sets forth that the level of policy conflict has a number of effects on the way in which a policy can be implemented: conflict affects, for example, the ease of access to the implementation process. Needless to say, at lower levels of conflict access to the implementation process is relatively easy. Subsequently, at high levels of conflict barriers to entry are higher.

⁸ See, for example, March, J.G. (1978). Bounded rationality, ambiguity, and the engineering of choice. *The Bell Journal of Economics*, pp.587-608.

⁹ See: Allison, G.T. (1971) *Essence of Decision: Explaining the Cuban Missile Crisis*. Boston: Little, Brown and Company.

Policy ambiguity is the second cornerstone of Matland's model on policy implementation. Ambiguity is a process "leading to misunderstanding and uncertainty and therefore often is culpable in implementation failure" (Matland, 1995, pp.157-158) and can be categorized into two categories: ambiguity of goals (1) and ambiguity of means (2) (ibid, p.157). Ambiguity of goals seems, at first hand, rather straightforward and relatively easy to solve: push policies in the direction of greater (goal) clarity. However, this point of view fails to consider the correlation between ambiguity and goal conflicts: "the clearer goals are, the more likely they are to lead to conflict" (ibid, p.158). As we have said earlier, policy ambiguity is not limited to goals, as it may also affect the policy means. According to Matland (1995), ambiguity of means arises in two cases:

1. When the technology or resources needed to reach the policy goal(s) do not exist, or;
2. When it is not clear what roles different organizations involved are to play within the implementation process, or "when a complex environment makes it difficult to know which tools to use, how to use them, and what the effects of their use will be" (Matland, 1995, p.158).

The degree of policy ambiguity affects the implementation process in several different ways. First, it influences the ability to monitor, assess, audit and evaluate activities. Second, it affects the likelihood that "a policy is understood uniformly across the many implementation sites" (Matland, 1995, p.159). Furthermore, ambiguity influences the probability that local (or, contextual) factors play a significant role in the implementation process. Lastly, policy ambiguity influences the degree to which actors involved in the implementation process "vary across the implementation sites" (ibid, p. 160).

As depicted in table 5 (see next page), Matland (1995) identifies four different types of implementation processes, all four based on the different levels of policy conflict and ambiguity: *administrative*, *political*, *experimental* and *symbolic* implementation. *Administrative* implementation is characterised by low policy ambiguity and low policy conflict. *Political* implementation, on the other hand, can be characterized as having low policy ambiguity but a high policy conflict. *Experimental* implementation is characterized by a high policy ambiguity and a low policy conflict. *Political* implementation, the fourth and last 'perspective' on policy implementation, is characterized by high policy ambiguity as well as high policy conflict.

What are the effects of these four types of implementation processes on the actual implementation of a policy? *Administrative implementation*, characterized by both low policy ambiguity and conflict,

provides “the prerequisite conditions for a rational decision-making process” (Matland, 1995, p.160). As the central principle within this model is that (the availability of) resources determines the outcomes of a policy, the desired outcome is more or less assured, given that the needed resources are allocated to the program. Furthermore, administrative implementation is ordered hierarchically: “the policy is spelled out explicitly at each level, and at each link in the chain actors have a clear idea of their responsibilities and tasks” (ibid, p.161). Due to the low levels of ambiguity, it is clear *which* actors are responsible for the implementation of (specific parts of) the policy. And, as the actors involved are believed to be rather rigid and stable over time, so-called Standard Operating Procedures (or SOPs) are developed. According to Matland (1995), this form of policy implementation is relatively resistant to outside influence: “the isolation from environmental factors, along with the programmed nature of policy, results in relatively uniform outcomes” (p.161).

| | | CONFLICT | |
|-----------|------|---|--|
| | | Low | High |
| AMBIGUITY | Low | <i>Administrative Implementation</i> (Resources) | <i>Political Implementation</i> (Power) |
| | High | <i>Experimental Implementation</i> (Contextual Conditions) | <i>Symbolic Implementation</i> (Coalition Strength) |

Table 5: Ambiguity-Conflict Matrix (Matland, 1995, p.160)

Political implementation, which is characterized by low ambiguity but high conflict, is archetypical for political decision-making as described, for example, by Allison (1971) in his attempts to explain the Cuban missile crisis. Using this model, we assume actors to have clearly defined goals. However, dissension occurs as different goals (although perfectly clear defined) are incompatible with one another. Similar dissension may occur over the means. Implementation outcomes within political decision-making are decided by power: “in some cases (...) actors have sufficient power to force their will on other participants. In other cases actors resort to bargaining to reach an agreement” (Matland, 1995, p. 163). Compliance with a policy is, therefore, not automatically reached. Resources may, for example, be controlled by actors outside the implementing organization. Whether a policy can be implemented successfully depends to a great extent on either having the power to “force one’s will” (ibid, p.164), or having the resources required to bargain an agreement. Coercive mechanisms are needed to reach these agreements. As Durant (1984) argues, these coercive

mechanisms are especially effective if the principal controls resources which are essential to the agent (pp.312-313). Hence, the greater the principal's authority over the agent, the more likely it is that this agent will act as desired by the principal (Matland, 1995, p.164).

During *experimental policy implementations*, which are characterized by high levels of ambiguity but low levels of conflict, policy outcomes depend to a great extent on the variety of actors involved as "contextual conditions dominate the process" (Matland, 1995, p.166). Experimental implementation resembles, to a certain extent, the 'garbage can' model of decision-making as introduced by Cohen et al. (1972) as there are several "streams of actors, problems, solutions, and choice opportunities" (Matland, 1995, p.166), resulting in policy outcomes that are rather hard to predict on beforehand. Many conditions needed for the 'garbage can' to work, such as ambiguous goals, no predefined (institutional) behavior and actors varying over time (Cohen et al., 1972, pp.16-17) are present in the case of experimental policy implementation. Matland (1995) argues that, resulting from the high policy ambiguity, implemented policies differ from place to place. This is the result of the constant change in the "actors participating, pressure on these actors, the perception of what the policy is and the available resources" (p.167). Furthermore, ambiguity of roles influences not only the ability to monitor, assess, audit and evaluate activities, but also the likelihood that "a policy is understood uniformly across the many implementation sites" (Matland, 1995, p.159). Although there is much ambiguity surrounding policies, conflicts are lacking. This creates ample opportunities for a large number of (external) actors to participate in the implementation process, in order to influence its final outcome. It is important to recognize that this type of policy implementation is more open to external influences than the other three types of implementation processes. It is argued that those policies with both unclear goals and means should always be categorized as experimental implementation, whereas those policies with clear goals, but unclear means take on "*experimental characteristics*" (ibid, pp.166-167).

The fourth, and last, type of implementation processes is *symbolic implementation*. This type of implementation is characterized by high levels of conflict as well as high levels of ambiguity. Although, at first sight, a policy with these characteristics might seem implausible, they play an important role in (for example) confirming certain (new) goals. As Matland (1995) argues, the "high level of conflict structures the way resolutions are developed, whereas the high level of ambiguity results in policy outcomes that vary across sites" (p.168). Hence, the guiding principle of this type of implementation is that the strength of the so-called 'local level coalition' determines the ultimate outcome of a policy. The implementation process is, to a great extent, determined by the composition of actors at the local level who control the resources available (ibid, p.168). As most of

the symbolic implementations are characterized by conflictual processes, they exhibit some similarities with *political* implementations. For example, disagreement amongst the actors is resolved through coercion or bargaining: problem solving is only used to a very limited degree. Furthermore, “any actor's influence is tied to the strength of the coalition of which she is part” (ibid, p.169). However, symbolic implementation differs from its political counterpart through the high level on ambiguity. It is the ambiguous means which restrains a certain policy ‘to move up’ in the Ambiguity-Conflict quadrant (ibid, p.170).

In the second part of this section of the theoretical framework we argued that we needed a more general implementation framework, which we based (primarily) on the work of Matland (1995). We identified four different types of implementation processes, all based on different levels of policy conflict and ambiguity: *administrative*, *political*, *experimental* and *symbolic* implementation. Furthermore, we analyzed the effects of these four types of implementation processes on the actual implementation of a policy. Based on this disquisition we come forth with the following hypotheses:

Hypothesis (4)

If the Top Sector policies¹⁰ are implemented in a context with low levels of policy ambiguity and low levels of conflict, we expect to categorize the implementation as *Administrative*. Therefore, we argue that:

(4.1) “If it is clear what roles the different organizations involved are to play within the implementation process, it is (more) likely that the implementation will be successful”

If the Top Sector policies are implemented in a context with low levels of policy ambiguity, but high levels of conflict, we expect to categorize the implementation as *Political*. Therefore, we argue that:

(4.2) “If the Ministry of Economic Affairs is able to bring together the coercive mechanisms needed to control agent’s resources, it is (more) likely that implementation will be successful”

If the Top Sector policies are implemented in a context with high levels of policy ambiguity, but low levels of conflict, we expect to categorise the implementation as *Experimental*. Therefore, we argue that:

¹⁰ With the notion ‘Top Sector policies’ we refer, within these hypotheses, to those policies implemented under the banner of the Top Sector policies aimed at facilitating internationalization.

(4.3) *“If it is not clear what roles the different organizations involved are to play within the implementation process, it is less likely that the implementation will be successful”*

If the Top Sector policies are implemented in a context with high levels of policy ambiguity, as well as high levels of conflict, we expect to categorise the implementation as *Symbolic*. Therefore, we argue that:

(4.4) *“If the Ministry of Economic Affairs is not able to bring together the coercive mechanisms needed to control agent’s resources, it is less likely that implementation will be successful”*

2.5 Chapter Summary

The theoretical framework presented in this chapter featured a tripartite structure, each related to different aspects of the academic foundations and background of the Top Sector policy and its goal of facilitating the internationalization of Dutch companies to emerging markets.

First, we discussed the academic literature on the barriers to trade and export. Especially the work of Leonidou (2004), who made a distinction between *internal* and *external* barriers to trade and export, served as an academic basis for this research. Second, we zoomed in on the different ways in which ‘internationalization’ can be spurred or facilitated by national governments. This part of the theoretical framework is, to a large extent, based on Porter’s (1990) theory of national competitive advantage and Lederman et al. (2006) who contributed to the academic insights on the effectiveness of governmental Export Assistance Programs (EPAs). The third, and last, paragraph of this chapter focused on policy implementation, primarily by relating to Matland (1995). This influential scholar identified four different types of implementation processes, based on the different levels of policy conflict and ambiguity.

Based on the theoretical insights on trade- and export barriers, (governmental) internationalization strategies and policy implementation, we came up with several hypotheses which will be tested in chapter 4 onwards. In the next chapter we will turn, however, first to the methodological choices made in this research.

Chapter 3 Methodological Framework

3.1 Introduction

The previous chapter consisted out of an overview of the different theoretical approaches to trade- and export barriers, theoretical insights concerning the role of the (national) government in facilitating the internationalization of businesses and some academic knowledge on the implementation phase of a policy, primarily based on the insights of Matland (1995). In this research' third chapter the methodological choices concerning the research design, case selection, data collection and the analysis of the collected data will be defended and explained. Furthermore, this chapter will include the operationalisation of the key concepts and terms used in this research.

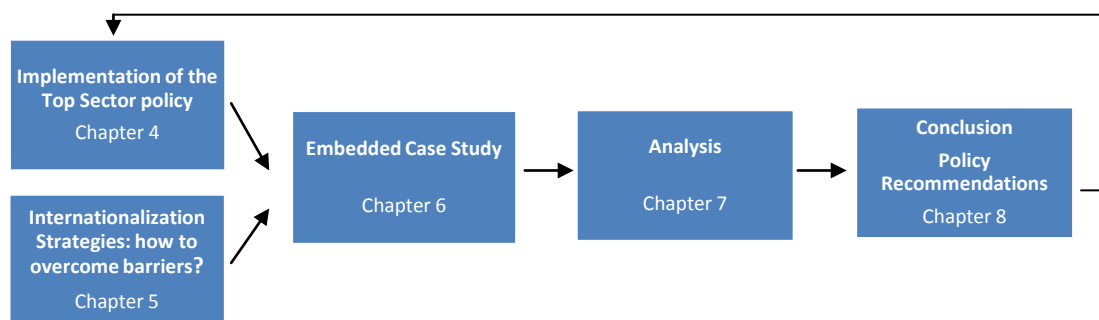


Figure 1: Research Outline

3.2 Research Outline

The analytical part of this thesis (the actual research) consists out of six main analytical concepts or so-called 'building blocks' (see figure 1 above) which are interconnected with each other. Hence, the analysis will logically follow the (in figure 1) indicated arrows, starting with a thorough analysis of the policy framework in which the Top Sector policy can be placed and the (ongoing) implementation process of the Top Sector policy itself. As illustrated in figure 1, next to the analysis of the policy implementation process, we will focus on the Dutch governmental strategies towards internationalization, trade and export and their relationship with the Top Sector policy. At this point one might ask him- or herself why there is such a great emphasis on the topic of internationalisation within the Top Sector policy? There are several answers to this question, but it is important to mention that internationalisation is considered to be of importance, and even necessary, for the Dutch economy, as most of the growth in the world economy for the coming years or even decades

is expected to stem from the so-called *emerging* countries (O'Neill, 2001 and Wilson & Purushothaman, 2006). Especially in the current times of low or only very moderate economic growth within the Netherlands (CPB, 2012, pp.11-23) and the European Union (European Commission, 2013a, pp.6-9) it is necessary for Dutch companies to look across borders and to seize business opportunities in overseas markets. The next part of the analysis consists out of an embedded case study (focussing on Russia and Ukraine) and focuses mainly on the different trade- and export barriers to these countries. The second last part of this research is dedicated to an in-depth analysis, based on the information gathered in the case study. The final section of this research is dedicated to concise policy recommendations for the Dutch ministry of Economic Affairs. The arrow (see figure 1) between the *building blocks* 'Policy Recommendations' and 'Implementation of the Top Sector policy' indicates a feed back and (thus) an opportunity to learn and adapt the policy, especially because the current Top Sector policy can be regarded as a policy in progress (started in 2011 and still in the 'stage' of implementation). Furthermore, it is important to acknowledge the value of feedback with regard to this stage of policy-making (implementation). As Jann and Wegrich (2007) argue that it is crucial to understand that "the decision on a specific course of action and the adoption of a program does not guarantee that the action on the ground will strictly follow policy makers' aims and objectives" (p.51).

3.3 Operationalisation

Within this paragraph of the methodological chapter, we will make clear what the different concepts and terms used in this research actually entail.

Policy, policy implementation and successful policy implementation

Within this research we will follow Matland's (1995) conception of the terms *policy* as well as (successful) *policy implementation*. According to Matland (1995) *policy* can be defined as "the programmatic activities formulated in response to an authoritative decision" (p.154). This definition is rather straight forward and leaves only very little (if not no) room for misinterpretation. Within the theoretical framework (chapter 2) we already came up with what is, possibly, meant with policy implementation. Within this thesis research we will follow the definition of van Meter and van Horn (1975) who argue that implementation encompasses those actions by public and private actors that are directed at achieving objectives which are set forth in prior policy decisions. These actions include both one-time efforts to transform decisions into operational terms, as well as efforts to achieve changes mandated by policy decisions (van Meter and van Horn, 1975, p.447).

To define *successful* policy implementation is, however, not so easy at all: also amongst scholars the specification of what is actually meant by 'successful policy implementation' causes confusion. Matland (1995) synthesized the academic discussion and argued there are a couple of plausible definitions, such as: "agencies comply with the directives of the statutes; agencies are held accountable for reaching specific indicators of success; goals of the statute are achieved; local goals are achieved, or there is an improvement in the political climate around the program" (Matland, 1995, pp.154-155). Within this research we categorize a policy implementation as successful if the goals and objectives of the statute (on which the Top Sector policy is based) are achieved. We have to note, however, that the implementation of the Top Sector policy is (still) an ongoing process. Hence, it might be difficult to assess whether the Top Sector policy can be categorized as a successful policy implementation process or not.

Policy Ambiguity- and Conflict

Central to Matland's (1995) Ambiguity-Conflict models of policy implementation are, as the name of the model clearly suggests, the notions of *ambiguity* and *conflict*. But what do these concepts actually entail? Let us, first of all, turn to *ambiguity*. Although this problem may arise from various sources, ambiguity can be characterized by ambiguity of *goals* and ambiguity of *means*. According to Matland (1995) "goal ambiguity is seen as leading to misunderstanding and uncertainty and therefore often is culpable in implementation failure" (pp. 157-158). This is fairly logical: if the goals of a specific policy are considered to be unclear by the implementing governmental officials themselves, we should not be surprised to encounter implementation failure. However, ambiguity is not limited to the goals of a policy, as it also affects its *means*. Obviously, this type of ambiguity appears in those situations where the technology needed to implement a policy is not available. Ambiguity of means, however, can also be seen when "there are uncertainties about what roles various organizations are to play in the implementation process, or when a complex environment makes it difficult to know which tools to use, how to use them, and what the effects of their use will be" (Matland, 1995, p.158).

Policy conflicts arise when "more than one organization sees a certain policy as directly relevant to its interests (...) and when these organizations haven incongruous views" (Matland, 1995, p.156) on the policies to be implemented. Conflicts may arise over various differences between the several organizations at stake, regarding (for example) the professed goals or the planned activities. For example, internationalization of Dutch companies towards emerging countries may be an agreed-upon goal. Nevertheless, civil servants from the Ministry of Foreign Affairs, Economic Affairs, or the Confederation of Netherlands Industry and Employers may prefer different ways of carrying out the

agreed-upon goal of internationalization. Obviously, as Matland (1995) argues, “the intensity of conflict increases with an increase in incompatibility of concerns, and with an increase in the perceived stakes for each actor” (p.157). Hence, the more important a certain policy is or is *perceived* to be), the more conflicted actors’ behaviour will be. Furthermore, the level of conflict affects the implementation process: low levels of conflict simplify the process; high levels complicate and impede the implementation.

Internationalisation Strategies

Although many concepts can be grouped under the banner of ‘Internationalization Strategies’, for example “strengthening” the national economic base (see: Porter, 1990), within this part of the research we will focus solely on so-called governmental Export Promoting Agencies (EPAs). Although an extensive number of scholars used this term from the late 1980s onwards, Lederman et al. (2006) were the first to establish a comprehensive typology of governmental EPAs. First of all, Lederman et al. (2006) set forth that the objective of governmental EPAs is to “help (potential) exporters find markets for their products, as well as provide them with a better understanding of products or services demanded in different export markets” (pp.1-2). Second, the concept of EPAs can be divided into four different categories:

5. *Country image building* such as promotional events, but also advocacy on a (international) level.
6. *Export support services* which may consist out of “export training, technical assistance, capacity building (including regulatory compliance), information on trade finance, logistics, customs, packaging, pricing” (ibid, p.2).
7. *Marketing*, such as: (trade) fairs and events, so-called ‘exporter and importer’ events and “follow-up services by representatives abroad” (ibid, p.2).
8. *Market research and publications*. Aimed at gaining general, as well as sector and firm level information. Measures and services such as “market surveys, on-line information on export markets, publications encouraging firms to export, importer and exporter databases” (ibid, pp.2-3).

Emerging Countries, Economies- and Markets

As part of the analysis of internationalization strategies we will conduct an embedded case-study (consisting out of the sub-cases Russia and Ukraine) on the role of trade- and export barriers in emerging countries. However, let us first elaborate on the question what the term emerging country’ or ‘emerging market’ entail? And why it is important to study the possibilities and constraints of trade with, and export to this type of markets.

We have to note that the term 'emerging economy' is very broad and can be defined only rather vaguely. Furthermore, the term 'emerging economy' and 'emerging market' are used interchangeably. It seems that only in recent years a concise definition of 'emerging economy' or 'emerging market' has been developed. Luo (2002), for example, argues that an emerging market can be defined as:

"(...) a country in which its national economy grows rapidly, its industry is structurally changing, its market is promising but volatile, its regulatory framework favors economic liberalization and the adoption of a free-market system, and its government is reducing bureaucratic and administrative control over business activities" (Luo, 2002, p.5).

According to Luo's definition, we can classify economies as 'emerging market' if they undergo significant economic, social and political reforms when, at the same time, shifting towards a more market-oriented (capitalistic) economic system. The definition Hoskissen et al. (2000) use is fairly similar, but focuses more on the fact that emerging markets use economic liberalization as the primary "engine of growth" (p.294). Other scholars, such as Göndör and Nistor (2012), just consider countries which "(...) are in transition from the status of developing countries to developed country status" (p.1257) as emerging markets. Peng (2003) contributes to the academic debate by mentioning that the so-called 'transition countries' (the formally socialist countries in Central and Eastern Europe and the former Soviet Union) should be seen as a *subset* of the classification emerging markets/economies (p.277). Moody (2004), however, is the first one to wrap-up all the definitions scattered around in many different fields of academia. He argues that the *essential* features of the concept of 'emerging markets' are:

- 3 a high degree of volatility and;
- 4 a transitional character, with "at the same time transitions occurring in different economic, political, social and demographic dimensions" (Moody, 2004, p.5).

The first feature, the volatility of emerging markets, has been documented earlier by Aguiar and Gopinath (2004). Aizenman and Pinto (2004) focussed more on the different policy approaches to manage volatility. Both agree, however, that volatility can arise from many different sources including (but not limited to) natural disasters, (external) price shocks and domestic political instability and uncertainty. One of the main issues in assessing the volatility of emerging markets is whether this volatility results from uncontrollable factors (such as natural disasters) or the overall policy framework in which countries operate (Moody, 2004, p.6). The second defining characteristic

of emerging markets is their transitional features. According to Moody (2004) there are several dimensions to the transition of emerging markets. They are almost always in transition in a demographic sense: (positive or negative) changes in fertility rates, life expectancy, and educational status. Furthermore, the nature, strength and depth of their economic and political institutions is also transitioning. Third, emerging markets are in the midst of transition towards greater interaction with international markets. Finally, it is important to mention that the process of transition is almost always long drawn and, from time to time, quite disruptive (Moody, 2004, pp.6-7).

Despite Moody's (2004) efforts to define several characteristics of emerging countries, the classification of a country as 'emerging market' remains somewhat arbitrary. A vast range of international (financial) institutions compile rankings and classifications, using different methods and categories. Kearney (2012) combined various classifications, resulting in a list of 27 countries (Argentina, Brazil, Czech Republic, Chile, China, Colombia, Egypt, Hungary, India, Indonesia, Israel, Jordan, Malaysia, Morocco, Mexico, Pakistan, Peru, Philippines, Poland, Russia, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, and Venezuela) which might be categorized as an emerging market. This list includes 4 of the top 10 countries in the world, when measured by gross domestic product (GDP): Brazil (ranked 8th), Russia (ranked 6th), India (ranked 4th) and China (ranked 2nd) — the so-called *BRICs*, as O'Neill (2001) named this group of countries which will have an increasing weight in world GDP over the coming decades (pp.6-7). Although each emerging market comes with its unique set of opportunities and challenges (Kuhrt, 2008), most academic scholars agree that the economic growth, rising incomes and growing middleclass are transforming the global demand for all sorts of products (Henderson, 2011, p.64). Hence, in the last decades, numerous companies have seized these opportunities in the 'emerging markets' by boosting the export towards these regions (ibid, p.63). In the academia a lot of attention is paid in the last years to the so-called BRIC countries (consisting out of Brazil, Russia, India and China) who will have (according to, amongst others, O'Neill, 2001 and Wilson & Purushothaman, 2006) an increasing weight in world GDP over the coming decades (pp.6-7). We have to note, however, that the term 'BRICS' is nowadays also used 'in real life': in just a few years the BRICs developed from an analytical hypothesis into a real global actor, resulting in a series of annual international relations summits, attended by the heads of state or government of the five member states Brazil, Russia, India, China and (from 2010, transforming the BRIC into BRICS) South-Africa (Cassiolato and Vitorino, 2009).

3.4 Research Methods

This thesis is based on qualitative research methods. According to, inter alia, Lamont and White (2009) and Gerring (2007) qualitative research encompasses a vast set of methodological tools and techniques including (but not limited to) interviews, literature research and archival research (Gerring, 2007, p.17): techniques used in this research. Furthermore, qualitative research methods are valuable for disclosing mechanisms underlying causal processes and are ideal for so-called 'process tracking' (sometimes also called 'process tracing'): qualitative research enables the researcher to gather detailed data, which allows for discerning "how processes emerge and evolve" (Lamont and White, 2009, p.10). According to Lamont and White (2009) qualitative research methods are especially helpful in the development and testing of concepts about phenomena that are "relatively new, infrequent, or complex, or that combine some or all of these three characteristics" (ibid, p.18). Brower et al. (2000) argue that one of the major pitfalls of qualitative research methods, especially within the social sciences such as Public Administration, is a too low quantity of data. Furthermore, as they put forward, many qualitative studies within the social sciences are based on weak data. Therefore, gathering data requires and intensive engagement with the persons as well as the institutions under study. Ideally, researchers should spent time in the field, within the institutions they study and do numerous interviews (Brower, 2000, p.388).

This thesis research is, to a great extend, written as part of the researcher's internship at the Dutch Ministry of Economic Affairs (within the Direction responsible for the Top Sector policy), which enabled for intensive engagement with the civil servants responsible for implementing the Top Sector policy. Second, this internship helped the researcher to avoid the problem of a limited data availability (see, for example: Gerring, 2007, pp.57-61), as most of the information on the (implementation of) the Top Sector policy could be gathered rather easily 'at the spot'. Furthermore, during this internship, the researcher was able to conduct fourteen interviews with key stakeholders involved with the Top Sector policy or Dutch international strategy (from the public as well as private sector). Within the analysis we will use the research strategy of process tracing. This will enable us to provide a detailed (re)construction of the implementation process of the Top Sector policy. According to Bennett and George (2005) this method is aimed at collecting temporal evidence, which can be used in order to explain certain phenomena. Process tracing "involves a commitment with the most continuous spatial-temporal sequences we can describe at the finest level of detail that we can observe" (Bennett and George, 2005 in Zwaan, 2012, p.47). However, as Zwaan (2012) argues, the method of process tracing should be seen as an iterative activity, in which different perspectives of an organization's functioning are brought together in a so-called *historical narrative* (p.47).

As shown in figure 1 (the research outline), an important part of the analysis (focussing on the trade- and export barriers to the emerging economies of Russia and Ukraine) will consist out of an embedded case-study. This particular case-study method is, for several reasons, the most appropriate approach towards this part of the research. The case-study approach, in general, allows us to get a more comprehensive understanding of the research object due to an in-depth focus. Furthermore, the case-study method allows for considering a range of different actors involved within the case in question and “to consider various causal connections and to take into account changes in these connections over time” (Yin, 1994, p.13). The case-study method is suited, in particular, to address the interpretations, actions and behaviour of the actors involved. Third, using this method we can analyse and reconstruct the decision-making process thoroughly. In this research we will use an *embedded* case-study approach. According to Yin (2009) this particular method makes it possible to incorporate sub-units of analysis. Hence, a more complex –or *embedded*– design can be developed. These sub-units give way for extensive analysis and enhancing the insights into the case (Yin, 2009, pp.52-53). Furthermore, this approach (consisting out of an analysis of the ‘sub-units’ Russia and Ukraine) enables us for a more detailed level of inquiry in order to describe the features, context and processes of trade- and export barriers in both the Russian Federation and Ukraine, as well as the Dutch (and international) policy measures and instruments aimed at lifting these barriers and facilitating trade and export.

3.5 Case Selection

As we have pointed out before, within the case-study two so-called ‘sub-units’ will be closer examined: the Russian Federation (Russia) and Ukraine. As Gerring (2007) puts forward, in order for a case-study to “provide insight into a broader phenomenon, it must be representative of a broader set of cases” (p.91). Only in this context, we may speak of a so-called *typical-case* approach to case selection. Russia can be seen as a represent of the BRICS-countries, Ukraine as an (emerging) Eastern European country. We have to note, however, that these cases serve an *exploratory* role, hence the way of selecting the cases Russia and Ukraine may be regarded as an inductive approach towards case selection (Gerring, 2007, pp.91-92).

Both Russia and Ukraine meet the criteria for emerging countries as defined by (inter alia) Moody (2004), Aguiar and Gopinath (2004) and Aizenman and Pinto (2004). Russia as well as Ukraine are characterized by, what Moody (2004) calls the “essential features of an emerging market” (p.5): both markets are highly volatile and have a transitional character (Svejnar, 2002, pp.23-26). Of course, as we have seen, the same characteristics can be attributed to a dozen of other countries. However,

within this research we choose to pick (only) Russia and Ukraine as sub-units of a case-study for a couple of reasons:

1. Due to limited resources (for a major part the limited time-frame in which this research had to be conducted) only two cases could be investigated thoroughly.
2. As first 'sub-unit' within the case-study we choose to closer examine the Russian Federation, as this country is not only part of the 'BRICS', but also because Russia is one of the Netherlands' major trading partners. For example: 22% of the Dutch exporting business exports to Russia, compared to 18% of the (average) European businesses (EIM/Pantheia, 2013, p.22). Furthermore, 2013 is the official *Netherlands-Russia year*, in which both the Netherlands and Russia emphasize their long (economic) bilateral relations.
3. As the second 'sub-unit' within the case-study we choose to focus on Ukraine, as this country is (just a Russia) a major destination for Dutch companies and products. Furthermore, Ukraine is bookmarked within many of the Top-Teams' 'International Agenda's'.
4. Ukraine and Russia are geographically (as well as culturally, to a certain extend) close to one another. This will allow us to make a better comparison between the two case-studies.

3.6 Data Collection

Within this research, we aim at requiring an in-depth understanding of several processes concerning policy implementation and Dutch (national) strategies towards internationalization as well as the removal of trade- and export barriers. According to Gerring (2007), researchers should rely on "the ordering of evidence that can be collected from a variety of sources" (p.179). Using the different sources available (such as interviews and documentary information) is also called the *triangulation* of data, and will be the pivotal concept within the data collection approach used in this research. Especially within the analysis concerning the policy implementation and the internationalization strategies of the Dutch government we will use a broad variety of documentary information including (but not limited to) academic articles, parliamentary documents, internal memos from the Ministry of Economic Affairs, consultancy reports, minutes of (formal) meetings and press releases. This broad range of (different types of) data enables us to get valuable insights in the organizational processes. Within the analysis concerning the internationalization strategies, but especially within the case-studies, we draw heavily on information gained from the interview with key-stakeholders. These interviews provide us not only with (new) in-depth information on a certain topic, but will also enable us to corroborate earlier findings. As interview technique we used so-called semi-structured interviews: using this kind of technique, there is no list or set of predefined questions. Rather, several topics were listed on which the opinion of the interviewee was asked. Interviewees were selected

based on their close relation to the Top Sector policy (either as policy-maker, policy advocate or criticaster of the policy) and their (potential) ability to answer the research questions.

Of course, every research of qualitative nature can be quite easily criticized on choices that have been made and interpretations that have been given to certain situations. It is therefore important to make grounded decisions and elaborate on the question why particular choices have been made and what their implications are. Concepts such as *validity* and *generalizability* can be used to evaluate the quality of a research. Validity deals with the 'tools' of the research: whether one measures what one set out to measure. Gerring (2007) argues that questions of validity can be divided between internal- and external validity. The latter variant of validity (applying to the broader population) can be conceptualized "as a problem of representativeness between sample and population" (Gerring, 2007, p.43). Qualitative case-study research suffers, almost per definition, from problems surrounding representativeness as this sort of research only a very limited number of cases. The other side of the medal is, however, the 'virtue' of qualitative case-study research: its strong internal validity. Case-studies, of course only if well constructed, allows the researcher to "peer into the box of causality" (ibid, p.45) in order to determine and locate the very structure of the cases under investigation: "they allow one to 'see' the X and Y interact" (ibid, p.45).

When it comes to generalizability, the question is not only whether another researcher would yield the same results but also whether "the (...) researchers' findings can be generalized from the study sample to the entire population" (Meyers, 2000, p.3). Furthermore, Meyers (2000) argues that qualitative research is still criticized for its lack of generalizability. Bennett and Elman (2006) respond to these allegations, as they state that it is not possible for scholars to know *a priori* whether any of the (new) explanations for a phenomenon they discover are relevant for the specific case alone, or whether they are relevant (and, hence, generalizable) for a broader population as well (p.462). Still, it is important to take the notion of generalizability into account when conducting qualitative research.

3.7 Chapter Summary

The aim of this chapter was to explain and defend the methods used in this research. First, we elaborated on the research design by constructing a concise research outline, which serves as a guide for the analytical part of the research. Subsequently, we tried to make clear (*operationalise*) what the different concepts and terms used in this research actually entail, which is needed in order to assess the data in a proper way. As we have argued in the paragraph *Research Methods*, this thesis is based on qualitative research methods which give us the opportunity to use a range of different research

strategies, such as process tracing and in-depth interviews with key stakeholders. Furthermore, a substantive part of the analysis will be dedicated to an *embedded* case-study. Hence, within the Methodological Framework, we had to pay some attention to the way in which we selected the countries under investigation in the *embedded* case-study: we choose to use a *typical-case* approach to case selection. Lastly, we argued that (with regard to the data collection) we strive for as much *triangulation* as possible which enables us to account for as high as possible validity and generalizability.

Chapter 4 The Implementation of the Top Sector Policy in a Historical Context

4.1 Introduction

The fourth chapter of this research is dedicated to an elaborate and detailed overview of the Top Sector policy and its predecessors. Since the early 1950s, the Dutch government designed a broad range of different policies aimed at shaping and structuring the Dutch socio-economic enterprise policy. We will demonstrate the occurrence of shifts in the paradigms concerning the way in which the Dutch (national) government is able to influence and steer specific industries, but also the economy in general. Furthermore, we will focus on the emergence of ‘internationalization’ and export promotion as one of the primary goals within Dutch socio-economic policy-making. In the third part of this chapter we will concentrate solely on the current Top Sector policy. Although we have touched upon the structure of this policy in the introductory part of this research, we need to gain more in-depth knowledge and understanding on the specific structure, implementation and execution of this policy.

4.2 How it all started: the Dutch socio-economic enterprise policy since WWII

Shaping the direction of the Dutch enterprise policy using the Top Sector approach is rather new: as we have seen, the current policy is only slightly more than two years ‘young’. During the last decades, however, the Dutch government designed a variety of policies and used a range of instruments when shaping the socio-economic (enterprise) policy.

After the Second World War the Dutch government focussed on regional-economic policies, aimed at strengthening certain regions that were lagging behind compared to the national economy. These policies were to a great extent based on the Keynesian idea that, when the market is not able to solve the problem, there is a need for the state to step in and act (Molema, 2012, p.22). During the first post-war years the economic policy was characterized by industrialisation: (heavy) industry had to ‘strengthen’ the national economy and create jobs. Hence, the Dutch government implemented an enabling policy for the industry using subsidies and tax benefits (ibid, pp.22-23). As argued by Raspe et al. (2012) the Dutch (spatial) economic policy had two goals. First, the elimination of regional inequalities and supporting (industrial) sectors in specific regions. The aim of this *equity* policy was to reduce disparities in wealth between several Dutch regions. The second objective was

to spur the potential of individual regions. This *efficiency* policy was aimed at increasing the overall productivity and stimulating the export (Raspe et al., 2012, p.9). It is important to mention that the Netherlands was characterized (since the end of WWII, but especially during the period of economic expansion which lasted until the mid 1970) by a managed economy¹¹: Dutch enterprises maintained close relations with the government. Furthermore, they “carried on their cartel agreements as far as possible, avoided conflict in labour relations, and used protective corporate governance structures” (Heide, 2007, p.195).

From the 1970s onwards the paradigm towards developing economically disadvantaged regions started to shift. Gradually, the government turned away from the idea that ‘underdeveloped’ areas within the Netherlands could become economically more developed by heavily subsidizing the industry. According to Molema (2012) the ideas of Joseph Schumpeter played an important role in the change of this paradigm (p.24). Schumpeter argued that economic growth can be seen as a result of various factors such as technological development, the level of education of the employees and so on and so forth. Therefore, economic growth can be created through the innovation of individual factors. Influenced by Schumpeter, a new way of looking at industrial/enterprise policy emerged: policies should not be aimed at poorly performing industries, but should be targeted at those economic activities which have the potential to grow: “Don’t back the losers, but pick the winners” (Wagner, 1981 in Molema, 2012, p.24). However, the emphasis on generic *equity* policies remained one of the predominant dogma’s in almost all governmental publications on socio-economic policy-making until the late 1990s (Raspe et al., 2012, p.9).

In the 1990 policy document “economy with open borders” (in Dutch “Economie met open grenzen”) it is argued that open (European, global) markets and free competition should be seen as the main preconditions for (foreign) investments and innovation. The argument behind this rationale is that open markets with free competition ensure critical, as well as cost and quality conscious, consumers and entrepreneurs (Ministerie van Economische Zaken, 1990, p.7). Furthermore, great emphasis was placed on the removal of (technical) barriers to trade within the (former) European Community and the establishment of a common European market. Not surprisingly, this policy document is to a great extent influenced by the EU ‘white paper’ on the complementation of the internal European market¹² as it argues that establishing such a market will facilitate, on a unprecedented scale, the entry for companies into national markets. The fierce price competition, which is a direct result of

¹¹ See for example: Sluyterman, K.E. (2005). *Dutch Enterprise in the 20th Century: Business Strategies in a Small Open Country*. Routledge,

¹² See: Completing the Internal Market: White Paper from the Commission to the European Council (Milan, 28-29 June 1985) COM(85) 310, June 1985

opening up the national markets, was supposed to have a positive effect on both the innovation of companies and the variety in products available (ibid, p.20). Furthermore, this 1990 policy document was heavily influenced by Michael Porter's philosophy of innovation and competitiveness in regional clusters of interdependent firms and industries in internationally competitive activities¹³ and can be seen as one of the first policy documents focussing on the development of certain regions within the Netherlands (Raspe and Van Oorst, 2007, p.8).

Next to the (traditional) emphasis on industrial- and enterprise policies, during the 1990s, more and more emphasis was placed on (the creation) of knowledge and the support of innovation. Using the motto "Competing with Knowledge" ("Concurreren met Kennis"), the Ministry of Economic Affairs launched in 1993 a new vision on the Dutch technology policies. Just as in the 1990 policy document "economy with open borders", the crucial importance of the production factor *human capital* for the Dutch economy was emphasized and recognized. Once again, Porter's ideas on the importance of *human capital* when analyzing a country's international competitiveness formed the mainstay of this new policy direction. The 1995 policy document "Knowledge in motion" ("Kennis in beweging") builds, to a great extent, on its 1993 predecessor. This document marks, however, the transition from an *industrial economy* towards a *knowledge economy* as strengthening the so-called 'knowledge infrastructure' was an important premise of this policy¹⁴. Furthermore, regional knowledge centres and major technological institutes played a pivotal role in developing the Dutch *knowledge economy* (Raspe and van Oort, 2007, pp.8-9).

From the second half of the 1990s the stimulation of (regional) clusters gained importance. The rationale behind this focus was that regional clusters were supposed to enhance the innovation- and competitiveness capacity. Furthermore, (mutual) risks could be shared through cooperation and advantages due to scale and scope could be exploited on a bigger scale. The policy document "Changes through Synergy" ("Kansen door Synergie") can be seen as exemplary for this direction. The premise of this policy is that cooperation within (regional) clusters can be realized, most of the time, without interference of the government as these clusters can be formed more or less spontaneously on the market. Hence, the government is limited to play a facilitating role: creating a favourable business environment within which private parties are able to benefit optimally from mutual cooperation. Only if there are distortions in the market, and companies are not able to 'cluster' automatically, governmental interventions may be necessary (Kerste and Muizer, 2001,

¹³ See: Porter, M.E. (1990) *The Competitive Advantage of Nations*. Free Press: New York

¹⁴ For a comparison of the Dutch and German policies aimed at improving the *knowledge economy* see Cörvers, F., De Grip, A. and Orbon, J.P. (1995) 'Concurrentiekracht, productiviteit en human capital: een vergelijking tussen Nederland en Duitsland'. *Maandschrift Economie* (59), pp. 221-241.

pp.51-52). This idea about the role of the government can also be found in the 1999 policy document “Room for industrial innovation” (“Ruimte voor industriële vernieuwing”) in which it is argued that the Dutch industrial and service policies can be summarized according to the following basic principles: (1) the national government has a facilitating role, creating favourable conditions focussed on promoting the adaptation- and innovation ability of companies and (2) is committed to a non-interventionist policy structure. (3) Most of the policy instruments have a generic character, focussing (4) on promoting competition and removing market imperfections. Furthermore, (5) industrial policies should be dynamic and flexible.

Historically, the Dutch economic policy had two aims: achieving *equity* (reduce disparities in wealth between several Dutch regions) as well as *efficiency* (increasing the overall productivity and stimulating the export). The change in point of view occurred with the publication of the 2004 policy document *Pieken in de Delta* (loosely translated into ‘Excel in the Delta’), when the (former) ministry of Economic Affairs abandoned the *equity* policy completely. From 2004 onwards, the capacity to growth and the improvement of competitiveness of the Dutch economy became pivotal in the socio-economic policymaking.

4.3 Towards a (sector) specific and international oriented approach

In the 2005 policy document “Sterke basis voor topprestaties” (which can be translated into “strong basis for top performances”) it is argued that the previous policies do not sufficiently reflect the government’s ambition for sustainable economic growth because there is: (1) a lack of flexibility, (2) no, or only little, coherence between the different aspects of the policy, (3) a diffuse use of grant funds. Furthermore, (4) a business-climate in which entrepreneurs have to deal with too many different governmental agencies, who also perform overlapping activities (EZ, 2005, pp.1-2). This policy is the first to make a distinction between a ‘generic’ and ‘specific’ policy measures. The first (called *basispakket*, or basis package) can be seen as a continuation of previous, generic, policy measures. The latter (called *programmatisch pakket*, or programmatic package) consists out of ‘tailor-made’ policy measures aimed specifically at companies and knowledge centers who excel in certain areas of the Dutch economy. Pivotal in the generic part of the policy is the establishment of the “ondernemersplein”, a one-stop shop¹⁵ approach aimed at improving (international)

¹⁵ So-called ‘one-stop shops’ offer (administrative) services through a single service centre or ‘one door’. The main idea behind this concept is to reduce the number of steps within service- and administrative procedures, and to change the way in which services are provided: from “many doors for one service” towards “one door for many services”. See for example: Sader, F. (2000) *Do “One-stop Shops” work?* and Bannister, F. (2005) E-government and administrative power: the one-stop-shop meets the turf war. *Electronic Government, An International Journal*, pp.160-176.

entrepreneurship and innovation. This one-stop shop is a joint project of AgentschapNL¹⁶, consultant agency 'Syntens' and the Netherlands Chamber of Commerce¹⁷.

The *programmatic* part of the policy focuses more on specific sectors (or individual companies within these sectors). The aim of this 'package deal' is to establish cooperation between companies, research institutions and (other) Ministries and (local, regional) governments in order to strengthen those areas which have (potentially) a major impact on the Dutch economy. In

A couple of regulations and policy instruments can be grouped under the banner of the generic *basispakket* such as:

1. "*Subsidieregeling Kennisoverdracht Ondernemers MKB*" (or, SKO), a funding scheme aimed at spurring innovation for Small- and Medium sized Enterprises.
2. "*Programma Starters op Buitenlandse Markten (PSB)*", a programme for starting companies who want to capitalize foreign markets. This programme, mainly directed at companies' strategic development, is intended for companies who have no experience in export and international trade.
3. "*Programma Economische SamenwerkingsProjecten (PESP)*", aimed at companies with (more) experience in export and international trade. This programme finances, amongst others, feasibility studies for export projects (EZ, 2005, pp.4-5).

this policy document, it is argued that it is necessary for all societal actors (governments, companies and research institutions) to join forces effectively in order to optimally develop areas/sectors with the potential to excel in the future. The Ministry of Economic Affairs offers to all actors involved a 'tailor-made action-package'. These packages include actions such as economic diplomacy, laws, regulations and other interventions by the government. It may also include, however, a direct financial contribution to certain projects or programs (EZ, 2005, pp.8-13).

In "*Sterke basis voor topprestaties*" ample attention is given to the international component of the policy. In general, this policy focuses on the removal of trade- export and investment barriers. Moreover, the Ministry of Economic Affairs promotes international business through education, so-called trade missions, and economic diplomacy. Third, it focuses on the acquisition and matchmaking between Dutch and foreign (technological) companies on several developed and emerging markets. In case there are business opportunities for Dutch business on new (emerging) markets which, because of existing imperfections of the market (such as impeded market access), are underexploited, the Ministry of Economic Affairs will (on a temporarily basis) offer financial support to companies in need (ibid, pp.14-17). In order to achieve these goals a couple of instruments are formulated within this 2005 policy. These instruments are implemented together with the Dutch

¹⁶ Executive agency of the Ministry of Economic Affairs, focussing on international entrepreneurship and innovation.

¹⁷ On January 1st 2014 the Netherlands Chamber of Commerce, the Regional Chambers of Commerce and 'Syntens' will merge into one Independent Administrative Body (ZBO), for which the Ministry of Economic Affairs will be responsible.

Trade Board¹⁸ and executed in the period 2005-2008. The main instrument, called “Programma Opkomende Markten” (or “Programme Emerging Markets”) consists out of both programmatic and demand-driven activities. The first category consists out of actions aimed at strengthening the conditions for entrepreneurship and investments in emerging markets. The latter, demand-driven, category consists out of an upfront investment in which the government contributes up to 50% of the overall costs (ibid, p. 17).

The strong focus on internationalisation can also be found in subsequent policy documents, such as the 2008 document “Industrie in een wereld van oplossingen” (“Industry in a world of solutions”). Although formulated rather vaguely, the main ambition (concerning internationalisation) for the year 2030 is formulated as follows: the Dutch industry should specialize into a number of key areas in order to strengthen its international position. Hence, they should specialize into different ‘niches’ in which they should be able to act as an ‘international leader’ within their field of interest. This specialization should contain both a horizontal (products and services) and a vertical (processes and the supply chain) character (EZ, 2008a, pp.7-8). Just as in the preceding policy documents, it is argued that the majority of the companies within the Dutch industry is, in one way or another, active on international markets on which they often encounter (sector specific) trade- and export barriers. Ensuring a level playing field (on the European and global level) and strengthening economic diplomacy is, therefore, essential when stimulating the internationalization of the Dutch industry (ibid, p.10). In addition, the 2009 document “Naar een robuuste kenniseconomie” (“Towards a solid knowledge-based economy”) emphasizes the importance of (investments in) knowledge, education and science as one of the major driving forces behind internationalisation (EZ, 2009, pp.4-5).

4.4 The Top Sector policy 2011-2013

The Ministry of Economic Affairs is assigned to implement and execute the Top Sector policy. Within the Ministry this task is delegated to the Directorate “Top Sectors and Industrial Policy” (in Dutch *Topsectoren en Industriebeleid*, abbreviated to ‘TOP’) which is one of the six Directorates within the Directorate-General “Businesses and Innovation” (in Dutch *Bedrijfsleven en Innovatie*) which is one of the six so-called *DGs* forming the Ministry of Economic Affairs.

The Dutch Top sector policy is designed as a demand-driven policy. As mentioned before, it is not the government’s aim to present policy proposals itself first: the government has asked business sectors

¹⁸ The Dutch Trade Board (DTB) is a public-private partnership in the field of international entrepreneurship aiming at strengthening the position of Dutch companies on foreign markets. The DTB focuses on four countries: Brazil, India, Russia and Turkey.

and science to draw up an agenda identifying opportunities and bottlenecks. The rationale behind this idea is that it is the entrepreneurs, businesses and scientist themselves who know best what the opportunities and constraints are in their particular field of interest. The Top Sector policy focuses on nine sectors of the Dutch economy. The selection of the in the introduction mentioned nine sectors is determined by four factors:

1. *Knowledge-intensive.* For sectors with a high degree of so-called “knowledge intensity”, a structural connection between (publicly funded) educational and research institutes and (privately funded) industrial research is needed. The underlying goal is to ensure that areas in which the highest economic return is expected become priority in research as well. Second, the interaction between businesses and educational institutes, such as universities or vocational study programmes, reinforces the alignment of education with the labour market.
2. *Export-oriented.* According to the Dutch government, there are great opportunities for business in emerging countries. In order to export successfully to these (emerging) countries, there is a need for governmental involvement, as these are markets “where (foreign) governments have a great deal of influence, which requires the targeted use of, amongst others, economic missions- and diplomacy to capitalise these international economic opportunities” (Ministerie van ELenI, 2011, p.8).
3. *Sector-specific laws and regulations.* Those sectors were selected which have to deal with sector-specific legislation and regulation, as these can be decisive for a sector’s overall competitiveness.
4. *Contribution to solving societal issues and problems.* Societal issues (e.g. climate change or food- water and energy scarcity), whether salient in the Netherlands, EU or other parts of the world, may provide business opportunities for Dutch companies. Public-Private Partnerships (PPP’s) are seen as an opportunity to link societal issues to economic opportunities.

The starting point of the Top Sector policy is that several constraints and opportunities can be tackled more easily when there is a smooth interaction between entrepreneurs, research institutions and the government (often referred to as the ‘golden triangle’). Thus, for each sector a so-called ‘top-team’ has been established consisting out of an ‘innovative Small- and Medium sized Enterprise’ (SME), a scientist, a civil servant and a so-called ‘figurehead’ working in the sector in question. Each of these top-teams was asked to draw up an action agenda for their respective sectors in February 2011. In the following months these top-teams made a tour around the country talking to important stakeholders in their sectors, in order to identify which opportunities and constraints were salient in the particular sector, which resulted in an adjustment of the top-teams’ agenda (Ministerie van ELenI, 2011, p.9).

Several pivotal themes from the top-team's agendas:

1. Innovation is essential in order to strengthen the competitiveness of the Dutch economy and to anticipate adequately to societal challenges. Furthermore, next to a good and supportive innovation climate, structural connections should be made between businesses and educational institutes, preferably by initiating public-private partnerships.
2. The Dutch government should put more emphasis on improving the entrepreneurial climate of the Netherlands. Important topics cited in the top-teams' agendas are financing, lowering the administrative burden and the alignment of education with the labour market.
3. The top-teams support the shift, replacing subsidies with credits and fiscal measures, the Ministry of Economic Affairs recently made.
4. The top-teams emphasize the importance of "Holland branding": the Dutch government should not only improve the entrepreneurial climate within the Top Sectors, but should also be committed to improve the Netherlands as 'brand', by deliberately profiling and positioning the Netherlands and the Dutch economy abroad.
5. A smooth interaction between businesses, educational- and knowledge institutions and the government (in the so-called 'golden triangle') is essential for the functioning of the Top Sector-approach.
6. Regions make a vital contribution to the Top Sector policy as the success of this approach is to a great extent rooted in (regional) clusters. A good interaction between different administrative layers at the central and local level is crucial for enabling businesses to excel and the Dutch economy to thrive (Ministerie van E&I, 2011, pp.9-10).

As argued before, internationalization of Dutch companies is one of the pivotal goals of the Top Sector policy. Within the 2011 policy document "Naar de Top, het bedrijfslevenbeleid in actie(s)" ("To the Top, the enterprise policy in action(s)") several policy objectives (concerning internationalization) are formulated, which we discussed in the introduction of this paper. Next to the policy objectives some instruments focussed on internationalization can be identified. For example the EKV and Public-Private partnerships (PPS) such as the PPP. The main emphasis within "Naar de Top, het bedrijfslevenbeleid in actie(s)" and its successor "Bedrijvenbeleid: Koersvast en Toekomstgericht" (which might be translated into "Business Policy: Solid and Future-oriented") is, however, on the international agenda of the top-teams. The main points stemming from the top-teams International Agenda are: the desire to strengthen the Dutch economic diplomacy, to highlight the importance of a level playing field, a more effective promotion and "Holland Branding" abroad, strategic and targeted acquisition of high-quality foreign companies in the top sectors, the

stimulation of cooperation in the field of innovation and a better use of the ‘Dutch strengths’ within development cooperation (Ministerie van ELenI, 2011, p.27).

Just as in some of the previous policies, such as “Sterke basis voor topprestaties”, (some) attention is paid to the great business opportunities for internationally oriented sectors on emerging markets. However, influenced by (amongst others) Moons and Bergeijk (2011)¹⁹, the focus is almost entirely on generic policy instruments such as economic diplomacy. For example, within the policy document “To the top, the enterprise policy in action(s)” (2011) it is argued that in most of the emerging countries the (foreign) government has a great deal of influence on the market and the conditions for foreign companies to enter this market. Hence, this situation requires the use of economic missions and diplomacy²⁰ (Ministerie van ELenI, 2011, p.8).

4.5 Chapter Summary

As we have seen in this chapter, the Top Sector approach is rather new: the policy is first introduced in 2011. However, during the last decades, the Dutch government designed a wide range of policies to steer the socio-economic enterprise policy. For a long time, policies were aimed at eliminating regional inequalities and supporting (industrial) sectors in specific regions (*equity* policy) and increasing the overall productivity (*efficiency* policy). However, from the 1990 onwards, more and more emphasis was placed on supporting innovation and the stimulation of industrial clusters. In 2004 the ministry of Economic Affairs abandoned the *equity* policy completely, when publishing the policy document *Pieken in de Delta*. At, more or less, the same time, the ministry of Economic Affairs made a distinction between ‘generic’ and ‘specific’ policy measures. By doing so, they paved the road for a stronger emphasis on internationalization and policies aimed specifically at the removal of trade- and export barriers. The Top Sector policy can be seen as a successor of several policies (from 2004 onwards) as in the vast majority of policies from the early 2000s onwards, there is a strong focus on internationalization. The Top Sector policy sets itself apart from previous policies by its design as a demand-driven policy (the ‘golden triangle’ consisting out of entrepreneurs, research institutions and governmental officials) and its focus on nine specific sectors of the Dutch economy. However, apart from the international agenda’s of the nine Top Teams, there is (with regard to policy instruments aimed at facilitating internationalization) only very little difference from preceding policies.

¹⁹ See: Moons, S. and van Bergeijk, P. (2001) ‘De effectiviteit van economische diplomatie’ [The effectiveness of economic diplomacy]. *ESB*, 96(4616).

²⁰ The strong emphasis on economic missions and diplomacy can be found in the 2011 policy document (Naar de top: bedrijvenbeleid in acties(s)) as well as in the 2013 successor “Bedrijvenbeleid: Koersvast en Toekomstgericht”.

Chapter 5 Dutch Export and Internationalization Strategies

5.1 Introduction

A large part of the 2005 policy document “Sterke basis voor topprestaties” is dedicated to boosting international trade and export. Measures promoting international business included economic (trade) missions, economic diplomacy and the acquisition and matchmaking between Dutch and foreign (technological) companies on several developed and emerging markets mainly using the policy-instrument POM (“Programma Opkomende Markten” or “*Programme Emerging Markets*”). In the 2008 document “Industrie in een wereld van oplossingen” (“Industry in a world of solutions”) a link is made between *specific* policy-making (aimed at certain business areas or sectors) and internationalization. According to this policy the Dutch industry should specialize into a number of key areas (or ‘niches’) in order to strengthen its international position. If we compare some of the previous policies (such as the 2005 “Sterke basis voor topprestaties” or the 2008 “Industrie in een wereld van oplossingen”), we see some striking similarities with the current Top Sector policy: not only how internationalization policies are formulated, but also which instruments and measures are being used.

This chapter is dedicated to the relationship between the Top Sectors and internationalization. First we will try to show why the Top Sector policy is linked inextricably to internationalization and export by providing an overview of the (international) trade flows from the nine Top Sectors towards the rest of the world. In the second part of this chapter, we will focus on the development of Dutch exports since the early 1990s. Subsequent, we will provide more detailed information on Dutch exports towards the BRICS-countries. We will conclude this part of the thesis with an in-depth analysis of the Dutch policy measures aimed at facilitating internationalization and export promotion through *Agentschap NL* (NL Agency).

5.2 The Top Sector policy and Internationalization

According to, amongst others, EIM/Pantheia (2013) the nine Top Sectors distinguish themselves from the rest of the Dutch economy by a strong international orientation and export position. This is shown by the (relatively) high export value of companies within the Top Sectors. The companies within these sectors generate slightly more than forty percent of the total export value of goods in the Netherlands (EIM/Pantheia, 2013, p.5). According to the ‘Statistics Netherlands Agency’ (in

Dutch: Centraal Bureau voor de Statistiek, or CBS), forty percent of the total Dutch export value equals 149 billion Euro²¹ (CBS, 2012, p.11). If we take a look at the total export value per sector, we see that the Top Sectors 'High tech' and 'Chemistry' contribute the most to export, while the 'Creative industry' sector exports hardly any goods at all. However, the export value of goods per company in all of the Top Sectors, with the exception of the sector 'Creative industry', is higher than the export value of the *average* Dutch company. Compared to the production value, the export value of goods of companies within one of the nine Top Sectors is 35 percent while, on average in the Netherlands, the export value is at 33 percent. Especially in the Top Sector 'Horticulture' a high percentage of the production (about 75%) is destined for overseas markets. The export of companies within the 'Life sciences' sector is also substantially higher than the Dutch average: around 57 percent. Once again, the Top Sector 'Creative industry' exports relatively little. The same applies for the sector 'Water' (CBS, 2012, p.14). It is rather striking that this sector exports rather little, as the Top Sector 'Water' is regarded as one of the Netherlands' main areas of expertise (Koopman, 2013). However, this peculiar result is probably due to the fact that (as we have noted above) in the 2013 CBS research only the export of *goods* is measured, while the exports of companies within the sector 'Water' consist mainly out of *services*, such as carrying out dredging, consultancy and related advisory services (Koopman, 2013).

The National Environment and Innovation

As we have seen within the theoretical framework, Porter (1990) emphasizes the importance of a supportive national environment (also called "national base" or "home base") as facilitator of businesses' international success. Together with Porter (1990), Lundvall (1992, 2002) interprets innovation as a pivotal concept within his theories on (national) economic growth: he argues that national systems of innovation (and the networks of relationships that are formed within these systems) should be seen as necessary for businesses in order to innovate and expand successfully. If we take a look at the some of the 2011 founding documents, we see that innovation is characterized as "necessary in order to hold on to our competitive advantage" (Ministry of Economic Affairs, 2011, p.8). If we follow this line of reasoning, we may say that innovation is seen (by the Dutch government) as a necessary precondition for supporting and facilitating export. However, the percentage of companies who can be categorised as 'innovative' is the same for businesses within (all of the nine) Top Sectors and businesses within the rest of the Dutch economy and lies around 50 percent²² (CBS, 2012, p.16). All businesses within the Dutch economy (Top Sector as well as non-Top

²¹ It is important to mention that, within this research, the Statistics Netherlands Office (CBS) only considered the export of goods, not the export of services.

²² In 2011

Sector businesses) spend, on a yearly basis, over 13 billion Euro on innovation. Examples of projects financed under the banner of innovation are spendings on their (own and outsourced) research (so-called *Research and Development* or R&D), (technically advanced) equipment and external knowledge and training. In 2010, spending on innovations by companies within the Top Sectors jointly accounts for over 8.5 billion Euro, which is about two-thirds of the total in Netherlands. Half of the 'innovation expenditures' within the Top Sectors are made by the sector High tech. Once again, companies related to the Top Sector 'Creative industry' spend (in absolute terms) the least on innovation related expenditures (CBS, 2012, p.17).

Towards Europe and the rest of the world: the importance of exports

Although innovation can be seen as one of the focal points within the current Top Sector policy it is, at least within the various policy documents²³, only indirectly related to internationalization of the facilitation of export and trade. More emphasis is placed upon the possibilities for Dutch companies to capitalize emerging (BRICS) markets. As, amongst others Heijl (2013) and Everts (2013) argue, the economic growth of the BRICS' economies and other emerging markets offers excellent opportunities for growth of the international activities of various companies within the Top Sectors. According to the Ministry of Economic Affairs (2011), the Dutch government wants to make optimal use of its (international) policy instruments in order to realize this growth. Although it is evident that internationalization should be a substantial part of the Dutch (industrial) economic policy as (see figure 2) nearly half of the internationally active companies within one of the Top sectors earns more than 50% of its revenue through exports (EIM/Pantheia, 2013, p.19).

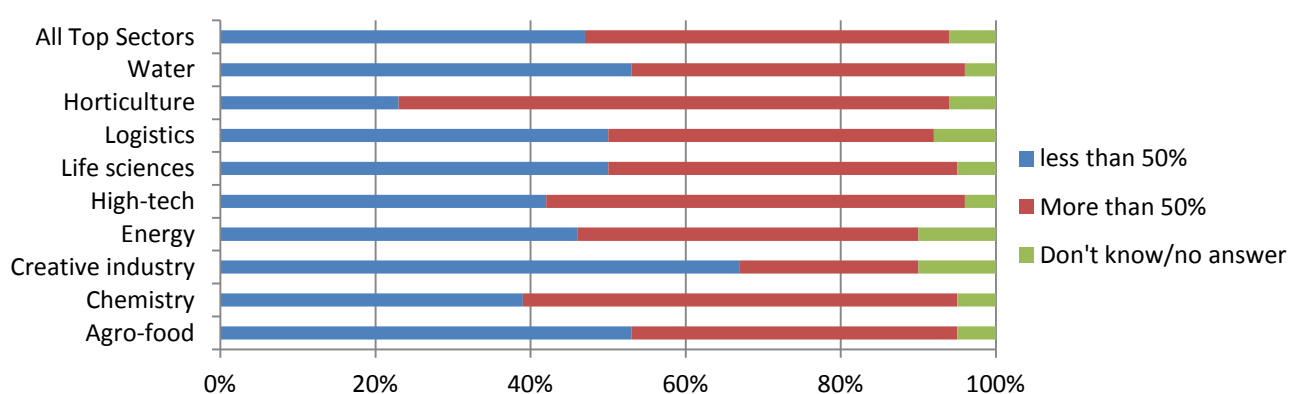


Figure 2: Percentage of turnover from exports per Top Sector (in % of the total number of internationally active (and exporting) companies. Compiled from information provided by EIM/Pantheia (2013) and the Ministry of Foreign Affairs (2013)

²³ Such as Verhagen (2011), Ministerie van ELenI (2011) or the 2010 Coalition Agreement

As we can see in figure 2, many Dutch companies derive a large part of their revenues and profits from international activities. A striking example is the Top Sector 'Horticulture'. Within this sector, up to 71 percent (of all internationally active companies) derives more than half of their revenues from exports.

The majority of the internationally active Dutch companies exports both to countries within and outside the EU (see Figure 3). Measured across all Top Sectors, this applies to three-quarters of the companies. Relatively, there are many companies within the Top Sectors 'High tech' and 'Chemistry' who export both within and outside the European Union. The proportion of companies that export *only* to countries outside the EU is limited (on average) by four percent. An exception can be made for the sector 'Logistics' within which up to nine percent of all internationally active companies exports to countries outside the EU alone. Internationally active companies within the Top Sector exports to countries outside the EU alone. Internationally active companies within the Top Sector 'Energy', and to a lesser extent also this category of companies within the sector 'Creative Industry', export (in comparison to the other Top Sectors) more to countries within the European Union. Hence, we might say that the extent to which Dutch companies capitalize business opportunities on foreign markets (outside the EU) is rather limited. Consequently, as shown (to a certain extent) by the Top Sector 'Logistics', there are still many opportunities for further growth on foreign (non-EU) markets.

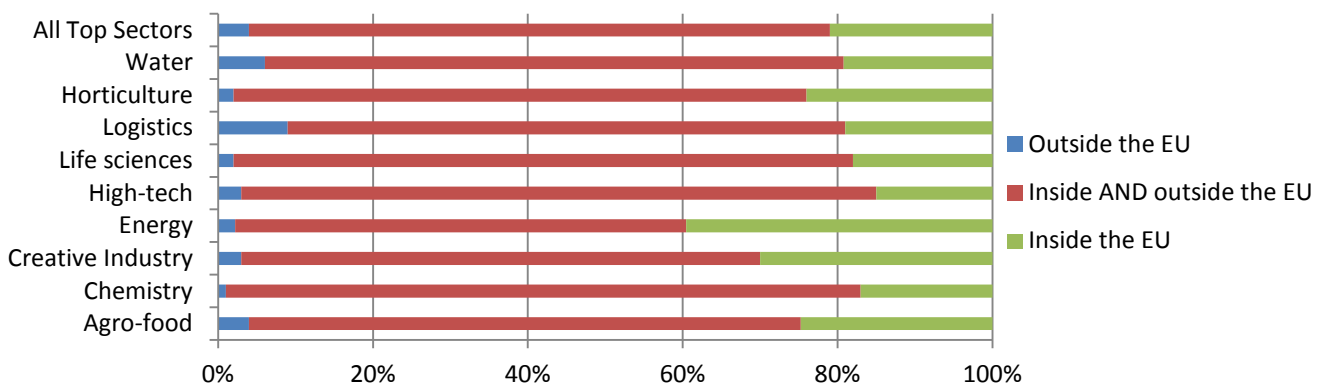


Figure 3: Export disaggregated by destination (inside, outside EU or both) per Top Sector (in % of the total number of internationally active (and exporting) companies. Compiled from information provided by EIM/Pantheia (2013) and the Ministry of Foreign Affairs (2013)

As we can see in figure 4, companies that earn *more* than half of their revenue from exports, are more likely to engage in exports both within and outside the European Union. Companies who earn *less* than half of their revenue through exports, are more likely to focus their export efforts to countries within the EU.

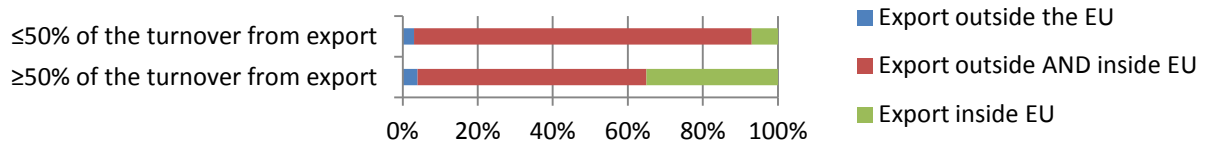


Figure 4: Relation between the revenues from export and the export destination (in % of the total number of internationally active (and exporting) companies). Compiled from information provided by EIM/Pantheia (2013)

Together with EIM/Pantheia (2013), Tiggeloo (2013), van Lin (2013) and Koopman (2013) we argue that the larger an internationally active business is, the more often the company in question exports *outside* the EU. Nearly nine out of ten companies with between 100 and 250 employees exports to countries both within and outside the EU. In the case of businesses with ten to twenty employees the same applies to two thirds of the internationally active companies. It is, therefore, remarkable that, despite the differences in size, most of the smaller companies who are internationally active in one of the Top Sectors exports to countries outside the EU (EIM/Panthei, 2013, p.20).

On the previous pages we have elaborated on the international orientation and export position of Dutch companies within the period 2012-2013. In the next section we will shed a light on the position of Dutch companies concerning export and internationalization from the 2000s onwards.

5.3 Internationalization and Export from the mid 1990s until the present

Several studies conducted by the 'Statistics Netherlands Agency' (CBS) show that both international trade from the Netherlands towards the rest of the world continued to increase during the 1990s and 2000s. The share of exports within the GDP has increased between 1995 and 2006 from 59% to 73% (CBS, 2007, p.7).

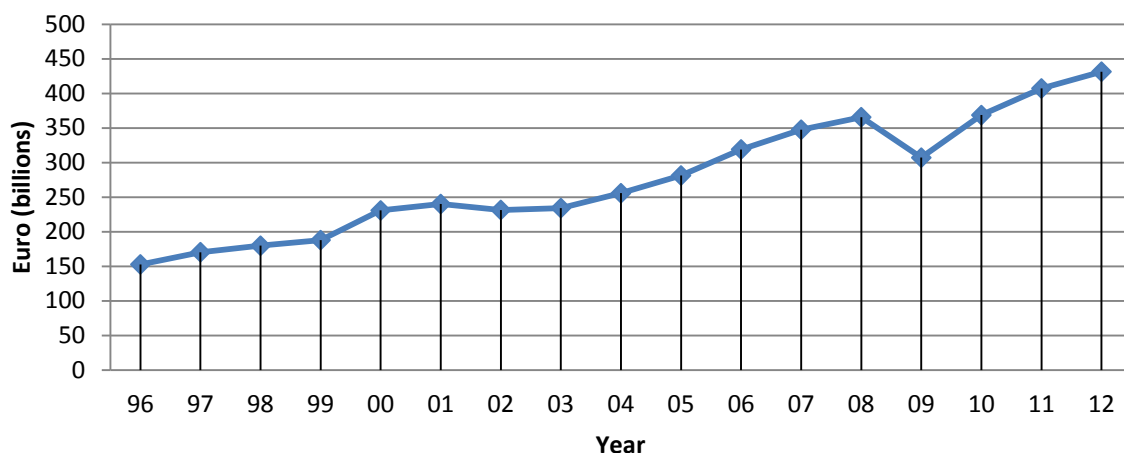


Figure 5: Dutch export value in Euro (billions). Compiled from information provided by 'Statistics Netherlands Agency' (CBS).

As we can see in figure 5 (above) the value of the Dutch export (in billions of Euro) almost tripled in the period 1996 to 2012: from well over 152 billion Euro per year in 1996 to slightly more than 430 billion Euro per year in 2012²⁴.

From 2007 onwards the 'Statistics Netherlands Agency' (CBS) publishes a yearly 'Internationalization Monitor' in which the main features and trends within the Dutch economy, concerning internationalization and export, are published. In the 2008 Monitor the CBS argues that, as far as the Dutch economy is concerned, 'internationalization' is characterized not so much by *globalization*, but more by *regionalization* (to the rest of Europe/European Union). As we can see in figure 6, Dutch international trade (export) is heavily focused on Europe: around 80 percent is destined for a country on the European continent. The European orientation of the Dutch export can be, partially, explained by the role of the Netherlands as an international hub for transit and distribution (mainly the Port of Rotterdam and Amsterdam Schiphol International Airport) towards the European hinterland. According to the CBS (2008) 45 percent of Dutch export value consists out of re-exports. Furthermore, 29 percent of the goods exported from the Netherlands can be classified as transit: these goods are transported on Dutch territory but did not come into Dutch ownership, and thus they are not included in the official trade figures (CBS, 2008, p.7).

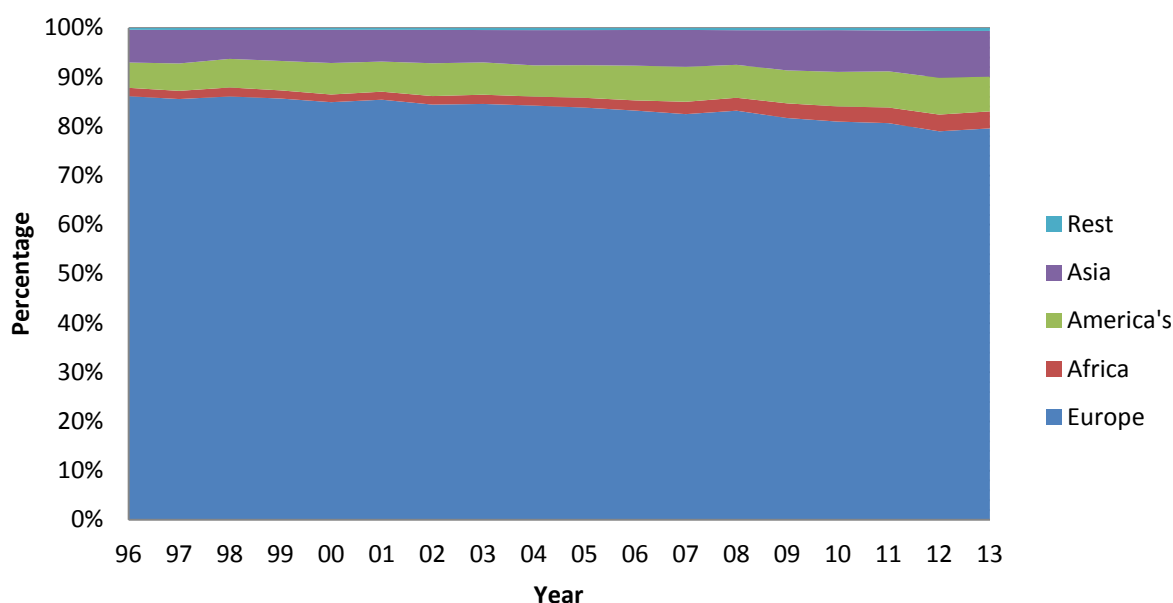


Figure 6: Dutch export value (in % per continent). Compiled from information provided by 'Statistics Netherlands Agency' (CBS).

²⁴ The figures for the year 2012 are estimates (by the 'Statistics Netherlands Agency' (CBS)

As we have argued (see figure 6 above), Europe is (still) the main export destination for Dutch companies. We have to note, however, that (gradually and in a very slow pace) the percentage of EU destined export is decreasing from 86% (in 1996) to slightly more than 79% (in 2012): a decrease of almost 7 percent. As shown in figure 6, the decrease of Dutch trade towards European countries led, logically, to an increase in export towards other parts of the world. The increase of export is distributed rather evenly over the different continents. To Africa, the export increased with 1.77%: from 1.69 (in 1996) to 3.46 (in 2012) percent. The export to the America's increased with over 1.9%: from 5.14 (1996) to 7.07 (2012) percent, whereas the export to Asia increased with 2.62%: from 6.66 (1996) to 9.28 percent. Also the export to 'the rest of the world' (mainly Oceania) increased from 0.37 (in 1996) to 0.61 (in 2012) percent. In general, the geographical concentration²⁵ of Dutch exports declined in the period 1996-2008 (CBS, 2008, p.77). This means that, in the second half of the 2000s, Dutch goods were exported to a greater variety of countries than in the mid-1990s. Furthermore, the importance of countries which were (historically) major trading partners has declined in favor of smaller countries, and markets which are (geographically) more distant. The decrease of export concentration can be explained partially by the growing exports to the ten 'new' member states of the European Union. Especially the export towards Poland, the Czech Republic and Hungary increased, mostly at the expense of countries like Germany, France and Italy. In addition, the United States and Russia gained substantial market shares in recent years (CBS, 2008, pp.77-78; Viveen, 2013).

Internationalization and export to the BRICS-countries

As we can see in figure 5, the financial crisis (and the European Debt crisis which followed from 2009 onwards) had a rather strong impact on the Dutch economy. For example, the GDP fell with around four percent in 2009, followed by rather marginal positive growth in the subsequent years, only to decrease again in 2012 (with, more or less, one percent). As argued by the CBS (2012), the main driver behind the Dutch economic recovery was export: in 2010 exports increased rather strong with 20 percent. In 2011 trade growth slowed down a little, but kept positive. Comparatively, the export of the EU member states decreased slightly in 2011 (CBS, 2012, p.11). Although the vast majority of Dutch trade is with other European countries, trade from BRIC(S)-countries continued to increase from the early 1990s onwards. According to the CBS (2012):

²⁵ The geographical concentration of exports is measured through the Herfindahl-index. This index indicates to what extent a country's export is concentrated to a certain country (or group of countries). The index is measured between 0 and 1: the lower the index, the lower the geographical concentration. A low geographical concentration of exports means that exports are concentrated to a variety of countries.

“BRIC countries are rapidly growing, also in terms of economic power, providing growth potential for Dutch exporters, which are somewhat lagging behind in entering these markets (compared to other EU-countries)” (CBS, 2012, p.14).

Although the Netherlands is somewhat lagging behind in this respect, still (around) 16 percent) of the Dutch imports originates from one of the BRICS countries. Furthermore, these imports form an important source for re-exports (ibid, p.46). Amongst others, van Lin (2013); Schuur (2013) and Heijl (2013) argue that, although the Dutch exports to the BRICS-countries are still at rather modest levels (and a bit lagging behind compared to other EU-countries) the (often turbulent) economic growth of these countries, compared with the slow economic recovery of the major European economies, make it likely that the BRICS economy will become a more important export destination for Dutch companies in the coming decade(s). However, currently, Dutch exports to the BRIC countries are at much more modest scale than Dutch imports from these countries. Only around four percent of the Dutch exports found its way into the BRIC countries in 2010. The most important BRIC export destination are China and Russia: two thirds of the overall export value stems from these two markets.

For the vast majority of Dutch businesses (around 84 percent) the export to (one of the) BRICS countries forms only a minor part of their total export value. Slightly less than seven percent of the businesses who export to a BRICS country export more than 75 percent of their total export value towards this country (CBS, 2012, p.52). Another characteristic of Dutch *BRICS-exporters* is that, most of them, are specialized in so-called ‘technological-intensive’ products. However, if we take a closer look at the Russian case, we have to conclude that a large share of the exporting businesses is specialized in so-called primary or human-capital intensive products (ibid, p.53).

In the 2012 Internationalization Monitor the CBS (2012) shows that, if we take a look at the Dutch export to BRICS-countries per sector, mainly businesses focusing on retail trade, wholesale and manufacturing are active on the emerging markets of the BRICS-countries (CBS, 2012, p.53).

5.4 Facilitating Internationalization

The role of AgentschapNL in facilitating internationalization

AgentschapNL (in English this agency is referred to as ‘NL Agency’) is the executive agency of the Ministry of Economic Affairs carrying out “policy and subsidy programs focusing on sustainability, innovation, international business and cooperation” (*AgentschapNL*, 2012, p.4). However, other

Dutch ministries (primarily the Ministry of Foreign Affairs) have also the possibility to delegate (executive) tasks to *AgentschapNL*. The current *AgentschapNL* agency is the result of the merger of several governmental agencies. On January 1st 2010 three separate agencies under the Dutch Ministry of Economic Affairs (*EVD*, *Octrooiencentrum Nederland* and *SenterNovem*) joined forces and formed *AgentschapNL*. As we have seen, ‘international business and cooperation’ is only one out of three major topics this agency is concerned with. Before 2010 the *EVD* (Economic Advisory Office) was assigned to support entrepreneurs and public organizations in international business and exports. As we can see in table three and four, both the *EVD* and its successor *AgentschapNL* support and engage in various policy and subsidy programs aimed at promoting international business. There are, for example, several programs aimed at providing information on foreign markets, providing financial support or establishing contacts with business partners abroad. Furthermore, NL Agency supports various policy programmes “in the field of sustainable economic growth in developing countries and emerging markets” (*AgentschapNL*, 2012, p.18).

| Category | Instruments (<i>translated</i>) |
|-------------------------|---|
| <i>Insurance</i> | PSI: Private Sector Investeringsprogramma (<i>Private Sector Investment Programme</i>) |
| <i>Financial</i> | PPP: Programma Publiek Private Samenwerking (<i>Programme Public-Private Cooperation</i>) FOM: Fonds Opkomende Markten (<i>Fund Emerging Markets</i>) FOM-OS: subcategory focussing on development aid and cooperation FIB: Finance for International Business ORIO: Ontwikkelingsrelevante Infrastructuurontwikkeling TF: Transitiefaciliteit (<i>Transition Facility</i>) DHK: Kennisverwerving, Haalbaarheidsstudies, Demonstratieprojecten (<i>Acquisition of knowledge, Feasibility studies, Demonstration projects</i>) |
| <i>Help/Information</i> | EEN: Enterprise Europe Network ZS: Zakenpartnerscans (<i>Business partner scans</i>) MH: Meldpunt Handelsbelemmeringen (<i>Trade Obstacles Reporting Centre</i>) SIB: Starters International Business EM: Economische Missies (<i>Economic Missions</i>) ED: Economische Diplomatie (<i>Economic Diplomacy</i>) PIB: Partners for International Business |

Table 6: Policy instruments concerning internationalization (2013). Compiled from information provided by NL Agency (2013) and Schuur (2013)

In table 6 the different policy instruments in the field of internationalization (in 2013) are listed and grouped according to their nature and goal. Table 7 displays the different policy instruments throughout the last decade. At first sight it seems there are ample differences in the instruments used. However, if we take a closer look at figure 7 we have to conclude that there is only a limited number of newly established policy instruments. Most of the instruments, listed in table 6, can be seen as successors of previous policies with (more or less) the same objectives and goals.

| Previous policies (<2005) | “Sterke basis voor topprestaties” (2005) | Top Sector Policy (2011) |
|--|---|--|
| Instruments (<i>translated</i>) | | |
| PSOM (1998-2008) | PSOM (until 2008) succeeded by PSI (from 2009) | PSI (from 2009 onwards) |
| PSO: (1990-2003). From 2003: reform into PSO B2B | POM (from 2006) (Successor PSO (B2B) | POM |
| FOM (from 1992), | FOM (from 1992) | FOM (from 1992), FOM-OS (from 2011) |
| TA-OM | TA-OM (until 2006) | - |
| - | Package4growth (2009- 2012) | FIB (from 2012) successor package4growth |
| - | ORIO (from 2009) | ORIO (from 2009) |
| PSB: (1999-2006) PESP: (1987 – 2006) | 2g@there (2007- until 2012): PSB. PESP and PSOM B2B (incorporated within 2g@there) | PIB (from 2012: successor 2g@there) DHK (from 2013, successor 2g@there/PIB) |
| - | COC: (2005- 2010) | MH (from 2010) successor of the COC |
| PPP (from 1999) | PPP | PPP |
| EM, ED | EM, ED | EM, ED |
| - | MS | ZS (from 2008) successor of the <i>Marktscan</i> EEN ²⁶ (from 2008), SIB (from 2012), TF (from 2011) |

Table 7: policy instruments concerning internationalization (< 2005- 2013). Compiled from information provided by NL Agency (2013) and Schuur (2013)

In line with the focus on demand-driven policy-making, each Top Sector had to indicate in which ways the Dutch foreign policy can be of support (summarized in the so-called International Agenda). There is a striking similarity between the measures and policy instruments mentioned in previous policy documents (such as “Sterke basis voor topprestaties” and “Industrie in een wereld van oplossingen”) and the main points from the top-teams International Agenda. The top-teams articulated their needs and asked the Dutch government to act in order to strengthen the Dutch economic diplomacy, strive for a (European and global) level playing field, more (and a more effective) promotion of the Dutch businesses and “Holland Branding” abroad, the stimulation of (international) cooperation in the field of innovation and a better use of the ‘Dutch strengths’ within the development cooperation.

However, most of the policy instruments do not meet the demands of the Top Sector policy (as formulated through the International Agenda of the top-teams) as they are not aimed at (e.g.) ‘Holland Branding’, ensuring a fair level playing field or strengthening the economic diplomacy. An exception has to be made for the “Meldpunt Handelsbelemmeringen” (*Trade Obstacles Reporting*

²⁶ The European Enterprise Network is initiated by the European Commission. In the Netherlands Agentschap NL (*NL International*) is the focal point for this network.

Centre). In total, 15 policy instruments deal with internationalization (see table 3). Only three of them meet the demands set by the top-team's International Agenda ('Meldpunt Handelsbelemmeringen', 'Economische Missies' (*Economic Missions*) and 'Economische Diplomatie' (*Economic Diplomacy*).

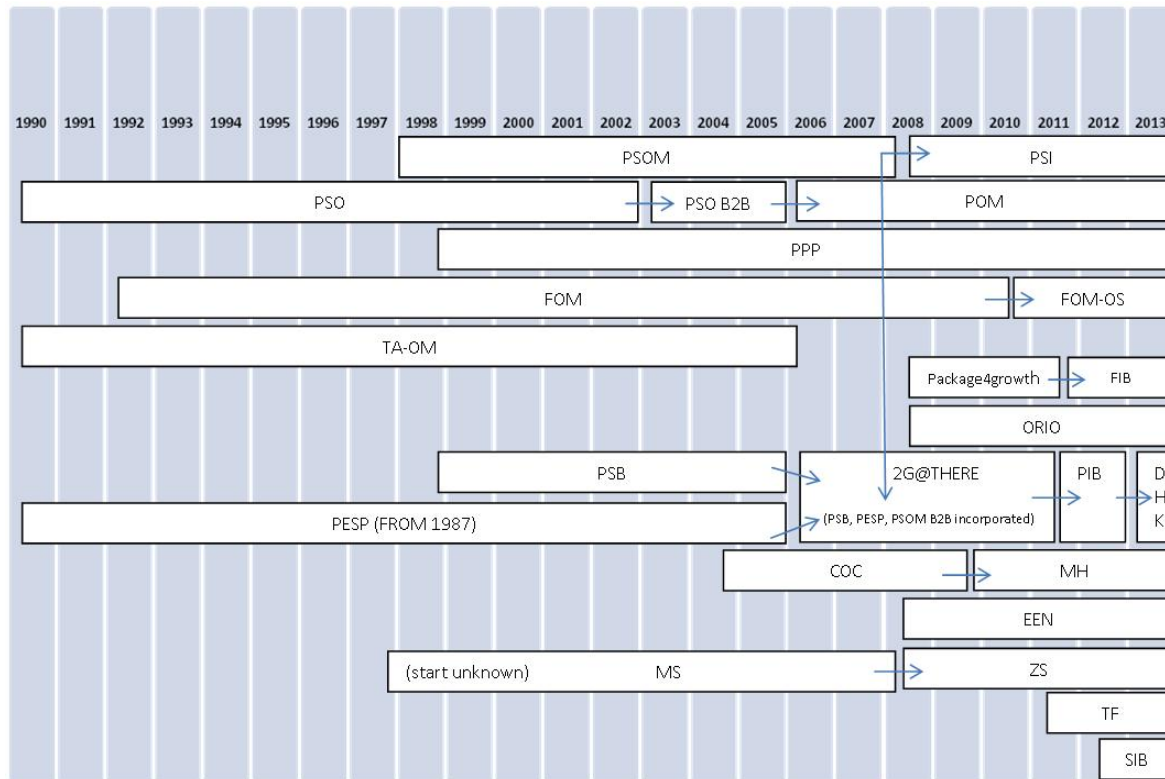


Figure 7: Overview of Dutch policy instruments aimed at internationalization 1990-2013. Compiled from information provided by NL Agency (2013) and Schuur (2013)

When we take a closer look at recently established policy instruments (established after 2011, such as the FIB, TF, PIB and SIB) we have to conclude that all four of them have a different genesis and character. The FIB, for example, does not differ much from its predecessor 'package4growth' as both consist out of specific co-financing projects. The Transition Facility (TS) cannot be regarded as a new policy instrument as well, as it consists out of a new approach towards a more integrated use of existing tools and instruments, such as the Ministry of Foreign Affairs' Private Sector Development instruments, (economic) diplomacy, projects at embassies and (business) tools from the Ministry of Economic Affairs. Only the SIB (Starters International Business) can be regarded as a truly new policy instrument. The SIB is an instrument aimed at supporting SME entrepreneurs who have little or no experience with trade and export to foreign markets. These entrepreneurs receive advice in drafting and implementing a so-called 'roadmap' for their strategies concerning internationalization.

The PIB (Partners for International Business) cannot be regarded as a new policy instrument, as it is the successor of the '2g@there' programme. However, using the 'lessons-learned' from the '2g@there' programme, this instrument is aimed at companies and research institutions who want to enter a foreign market together. With the Dutch government acting as a facilitator (using, for example, economic diplomacy) the so-called *golden triangle* is put into practice. PIB focuses primarily on Dutch companies within the Top Sectors.

Two instruments focus primarily on (business and trade with) emerging countries: the TF ('Transitiefaciliteit' or '*Transition Facility*') and the FOM ('Fonds Opkomende Markten' or '*Fund Emerging Markets*'). The aim of the TF is to build healthy trade relations between Dutch SME entrepreneurs and countries in transition. The idea of the TF is to improve (by using Dutch knowledge and skills) the overall business climate in the transition countries by removing trade and export barriers. The TF focuses (only) on Vietnam, South Africa and Colombia. The FOM issues loans and guarantees for Dutch companies who plan to set up a subsidiary company or joint-venture in an emerging country.

The role of economic or commercial diplomacy in facilitating internationalization

Previously we elaborated on the different policy- and subsidy programs executed through *AgentschapNL*. However, as we have seen in chapter two (the theoretical framework), in their efforts to facilitate internationalization, governments can do more than using Export Promoting Agencies (EPAs) such as *AgentschapNL* to support businesses in their process of internationalization. Economic or commercial diplomacy is widely used by governments all around the globe to spur and support businesses' internationalization and exports. According to, amongst others, Veenstra et al. (2010) the Dutch embassies and consulates are increasingly occupied with "the promotion of the economic and commercial interests of the home country in the host country" (p.8). Hence, next to Export Promoting Agencies, we should also pay attention to the role of embassies and consulates as important actors in the facilitation of internationalization and export.

If we take a look at table three and four, we can identify two policy instruments which are connected directly with economic or commercial diplomacy. First of all, there are the so-called *Economic Missions*, focussed on facilitating internationalization and export through (official) visits headed by a Minister, governmental official or other representative of the Dutch government. By organizing *Economic Missions* the Dutch government aims to familiarize Dutch businesses with foreign markets and (potential) foreign business partners. A second goal, for participating businesses, is to obtain

foreign business orders. Furthermore, businesses use *Economic Missions* as a tool for exploring foreign market opportunities, establishing business contacts (or deepen the already existing contacts), strengthen the business' comparative advantage and broaden the companies' international network (Heuts and Poel, 2010, p.7).

In recent years, Dutch governmental officials and Dutch business traveled all around the globe during numerous *Economic Missions*. Many interviewees (for example: van Lin, 2013; Koopman, 2013; Heijl, 2013) argued that these travels are useful and necessary given the fact that the Dutch economy is characterized by an open trade relation to the rest of the world. At this point we should make a distinction between *Economic Missions*, which are initiated under the leadership of Ministers (or other governmental officials) and *Trade Missions* which are initiated and executed by 'the industry' itself. Although the (national) government is not directly involved in the latter category, both types of missions should be seen as complementary to each other. Hence, good coordination is crucial (van Lin, 2013).

As we have seen, economic missions involve both businesses and governmental officials. Especially in developing or emerging countries, the presence of a governmental official within an economic mission may create some opportunities or generate some attention which is beneficial for the (future) business opportunities for individual companies. However, according to van Lin (2013), many Dutch economic missions are too big, address too many different sectors and (hence) serve too many different goals. Next to *Economic Missions* there are also *Trade Missions*. As we argued before, trade and economic missions should be seen as complementary to each other. Until the end of 2011, trade missions were supported and facilitated by the Ministry of Economic Affairs using subsidies from the so-called '2g@there' program. Although this program, according to some of our interviewees, seemed to be effective (van Lin, 2013; Koopman, 2013), the successor of the '2g@there' program (the PIB, Partners for International Business program) does not subsidize trade missions.

As we have touched upon before, according to van Lin (2013) the Dutch government should strive for more (and better) coordination between the different economic missions. The subject of good coordination between the different missions has been debated over years. Using, inter alia the Dutch Trade Board, efforts have been made to come up with a coherent 'Strategic Travel Agenda' for ministers and (other) governmental officials. However, cooperation proved to be rather difficult to achieve in recent decades, as (for example) information on planned missions is often not, or too late, available for individual businesses, the 'Travel Agenda's' are often too opaque, detailed information on the exact dates or sectors involved are missing, and so on and so forth. The introduction of the

Top Sector policy can be seen, however, as a way of improving the coordination between the several different economic missions. Each Top sector had to indicate in which ways the Dutch foreign policy can be of support, which was then summarized in the so-called 'International Agenda'. Hence, each Top Sector listed a number of so-called 'priority countries'. On the basis of this list the ministers' (and (other) governmental officials') 'Strategic Travel Agenda' can be formed or adjusted (Ministry of Economic Affairs, 2012, pp. 3-13). However, it is important to mention that, although *AgentschapNL* is assigned to organize and execute these travels, it is the Ministry of Foreign Affairs which is assigned to initiate economic missions.

Next to *Economic* and *Trade Missions* there are policy measures which can be grouped under the banner of *Economic Diplomacy*. As we have seen in the theoretical framework, diplomacy aimed at facilitating internationalization and export can be divided into *economic* and *commercial* diplomacy. Whereas economic diplomacy is concerned with (macro) economic policy issues as such, commercial diplomacy, on the other hand, is aimed at supporting the home country's business sector (Berridge and James, 2001, pp. 38-39). Following this definition of the latter form of diplomacy, economic missions are a key example of *commercial* diplomacy. If we take a look at the way in which Dutch economic missions are realized in the day-to-day practice we see that both the Ministry of Economic Affairs as well as the Ministry of Foreign Affairs have a say on this matter. The nine Top Teams (under the auspices of the Ministry of Economic Affairs) each come up (on a yearly basis) with a list of so-called 'priority countries' for their sector, on the basis of which a list of (possible) destinations for economic missions of ministers and (other) governmental officials is drawn. The Ministry of Foreign Affairs, on the other hand, is responsible for initiating the economic missions and does not necessarily need to consult with the Ministry of Economic Affairs on the final details or content of the economic missions.

There are several indications pointing towards an insufficient coordination between the Ministry of Economic Affairs and the Ministry of Foreign Affairs with regard to organizing and executing Dutch economic missions. van Lin (2013), for example, argues that the joint responsibility for economic missions makes it rather difficult to coordinate between missions and come up with a coherent content of the missions. Furthermore, it is not clear which ministry (or which department within a ministry) is responsible for different parts of a mission. Another example of the worrisome relationship between the Ministry of Economic Affairs and the Ministry of Foreign Affairs (in the case of economic missions) is *indirectly* given by van Leeuwen et. al (2013)²⁷. The *Adviescommissie*

²⁷ mr. A.W.H. Docters van Leeuwen is (from June 2011) onwards chairman of the *Adviescommissie Modernisering Diplomatie* ("Advisory Committee on Modernizing the Dutch Diplomatic Service"). End May 2013 this committee presented a report (called *Modernisering van de*

Modernisering Diplomatie (“Advisory Committee on Modernizing the Dutch Diplomatic Service”) comes up with several recommendations for the Ministry of Foreign Affairs. Improving and strengthening the Dutch *Economic* diplomacy is one of the pivotal concepts within these recommendations. It is rather striking that the Ministry of Economic Affairs, nor the Top Sector policy, is mentioned a single time in the 51-page extensive advisory paper. Furthermore, no one from, or related to the Ministry of Economic Affairs or the Top Sector policy was interviewed²⁸ by van Leeuwen et. al (2013).

5.6 Chapter Summary

In this chapter we touched upon the theme of Dutch export- and internationalization strategies in relation to the Top Sector policy. First of all, we tried to provide an overview of the trade flows and exports from the Netherlands towards Europe and the rest of the world. We found out that, although many of the businesses within the Top sectors export to overseas areas or emerging countries, by far the largest share of Dutch export is (still) destined for the European market. In the second part of this chapter, we focused on the development of exports since the early 1990s, and paid specific attention to Dutch exports to BRICS-countries. We argued that Dutch exports to the BRICS are rather modest: only around four percent of the Dutch exports finds its way into the BRIC-countries²⁹, despite the fact that the Dutch export rate is growing ever since the early 1990s (with exception of 2009). In this respect, the Netherlands is somewhat lagging behind compared to other European countries. There are, however, several policy measures available to facilitate internationalization and promote export. *AgentschapNL* (NL Agency) is responsible for executing these policy measures. Although there is a large number of policy measures and instruments, only few of them ‘fit’ into the international strategy of the Top Teams. Furthermore, we found out that many of the policy measures and instruments change names quite regularly, although their function or goal(s) remains the same. Lastly, we focused on Dutch economic diplomacy, and argued that there is not only insufficient coordination between the two ministries (Economic and Foreign Affairs) responsible for *Economic Missions* (one of the primary instruments under the banner of ‘economic diplomacy’), but it is also not clear who is exactly responsible for the content and implementation of these missions.

Diplomatie or “Modernizing the Diplomatic Service”) on the way in which the Netherlands should organize its diplomatic service in the future.

²⁸ In total, more than 150 people were interviewed.

²⁹ In 2010

Chapter 6 Case Study

As we have argued in the methodological section of this research (chapter three), an important part of this thesis' research is attributed to an embedded case study (consisting out of an analysis of the 'sub-units' Russia and Ukraine). This approach enables a rather detailed level of inquiry in order to describe the features, context and processes of trade- and export barriers in both the Russian Federation and Ukraine, as well as the Dutch (and international) policy measures and instruments aimed at lifting these barriers and facilitating trade and export.

6.1 The Russian Federation

Introduction

After slightly more than 18 years, Russia³⁰ concluded its process of negotiation towards accession of the World Trade Organization (WTO). Formally, Russia acceded the WTO on the 22nd of August 2012. According to the European Commission (2013c) the Russian accession is "welcomed as a milestone in the improvement of the trade relations of the Union with this country" (p.13). However, the (trade) relationship between Russia and EU member states remains somewhat troublesome from time to time. Furthermore, as the European Commission (2013c) points out, during the negotiation process in the run up of the WTO accession, "Russia maintained or adopted a series of protectionist measures, the majority of which are not in compliance with Russia's WTO commitments" (p.13). Despite the, from time to time, troublesome (trade)relation between the EU and the Russian Federation, the European Commission declared Russia to be one of its *strategic partners*. Russia received this status along with China, India, Japan, the *Mercosur*-countries and the United States (ibid, p.2).

Hence, although substantial progress is made and (especially after accession to the WTO) the number of trade and export barriers had diminished, a rather large number of barriers remains influencing the trade relation between Russia and its trade partners (European Commission, 2013, p.14). If we take a look at the Russian market from a Dutch (business) perspective, we see more or less the same picture: despite the various trade- and export barriers, many Dutch companies are interested to export to Russia. Several Top Teams (Life sciences and horticulture and propagation materials) have marked Russia as a *priority country* within their International Agenda. In fact, only

³⁰ The terms *Russia* and *The Russian Federation* are used interchangeably in this research

two (Chemistry and High-tech) out of nine the Top Sectors have *not* mentioned Russia as a country of interest (Ministry of Economic Affairs, 2012, p.7).

The Dutch Perspective: Export to Russia

Over the last two decades, Russia has become one of the Netherlands' major export destinations. In 2012 overall exports increased to more than 6 billion Euro and consisted mainly out of (heavy) machinery, transport equipment (including agricultural and forestry machinery), micro-processors and telecommunication devices (CBS, 2012, p.31). The Netherlands has made itself also one of Russia's biggest trading partners: from 2010 onwards the Netherlands accounts for almost 10 percent of the Russian trade turnover (ibid, p.32). Dutch businesses have increased investments into the Russian economy in recent years, and made up (in 2011) more than 14 percent of all foreign investments in Russia (KPMG, 2013, p.16). Hence, we can say that Russia is seen as an interesting market for (Dutch) businesses:

“Not only is Russia’s consumer base substantial in absolute numbers, it also has an interesting composition. Russia has a population of 143m people of which 75% live in cities or towns, making them easy to reach with our products. What’s more, the average Russian’s disposable income is growing fast and is higher than inhabitants of other BRIC countries. So, increasing shares of the Russian population are able to afford Dutch products and are willing to pay more for high quality, premium products” (KPMG, 2013, pp.12-13).

It is interesting to note that Russia is one of the main purchasers of Dutch cut flowers (CBS, 2012, pp.46-47). Hence, as a matter of course, the Top Sector *horticulture and propagation materials*, has marked Russia as a *priority country*.

| Top Sectors | Agro-food | Creative industry | Energy | Life sciences | Logistics | Horticulture | Water |
|-------------|----------------------------|--|--------------------------------|---|-----------|---|--|
| Sub Sectors | Metropolitan Food Security | Architecture, Design, Lifestyle, Fashion | Bio-energy, Energy-saving, Gas | Medical technologies, E-health, Hospital design | - | Supply chain, Floriculture, Horticultural seeds | Water- and Delta technology, Maritime technology |

Table 8: Top Sectors with sub Sectors (Russian Case). Compiled from information provided by the Dutch Ministry of Economic Affairs.

As we have said before, seven (out of nine) Top Sectors have indicated that the Russian market is of special interest. Every Top Sector has indicated (at least one) subsector for which there are opportunities on the Russian market: see table 8 for a complete overview of the sub-sectors chosen by the different Top Sectors. Note however that the sector *logistics*, although perceiving the Russian market as promising, did not mention any specific subsectors as a focal point within the Logistic-sector's export to Russia.

Within the *Strategic Bilateral Agenda 2012-2013*, Russia is listed as one of the *priority countries* for Dutch exports³¹. Bilateral cooperation, from the perspective of the DG Enterprise and Innovation, is defined as “those policies and actions of the Directorate-General aimed at supporting international cooperation with partner countries at governmental (national) level and between companies and knowledge institutions *outside* the context of the European Union or (other) international organizations” (Ministry of Economic Affairs, 2012, p. 6). The list of *priority countries* has been established based on, inter alia, the international strategy of the individual Top Sectors (and the list of *priority countries* derived from this strategy) (ibid, 2012, pp. 3-13).

Trade and Export Barriers

When exporting to Russia, (Dutch) entrepreneurs have to be aware of several (possible) barriers which might impede smooth trade and exports. Of course, some barriers are more prevalent or worrisome than others. In the next section of this section of the case-study, however, we aim to provide an overview (as comprehensive as possible) of all the major barriers. The European Commission provides us with an elaborate list of (possible) barriers (European Commission, 2013d). Although these barriers are not specified for the Dutch case, this overview is nevertheless a valuable starting point for this assessment of Russian barriers to trade and export. As we have seen earlier, Russia has accessed the World Trade Organization (WTO) in August 2012. As Russia accepted all the responsibilities associated with WTO-membership, it should have ensured compliance with the organization's rules from day one. Many barriers, however, remain prevalent in the day-to-day practice.

Recycling fees and (other) Technical Trade Barriers

One of the most prominent barriers is the 2012 framework legislation with regard to a recycling fee for (used) vehicles. According to the European Commission (2013d) this is clearly a discriminatory

³¹ In 2012 the list of *priority countries* consists out of 17 countries, while in 2010-2011 24 countries were listed and in 2009 36

measure: Russian car manufacturers are able to give a guarantee with regard to the cars they have produced instead of paying a fee, while foreign (mostly European or Japanese) car manufacturers and suppliers *must* pay “as a condition for the registration of the imported car” (European Commission, 2013d). However, it is not only cars: for a variety of products (from paper to cars), Russia is applying import tariffs that are higher than the (WTO) committed levels. Also with regard to Technical Trade Barriers (or TBTs) a substantial number of technical regulations have been implemented by the Russian government which are in breach with WTO standards. These regulations are concerned with (standards for) alcoholic beverages, cars and textile products and amount to difficulties for European businesses to place their products on the Russian market. According to the European Commission (2013d) Russia has been urged to “comply with its obligations under the WTO TBT Agreement” (p.14). As we can see in table 9, these barriers are still ‘ongoing’, although being discussed extensively at bilateral (EU-Russia) and multilateral (primarily the WTO) level.

Sanitary and Phytosanitary Measures

New WTO-members normally ensure full compliance with the WTO SPS-agreements (and all other relevant international standards) from day one on. Hence, upon Russia’s WTO accession in August 2012, many expected substantial progress on several of the longstanding Sanitary and Phytosanitary (SPS) measures. However, almost the opposite was the case: most of the trade- and export restrictions remained to be in place, and some new barriers were put into practice. For example:

“Since 20 March 2012, Russia has banned the import of live animals from the EU. The disproportionate ban on slaughter pigs was justified by Russian authorities because of irregularities found in the health certificates of certain shipments from the EU” (European Commission, 2013d, p.14).

As of today, European (EU) food producers still face long delays (or even refusal) when they try to get authorized to start exporting to the Russian market (the so-called export declaration). As we can see in table 9, bilateral negotiations are taking place, but are without any major results so far. According to de Vries (2013) Russia recently issued a number of new Sanitary and Phytosanitary measures, this time concerning the ban of potato seeds from Germany and the Netherlands. Although the Dutch State Secretary for Economic Affairs ms Dijkema recently argued that these PSP measures concerning Dutch potato seeds should be abolished as soon as possible, there is no (official) bilateral confrontation between Dutch and Russian officials on this matter. Instead, the Dutch government urged the European Commissioner for Consumer Affairs, Tonio Borg, to push for a resolution on this

matter, either through bilateral EU-Russia negotiations or by launching a WTO-settlement dispute (NOS, 2013).

Together with de Vries (2013) the European Commission (2013d) fears that Russia uses product bans systematically as a way of tackling unwanted and undesirable market conditions. It is furthermore rather worrisome that Russia does not take the applicable WTO principles (of justified and proportionate actions for SPS measures) into account. de Vries (2013) argues this might indicate Russia's use of product bans as, for example, a way to retaliate for Tariff Rate Quota's (TRQs) for Russian products (aimed for the EU market). A couple of years ago, the European Union imposed Tariff Rate Quotas on the import of wood (spruce and pine) from Russia to the European Union. Bilateral EU-Russia consultations on the removal of these quota's in the course of 2012 were delayed a couple of times. According to de Vries (2013) the ban on Dutch and German potato seeds might be seen as a Russian reaction on the delays in the EU-Russia bilateral consultations on lifting the import ban for Russian wood.

Measures which are in breach with WTO-rules should, according to the basic principles of the WTO, be terminated as quickly as possible. The question is, however, what happens when a country does *not* change measures which are not in accordance with WTO-rules. It is interesting to note that negotiations with Russia (on breaches of WTO-rules) are conducted on the EU-level. As one can imagine, the European Union voices all EU member states' interest when arguing that the Russian measures which are in breach with the WTO commitments should be terminated as quickly as possible. Most of the negotiations between the European Union and Russia take place at the WTO (dispute settlement proceedings), although bilateral EU-Russia negotiations take place rather frequently (EC, 2013c, pp.13-14). As one can see in table 9 some progress has been made towards settling some of the trade- or export barriers. However, the majority of all barriers, ranging from Non Tariff measures to problems concerning the protection of Intellectual property rights, remains in place

| Barriers | Barrier status (EC) | 'Creation date' | Last update |
|---|---------------------|----------------------------------|----------------------------------|
| <i>SPS (sanitary and phyto)</i> <ul style="list-style-type: none"> • Milk and dairy products • Non-transparent legislation • Pesticides residues | Ongoing (all three) | May 2009 May 2009 May 2009 | Jan 2013 May 2012 May 2012 |

| | | | |
|---|---|--|--|
| <i>Tariffs and duties</i> <ul style="list-style-type: none"> • Wine and spirits import barrier • Discriminatory railway fees • Increased import duties • Customs valuation • Consular fees | Ongoing (first four), Monitoring Solution (Consular fees) | Apr 2008 Oct 2006 Mar 2006 Jul 2008 Mar 2002 | Jul 2008 Aug 2013 Aug 2013 May 2013 Feb 2009 |
| <i>Internal taxation</i> | Ongoing | May 2009 | May 2013 |
| <i>Registration, Documentation, Customs Procedures</i> <ul style="list-style-type: none"> • Border congestion • Customs clearance procedures • Requirement to produce export declaration | Ongoing (first two), Monitoring Solution (export declaration) | Jul 2008 Mar 2002 Jul 2008 | Jul 2010 May 2013 May 2013 |
| <i>Standard Technical Requirements</i> | Ongoing | May 2009 | Aug 2011 |
| <i>Governmental procurement</i> | Ongoing | Jul 2010 | May 2013 |
| <i>Non-Tariff measure</i> <ul style="list-style-type: none"> • Dual energy pricing | Monitoring Solution | Feb 2002 | Feb 2009 |
| <i>Intellectual Property Right (IPR) protection</i> <ul style="list-style-type: none"> • Enforcement of IPR laws • Regulatory data protection | Ongoing (both) | Apr 2009 Jul 2010 | May 2013 Aug 2011 |
| <i>Foreign Direct Investment Limitations</i> <ul style="list-style-type: none"> • Insurance-Ownership restrictions • Investments restrictions | Ongoing (both) | Jul 1999 Jul 2010 | Jan 2006 May 2013 |
| <i>"Other" barriers</i> <ul style="list-style-type: none"> • Trans-Siberian royalties • Issuance of visas and work permits | Monitoring Solutions Ongoing | Oct 1997 May 2009 | Jul 2010 May 2013 |

Table 9: Russian Barriers to Trade and Export, according to the European Commission. Compiled from information provided by the European Commission (2013d).

As one might note, the overall business environment and problems concerning corruption are not included in the European Commission's overview of Russian barriers to trade and export (see table 9 above). However, according to (amongst others) the economist de Kort³² (2006; 2009) a deteriorating business- and investment climate and corruption are a major problem for (European) exports to the Russian market. Furthermore, it is argued that the recent WTO-agreements do not affect the (poor) Russian investment climate: according to de Kort (2009) it is, even after WTO-accession, not attractive for foreign businesses to invest in Russia, as dealing with the Russian (national, regional and local) authorities seems to remain difficult. The '2012 country corruption' ranking of Transparency International endorses de Kort's statements: in 2012 Russia was ranked number 137 (of 174) of corrupt countries (174 being the most corrupt) (Transparency International,

³² dr. de Kort is an assistant professor at Leiden University, specialized in international economic relations and the economies of transition-countries.

2012). With this ranking Russia places itself between countries such as Iraq, Kazakhstan, Azerbaijan and Kenya.

The rather grim description of the current Russian investment- and business climate is in sharp contrast to the fairly positive report by KPMG (2013). In the course of 2012 KPMG surveyed several Dutch entrepreneurs and asked them about their opinion concerning the impact of Russia's accession to the WTO. The vast majority of the respondents in the KPMG research argued that, due to Russia's WTO-accession, (European) businesses will be less hesitant to invest in the Russian market, which will improve the Russian trade relation with (inter alia) the Netherlands (KPMG, 2013, p.13-14; 24-25). It is furthermore rather striking that, although some of the KPMG' interviewees evaluated the current Russian legal and tax regime as troublesome ("both tend to be form-driven instead of substance driven: a comma in the wrong place on a form can lead to delays – something which would be unheard of in the Netherlands" (KPMG, 2013, p.14)), there are no references to corruption or a deteriorating investment- and business environment in Russia.

Russian Barriers affecting Dutch companies

If we take a look at table 9 (Russian Barriers to Trade and Export, according to the European Commission) we see a wide range of barriers hindering trade and export: SPS measures, tariffs and duties, internal taxation, registration/documentation/customs procedures, standards technical requirements, governmental procurement, non-tariff measures, (weak enforcement of) Intellectual Property Right (IPR) protection, limitations concerning Foreign Direct investment (FDI) and barriers concerning the issuance of visas and work permits. As we have seen earlier, Russia (formally) acceded the WTO in the second part of August 2012, after more than 18 years of consultation and negotiation. In table 7 the 'creation date'³³ of each trade- and export barrier is listed. Not that *all* barriers are reported during the negotiations and consultations in the run up to the Russian WTO-accession in 2012. Most of the barriers are reported in the period 2008-2010. Some exceptions are the 'Customs clearance procedures', the dual energy pricing and (high) consular fees (all three from 2002 onwards). Furthermore, some limitations concerning Foreign Direct Investment and 'Trans-Siberian royalties (extra payments made by foreign (EU) airlines for flying over Russian territory) date back to the late 1990s.

³³ The so-called 'creation date' refers to the date when a specific trade- or export barrier is reported to the European Commission (by a EU member state).

Although there is a wide variety of barriers hindering export to the Russian market, when discussing trade- and export barriers with various interviewees³⁴, three categories of barriers appear to be most prominent in influencing the Dutch export to Russia. Firstly, there are several Technical Trade Barriers (TTBs): as we have seen, several regulations have been implemented by the Russian government in recent years which are in breach with WTO-rules (e.g. standards for alcoholic beverages, cars and textiles). Second, Sanitary and Phytosanitary (SPS) measures remained causing barriers to trade and export, most notable is the recent Russian ban on German and Dutch potato seeds which we discussed earlier in this case-study. Third, although not included in the European Commission's overview of Russian barriers to trade and export (see table 7 above) and partially in contrast to (inter alia) the 2013 KPMG research, but based on several interviewees (such as Everts, 2013 and Schuur, 2013), we argue that corruption (primarily as a result of so-called *political ambiguity*) can be seen as a major and important trade- and export barrier.

As we have argued before, we expected to disclose certain barriers Dutch companies encounter in their export to Russia. Especially trade- and export barriers concerning emerging countries' *political ambiguity* and certain domestic regulations which have an impact on trade and export to the emerging country in question were expected to be found. The barriers we encountered in this case (Russia) can be grouped under the banner of *environmental* barriers. Furthermore, the vast majority of the Russian barriers (see table) can be categorized as stemming from either *political ambiguity*, hindering domestic regulations, or both. Several barriers originate from counteractive Russian (domestic) regulations, for example certain (internal taxations), several so-called Standard Technical Requirements (STRs) foreign companies have to adhere to, and ample limitations concerning Foreign Direct Investment (FDI) in the Russian economy. Examples of *political ambiguity* are to be found specifically if we take a closer look at the role of corruption within the Russian society. Although a couple sources (primarily KPMG, 2013) argue that corruption cannot be regarded as a specific trade- and export barrier, there is an abundance of (academic) evidence on the hindering influence of corruption on trade and export. According to Cheloukhine and King (2007) corruption in Russia is not only imbedded in the system of social relations between individuals (p.107), but it is the role (on different levels) of the Russian state which facilitates, rather than hinders corruption (Levin and Satarov, 2000, p.113). Corruption is mainly stimulated through "the poor regulation of the property rights system. Instead of functional property rights, there exists a very complex system of mutual relationships between governors, law enforcement officials, and the courts" (Cheloukhine and King, 2007, p.112). Furthermore, lack of social guarantees (e.g. for civil servants) and major legal

³⁴ For a complete overview of the interviews conducted during this research I kindly refer to Appendix 1

vulnerabilities must be seen as spurring corruption within the Russian society (ibid, p.114). Furthermore, several interviewees such as de Vries (2013) and Everts endorsed these findings, by arguing that political ambiguity and the (resulting) corruption influence the overall Russian business climate in a rather negative way. de Kort (2006; 2009) argues that the Russian authorities seem unable to tackle the problem of corruption. Hence, we might conclude that a form of political ambiguity is the cause for a substantial part of the Russian corruption.

However, next to the barriers one might expect to encounter when exporting to an emerging country such as Russia, we also found a rather large number of (*environmental*) barriers that could not be attributed to the Russian market because of its 'emerging' characteristics. The large number of Sanitary and Phytosanitary (SPS) measures can be seen as a good example of trade- and export barriers that, although Russia has accessed the WTO and the fact that these SPS-measures (or the way they have been established) are not in compliance with WTO-rules, still play a major role in influencing foreign (EU) export into the Russian Market.

Summary

In this first section of the case-study we focused on the trade- and export relation between the Netherlands and the Russian Federation. We argued that the Netherlands has made itself one of Russia's major trading partners. For example, seven out of nine Top Sectors have indicated to see great opportunities on the Russian market. At the same time, despite Russia's recent access to the WTO, there are several trade- and export barriers which impede smooth Dutch exports to Russia. Based on information provided by the European Commission, we came up with a list of trade- and export barriers ranging from so-called *SPS-measures* to caveats in the protection of intellectual property. We argued that corruption, as a result of *political ambiguity*, should also be seen as a major barrier for exports to the Russian Federation. Although we identified a wide variety of barriers, when discussing trade- and export barriers with our interviewees, three categories of barriers appear to be most prominent in influencing especially the Dutch exports: Technical Trade Barriers (TTBs), Sanitary and Phytosanitary (SPS) measures and corruption.

6.2 Ukraine

Introduction

In contrast to the Russian Federation, the European Commission did not declare Ukraine to be one of its *strategic* partners. However, the strong focus on these *strategic partners* does not mean that trade- and export barriers in other markets will not be addressed by the EU or its individual member states. In March 2012, for example, the European Union and Ukraine agreed upon the text of the *Association Agreement and its Deep and Comprehensive Free Trade Area* (DCFTA), which marked the growing importance of the Ukrainian market for European businesses and, vice-versa, the reliance of Ukraine on the European Union as major trading partner³⁵ (European Commission, 2013b, p.2). If we take a look at the Ukrainian market from a Dutch (business) perspective we see, more or less, the same picture. Although Ukraine is, obviously, not a BRICS-country, there is ample attention for the business opportunities for Dutch companies on the Ukrainian market. For example, two of the Top Teams (Agro-food and Chemistry) marked Ukraine as a so-called *priority country* within their International Agenda's.

Although some progress is made in recent years (culminating in the May 2008 accession of Ukraine to the WTO), much remains to be done by Ukraine, for example in relation to the fight against the conflict of interest and corruption in the judiciary, and the stabilization and consolidation of its public institutions (European Commission, 2013b, pp.2-3).

The Dutch Perspective: Export to Ukraine

In 2011 the Netherlands exported 1.1 billion Euro worth of goods to Ukraine. This is 0.3 percent of the total Dutch export value. This puts Ukraine on the list of major exporting countries on place 43. Exports to Ukraine consists for 44 percent of machines (mainly trucks, tractors and parts for computers and printers), while chemistry accounted for a share of 20 percent, including (inter alia) medicinal products and synthetics and (organic) chemicals. Agro-food has a share of 13 percent in the overall export value, with cocoa paste and cocoa butter as the main export products (CBS, 2012, p. 124). However, not only the (Top) sectors Chemistry and Agro-food are keen to enter the Ukrainian market, other sectors, such as the Top Sector *horticulture and propagation material*, have also shown interest to engage in export related activities to Ukraine (Durieux, 2013).

³⁵ As for 2011, the European Union is Ukraine's 2nd largest trading partner (after Russia), accounting for over 27 percent of its overall trade volume (European Commission, 2013, p.10).

As we have seen in the previous section of this case-study (Russia), six (out of nine) Top Sectors have indicated (at least one) subsector for which there are opportunities on the Russian market (see table 8 for a complete overview of the subsectors). However, if we take a look at the Ukrainian market, we see that *none* of the Top Sectors has expressed interest in a specific subsector. Remarkably, none of the interviewees, nor any of the civil servants concerned with the international strategies of the Top Sectors was able to explain why this was the case. Within the *Strategic Bilateral Agenda 2012-2013* Ukraine is listed as one of the *priority countries* for Dutch exports. The list of *priority countries* has been established based on, inter alia, the international strategy of the individual Top Sectors (Ministry of Economic Affairs, 2012, pp. 3-13).

Trade and Export Barriers

When exporting to Ukraine, Dutch companies have to deal with a broad range of different trade- and export barriers: from lengthy customs formalities to non-transparent laws and regulations. Of course, some barriers are more prevalent, better known or have a greater impact than others. In this section of the case-study, we aim to provide an overview of all the major trade- and export barriers at the Ukrainian market. The European Commission provides us with an elaborate list of barriers (European Commission, 2013e). Although these barriers are not specified for the Dutch case, this overview should be regarded as a valuable starting point for this assessment of Ukrainian barriers to trade and export.

| Barriers | Barrier Status (EC) | 'Creation date' | Last update |
|---|---------------------|-----------------|-------------|
| <i>SPS (sanitary and phyto)</i> <ul style="list-style-type: none"> import permit for products with animal origin | Ongoing | Feb 2011 | Jun 2012 |
| <i>Tariffs and Duties</i> <ul style="list-style-type: none"> Customs valuation (non-compliance with WTO) | Ongoing | Dec 2009 | Apr 2010 |
| <i>Internal Taxation</i> | Ongoing | Dec 2009 | Apr 2010 |
| <i>Registration, Documentation, Customs Procedures</i> <ul style="list-style-type: none"> Lengthy and cumbersome custom clearance procedures | Ongoing | Dec 2009 | Apr 2010 |
| <i>Government procurement</i> <ul style="list-style-type: none"> Restrictions on foreign public procurement | Ongoing | Dec 2009 | Apr 2010 |
| <i>Intellectual Property Rights (IPR)</i> <ul style="list-style-type: none"> Lack of commitment to enforce IPR laws | Ongoing | Dec 2009 | Apr 2010 |

Table 10: Ukrainian Barriers to Trade and Export, according to the European Commission. Compiled from information provided by the European Commission (2013e).

As we have seen earlier, Ukraine has accessed the World Trade Organization in May 2012. As Ukraine accepted all the responsibilities associated with WTO-membership, it should have ensured compliance with the organization's rules from day one. However, as we can see in table 10, many barriers remain prevalent in the day-to-day practice. It is, furthermore, rather striking that all the barriers listed in table 10 have a recent 'creation date'³⁶: all but one barriers are first reported in December 2009. In the previous section of this case-study (on Russian trade- and export barriers) we argued that some progress has been made towards settling some of the trade- or export barriers (see table 9): a couple of Russian barriers was labeled with the status 'Monitoring Solution'. Concerning the Ukrainian case we have to note, however, that (at least according to the European Commission) no progress has been made since April 2010 (in the case of SPS-measures June 2012): all barriers remain in place, as they are labeled 'Ongoing'.

According to Pyzhov et al. (2012) especially Non-Tariff Barriers (NTBs) related to the Ukrainian regulatory environment and (foreign) investment remain in place, despite the Ukrainian accession to the WTO. As we have seen earlier, the European Union and Ukraine agreed upon the text of the *Association Agreement and its Deep and Comprehensive Free Trade Area* (DCFTA) in March 2012. The aim of this agreement is to remove such barriers, as it "promotes approximation of Ukraine to EU rules, regulations and standards" (Pyzhov, 2012, pp.9-10). However, several trade- and export barriers remain to be in place:

1. *VAT refunds arrears*: foreign companies (for example stemming from EU member states) face severe delays in the refund of VAT. There are, furthermore, concerns about the unpredictability of timing and correct amount of the VAT refund;
2. *Custom procedures*. Pyzhov and al. (2012) come forth with an extensive list of problems EU businesses face with regard to lengthy and cumbersome custom clearance procedures: "long and time consuming process; outdated control techniques not based on risk analysis; unclear methodology for control; requests for additional documents frequently containing commercial secrets; incorrect classification decisions; request for labeling based on unclear criteria with different application between regional customs offices; unclear criteria of granting status of authorized traders for simplified procedures; numerous, often unfounded customs and tax inspections causing delays; difficulties for temporary imports of intermediate goods and products to be used in trade exhibitions" (Pyzhov et al., 2012, p.9);
3. *Public procurement procedures*. This barrier concerns the participation of foreign (from EU member states) bidders on unequal grounds in Ukrainian public procurement procedures;

³⁶ The so-called 'creation date' refers to the date when a specific trade- or export barrier is reported to the European Commission (by a EU member state).

4. *Customs valuation.* Although the Ukrainian system of customs valuation is (formally) aligned with the WTO-standards since 2012, there are still ample incidents of (local) customs authorities applying custom valuation methods that are in breach with the so-called 'Custom Code' as agreed upon when acceding the WTO;
5. *Import permits.* These import permits are related to SPS-measures, as they concern the import of animals of products with an animal origin. According to Pyzhov et al. (2002) "Ukraine's risk assessment based on science for application of this specific sanitary measure has been requested" (p.10), as the WTO questioned the scientific basis and reliability on which these permits are based;
6. *IPR enforcement.* Effective enforcement of Intellectual Property Rights (IPR) through the Ukrainian government is, to a great extend, lacking. According to the European Commission, especially the (lack of) trademark standards are reason for major concern (European Commission, 2013e).

The six barriers mentioned above confirm the continued and widespread existence of trade- and export barriers on the Ukrainian market. These findings are also corroborated by the *Doing Business Report 2012* published by the World Bank. In this report it is argued that Ukraine's 'ease of doing business' is declining since 2010 onwards. Ukraine ranked no. 152 (out of 183 countries) in 2012, no. 149 in 2011 and 147 in 2010 (World Bank, 2012, p.6).

Ukrainian Barriers affecting Dutch companies

If we take a look at table 8 (Ukrainian Barriers to Trade and Export, according to the European Commission) we see a wide range of barriers hindering trade and export: SPS measures, tariffs and duties, internal taxation, registration/documentation/customs procedures, governmental procurement, and barriers concerning Intellectual Property Rights (IPR). Although there is a wide variety of barriers hindering export to the Russian market (see table 8), when discussing the trade- and export barriers on the Ukrainian market with various interviewees³⁷ and based on information obtained through interviews (and information provided by) key-players within the (Dutch) Ministry of Economic Affairs, Ministry of Foreign Affairs and the Embassy of the Netherlands in Ukraine, three specific barriers catch the eye: *import valuation*, *certification* and *corruption*. According to, primarily, the Dutch embassy in Kiev, these three barriers can be seen as influencing the Dutch trade with Ukraine the most. Especially Durieux (2013), Economic Officer at the Dutch Embassy in Kiev, made us (during the interview we conducted) aware of the fact that certain barriers can be regarded as

³⁷ For a complete overview of the interviews conducted during this research I kindly refer to Appendix 1

politically sensitive issues (e.g. issues surrounding custom formalities), which might make it hard to include these kind of barriers into this research as key-stakeholders (Dutch as well as Ukrainian) are reluctant to provide information on these kind of matters.

Valuation of (import) tariffs

Based on the value of the imported goods, the Ukrainian Custom Services determines the height of the import tariffs to be paid. However, as Everts (2013) argues, in this process the WTO methodology for determining the value of trade is not always respected which leads to higher import tariffs. Based on information provided by Everts (2013) and de Vries (2013) these problems occur most often in the agricultural and fishery sector. For example, the export of plants and flowers to Ukraine is experiencing a sharp increase in the import tariffs, because the Ukrainian Customs Services questions the invoiced value of, for example, flowers.

Certification as a Non-Tariff Barrier (NTB)

In order to be able to export to Ukraine or, more specifically, in order to obtain an import license, a so-called certificate is required for many products. Dutch entrepreneurs have often difficulties in obtaining these certificates. Obtaining these certificates is, especially with regard to veterinary and phytosanitary measures (often called “SPS-measures”) (WTO, 1994), is a problem. SPS-measures are applicable to trade in animals and animal products, plants, plant products. Furthermore, these measures entail requirements imposed on the general animal welfare (WTO, 1994, p.69-70).

From January 2009 onwards, import licenses (which could be issued previously at regional official) are not valid anymore, and new licenses could only be issued by the central office (located in Kiev) of the State Committee of Veterinary Medicine of Ukraine. According to Aldershof (2013), Dutch exporters indicate that this new situation created a (new) trade barrier, since requesting these licenses at the central office in Kiev takes, most of the time, longer than the maximum statutory period of thirty days. Furthermore, the procedures concerning applying for, and issuing the licenses are unclear. For example, a license is sometimes valid for only a very short period and it is unclear which products under what conditions are required to have a permit or license in order to (legally) enter the Ukrainian market. Moreover, it is not clear for Dutch exporters when their products are categorized as ‘new’ and, thus, require a (new) license. Finally, many exporters complain that they have to go to Kiev in order to obtain an import license, while the vast majority of their customers is located near to (for example) the Polish-Ukrainian border (de Vries, 2013).

WTO-members are only allowed to take SPS-measures if this is necessary in order to protect the life and health of human beings, animals or plants. Moreover, SPS-measures have to be based on sound scientific principles and evidence, and these measures should not arbitrarily or unjustifiably discriminate between countries with identical (or rather similar) conditions (WTO, 1994, p.70). In the case of Ukraine, it is not always clear whether these SPS-measures are in compliance with the above stated WTO rules (de Vries, 2013). The European Union has raised this issue repeatedly by the Ukrainian authorities in charge of issuing these measures (primarily the State Committee of Veterinary Medicine of Ukraine) and asked to clarify the import licensing procedures. In particular, the European Union would like to receive a (technical) justification on which the Ukrainian SPS-measures are based and a (scientific) risk assessment by the Ukrainian government in order to account for the SPS-measures (European Commission, 2012b). Note that these requests (from the European Union) are in line with the obligations Ukraine agreed upon when signing the WTO agreement on veterinary and phytosanitary measures.

Generally speaking, certification and licensing processes in Ukraine last for a long time, they are costly and rather complicated. According to Durieux (2013) there is a great deal of paperwork and red tape companies have to deal with, while they are not even sure when (or if) they get a response after they have submitted their request to the Ukrainian government. Furthermore, it happens regularly that (foreign) companies have to resubmit their request, due to the fact that governmental officials change functions, or (minor) changes to the rules occurred.

One of the main problems, when exporting to the Ukrainian market, is the fact that over half of all goods are not in alignment with the certification. This peculiar situation is caused by GOST, the state standard of the (former) Soviet Union which is still used in Ukraine³⁸. The GOST system describes for almost every product where it should consist of and where the different components needed to produce the product should be purchased. As one can imagine, this system worked well during the Soviet era, but by now it creates major disruptions in trade towards Ukraine as many different products enter the Ukrainian market from many different countries. However, the GOST standard is (still) popular within the Ukrainian government, as it imposes a non-tariff trade barrier for export to Ukraine. In this way, the Ukrainian government is able to protect local (Ukrainian) businesses from international competitors.

³⁸ The following countries (still) use the GOST standard: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan (Eurasian Interstate Council, 2013)

Non-transparent government and corruption

Lack of governmental transparency and corruption are issues that play a major role (also within the above mentioned trade barriers). Aldershof (2013), for example, mentioned that it is often unclear on which guiding principles a specific policy is based and requests for amendments in the policy are often not taken into consideration by the Ukrainian government. It is also possible that laws and regulations suddenly change: without warning or the existence of some kind of transitional arrangements. As argued by, amongst others, Matland (1995) many things can go wrong during the process of policy implementation. Hence, it may happen that (although a certain law or regulation is passed the Ukrainian parliament that solves a specific problem) the implementation fails. Another, deeply rooted, problem is corruption. Dutch exporting companies regularly indicate that they have to deal with various forms of corruption. According to some, this can be seen as a legacy from the (communist) past when corruption provided a solution in order to satisfy the basic need of ordinary citizens.

We can come up with various reasons for the earlier mentioned problems the Ukrainian economy faces currently. First of all, almost all societal, political and economic developments should be seen in the context of transition: Ukraine is still located in the midst of a transition from state-planned to market economy. Although Ukraine has been independent for over twenty years, its institutions, customs and day-to-day practices are still very much oriented towards the former Soviet Union's way of structuring the public life. One of the most evocative examples of practices adhered from the Soviet era, is the 'GOST' standardization system which is still used in, inter alia, Ukraine and Russia. The second 'cause' is related: the reduction of customs duties due to Ukraine's accession to the World Trade Organization (WTO). Because import duties and VAT on imported goods contribute largely to the Ukrainian (national) budget, the Ukrainian WTO accession (and the successive reduction in revenue received through custom duties) might give an incentive for Ukrainian officials to interpret the WTO-rules a little less stringent. A third cause is formed by actions by the Ukrainian government to protect the domestic market. Protectionism is, according to several sources (such as de Vries, 2013 and Everts, 2013), an important reason for the Ukrainian government to impede imports from (primarily) the European Union. Finally, also corruption (on various levels) can be seen as an important barrier to trade and export. For example, the central Ukrainian government seems to have only very little control over the behavior of individual custom officers, which might lead to arbitrariness (de Vries, 2013)

Summary

In this second section of the case-study we focused on (the Dutch export) to Ukraine and the trade- and export barriers foreign companies encounter in their efforts to export. First of all we argued that, although the current Dutch export to Ukraine is rather limited (place 43 on the list of major Dutch exporting destinations), there are ample opportunities to enhance this position: several Top Teams have listed Ukraine as so-called *priority country*. At the same time, we have to conclude that several different trade- and export barriers (still) negatively affect the ease of exporting to Ukraine. Especially issues related to the valuation of import tariffs, certification and a non-transparent government were listed as major concerns for Dutch companies.

6.3 Policy Measures

Policy Measures on the International Level

As we have seen in chapter 5, the Dutch government has designed a wide range of different policy instruments and measures aimed at facilitating and promoting trade and export. However, most of the policy instruments listed in chapter 5 are not aimed at overcoming trade- or export barriers. An exception should be made for the “Meldpunt Handelsbelemmeringen” (*Trade Obstacles Reporting Centre*), which can be seen as an important policy instrument aimed at overcoming trade- and export barriers. The vast majority of measures aimed at overcoming trade- and export barriers is implemented and executed on an international level: at the various EU institutions, the WTO or through bilateral EU-Russia consultations and negotiations. If a trade- or export barrier is harming (only) the Dutch interest, specific measures are considered at the Dutch (national) level. The “Meldpunt Handelsbelemmeringen” (*the Trade Obstacle Reporting Centre*) (which is part of the Ministry of Foreign Affairs) “collects” accusations of unfair (international) competition, such as trade- and export barriers. Governmental officials working within the reporting centre try to facilitate possible solutions to the reported trade- or export barrier by bringing together (for example, and not limited to) relevant governmental agencies, (departments) from different ministries and Dutch embassies. However, even if *specific* policy measures (such as the “Meldpunt Handelsbelemmeringen”) are used to overcome barriers, this is always done in close consultation and cooperation with institutions such as the European Union, European Commission and World Trade Organization (WTO).

One of the primary goals of the World Trade Organization (WTO) is to settle (economic) disputes between countries. An economic dispute arises when a country (or organization such as the EU) adopts a trade policy measure “that one or more fellow-WTO members consider to be breaking the WTO-agreements, or to be a failure to live up to obligations” (World Trade Organization, 2008, p.55). If a WTO-member files a complaint, the so-called “Dispute Settlement Body”, which consists out of all WTO-members, is responsible to settle the dispute. This WTO body has the authority to (1) establish ‘panels’ of experts to consider the dispute and (2) accept (or reject) the panels’ findings on the dispute in question. Furthermore, the Dispute Settlement Body has “the power to authorize retaliation when a country does not comply with a WTO ruling” (ibid, p.56). When settling a dispute, there are two stages. First, before turning to the Dispute Settlement Body, countries have to negotiate with each other, to see if they are able to settle the dispute by themselves. Second (if the bilateral negotiations fail), the complaining country may ask for an expert panel to be appointed by the Dispute Settlement Body. Officially, the Dispute Settlement Body can overturn the panels’

decision. However, as the panel's findings can only be rejected by consensus (in the Dispute Settlement Body) this hardly happens (ibid, pp.56-57). Both the complaining and the defending country may appeal to the panel's ruling. However, "appeals have to be based on points of law such as legal interpretation: they cannot reexamine existing evidence or examine new issues" (ibid, p.57).

The European Union (EU) is a member of the World Trade Organization since the first of January 1995. However, all the member states of the EU (currently there are 28) are also WTO-members on their own. At the same time, the European Commission (EC) –being the executive body of the EU– "speaks for all EU member states at almost all WTO meetings" (World Trade Organization, 2013). Hence, all the EU member states are dually represented in the WTO. Since 1995 (the foundation of the WTO in its current form), the EU has been involved over 500 WTO dispute settlement cases: 89 times as a complainant, and 74 times as a respondent (World Trade Organization, 2013): the European Commission has "an international legal personality, and makes an active use of that personality" (Eeckhout, 2006, p.449). This unique constellation of dual representation (both as an individual country and through the European Union) results in the fact that the European Commission acts as being responsible for violations of the WTO-rules, even if these violations are committed by its member states (ibid, p.463). de Vries (2013) follows this line of reasoning, and argues that, although it is legally possible for countries to engage in bilateral negotiations with non-EU countries to resolve trade- or export barriers, this is regarded as inappropriate by, for example, the European Commission. National governments are encouraged to resolve (economic) dispute with non- EU countries at the European level.

Policy Measures on the National Level

There is, however, a large number of *Dutch* policy measures aimed at facilitating companies' trade towards emerging countries. For example: the Transition Facility (TS) which goal it is to build healthy trade relations between Dutch SME entrepreneurs and countries in transition. The idea of the TF is to improve (by using Dutch knowledge and skills) the overall business climate in the transition countries by removing trade and export barriers. The TF focuses however (only) on Vietnam, South Africa and Colombia. Furthermore, there is the SIB (Starters International Business) which can be regarded as a truly new policy instrument. The SIB is aimed at supporting SME entrepreneurs who have little or no experience with trade and export to foreign markets. These entrepreneurs receive advice in drafting and implementing a so-called 'roadmap' for their strategies concerning internationalization. Third, there is the PIB (Partners for International Business) which is aimed at companies and research institutions who want to enter a foreign market together. With the Dutch government acting as a

facilitator (using, for example, economic diplomacy) the so-called *golden triangle* is put into practice. PIB focuses primarily on Dutch companies within the Top Sectors. The fourth policy instrument which focuses on (business and trade with) emerging countries is the FOM ('Faciliteit Opkomende Markten' or '*Fund Emerging Markets*'). The aim of the FOM issues loans and guarantees for Dutch companies who plan to set up a subsidiary company or joint-venture in an emerging country. Lastly, there is the FIB, which is aimed at setting up co-financing projects developing and emerging countries.

Starters International Business

As we have mentioned earlier, SIB (Starters International Business) is a policy instrument concerned with supporting SME entrepreneurs who have little or no experience with export to foreign markets. AgentschapNL (*NL Agency*) advises these entrepreneurs on topics such as preparing a so-called 'internationalization strategy'. Individual companies can apply for a voucher worth up to €2.400,-, which has to be spend on coaching, aimed at improving the companies' internationalization strategy. The SIB programme started in April 2012. In the first year (until the end of April 2013), 27 companies or SME entrepreneurs received a voucher. According to Schuur (2013), the companies who were awarded with these SIB-vouchers stemmed from different industries and sectors: from so-called 'agribusiness' to software design or home-decorations. Most often, these entrepreneurs have engaged in previous attempts to internationalize, but failed during the process. The most popular export countries for these (27) companies are Germany, Sweden, France and England. However, a smaller amount of the companies (also) focused on China and Argentina. Only one company was about to set up exports towards the Russian Federation. None of the 27 companies taking part in the SIB-programme was planning to expand businesses to Ukraine.

Partners for International Business

The PIB (Partners for International Business) policy instrument is also aimed at facilitating Dutch exports to emerging countries. However, this instrument focuses only on companies within one of the nine Top Sectors. Furthermore, this instrument adheres to the principles of *networked governance*

Example: "Dutch Aviation Solutions Russia"

Different Dutch companies (such as the "Dutch Flight Simulation Company") and research institutions (for example, the "Dutch Aerospace Laboratory") have signed a PIB-agreement in early October 2012 with the goal to promote the Dutch Aviation industry in the Russian Federation, by positioning the participating companies and research institutions on the Russian market, in order to identify, initiate and develop contracts in the Russian Federation in the field of regional airport construction, aviation (in general) and attracting Russian investments (AgentschapNL, 2013a, p.2). Within this PIB framework the Dutch government (Ministry of Economic Affairs) is responsible for 1) promoting the Dutch aviation sector (through e.g. *Holland Branding*), 2) Government-to-Government (G2G) exchange of knowledge on "safe, secure and sustainable civil aviation" (ibid, p.3) and 3) economic diplomacy: the appointment of a (Dutch) aviation expert at the Dutch embassy in Moscow (ibid, pp. 3-4).

as the government is seen as a 'facilitator' for Dutch businesses and research institutions who want to enter a foreign market together (Ploumen, 2013, p.1). There is considerable interest from the

various Dutch industrial sectors for the PIB-programme. So far, 12 agreements between individual companies and research institutions were signed, 16 applications are still in the process of negotiation and another 35 applications were considered, but rejected. The top three export destinations for companies/research institutions engaged in the PIB-programme are: China (9), Russia (7) and Brazil (6). In total, 95% of all applications stem from one of the Top Sectors. The sectors Agrifood, Creative Sector and Water are, however, overrepresented. Within the PIB-programme 29 countries have been marked as so-called 'priority country'. This implies that applications aimed at establishing (trade) relations with these countries are given priority over applications focusing on non-priority countries. Ukraine is one of these 29 priority countries. So far, however, not a single Dutch company applied for PIB-grants aimed at establishing trade with, or export to, Ukraine.

In 2013, the PIB budget increased to over €7.1 million. Per agreement the (average) governmental contribution is around €280,000. According to Ploumen (2013), from 2014 onwards, 25 agreements should be signed on a yearly basis (pp.1-2). It is, furthermore, important to mention that the Dutch embassies and consulates around the globe are supposed to play an important role in the PIB-programme, as they are assigned to implement the agreements made between companies and research institutions (ibid, p.2).

Faciliteit Opkomende Markten (Fund Emerging Markets)

The FOM (Faciliteit Opkomende Markten) offers Dutch businesses the opportunity to provide financing, ranging from €45,000 to €10,000,000. We have to note that in the period 2006-2011 there were no loans under €300,000. Within the FOM-programme there is, however, also room for the use of other financial instruments, ranging from guarantees to equity investments (Carnegie Consult, 2011, pp.19; 22). All countries which are member of the World Bank are eligible to take part in the FOM-programme, except for the 'high-income countries' and EU member states, but including the (former) Netherlands Antilles and Aruba. However, the list of countries may be subject to (a yearly) change (ibid, p.18). The number of loans grew steadily from 61 in 2006 to 75 in 2010. The budget of the FOM increased as well to more than €59,000,000. The FOM-programme serves many different sectors, but the Agrifood is represented the most. As we have seen, about 70 loans are granted on a yearly basis. From 2006 onwards three or four loans (per year) are given to companies who want to expand their business to the Russian Federation (ibid, p.39). It is rather interesting to note that (in the same time period, hence, from 2006 onwards) up to eight loans (on a yearly basis) are rewarded for Dutch companies exporting to Ukraine (ibid, p.38). Taking this into account, the *Faciliteit Opkomende Markten* (Fund Emerging Markets) is the only Dutch policy instruments discussed in this

section which has a greater emphasize on Ukraine than on the Russian Federation. Unfortunately, none of the interviewees, nor officials at AgentschapNL (*NL Agency*) or the Ministry of Economic Affairs were able to explain this rather exceptional interest of Dutch companies (engaged in the *Faciliteit Opkomende Markten*) in the Ukrainian market.

Finance for International Business

The FIB (Finance for International Business), as we have said earlier, does not differ much from its predecessor ‘package4growth’, and consists out of co-financing projects in developing- or emerging countries. The purpose of the FIB-programme is to establish mutually beneficial economic relationships with countries who received previously Dutch development aid. Initiatives under the banner of Finance for International Business include the following: improving the business climate, increasing the size of (sustainable) bilateral trade, increasing Dutch investments in transition countries. The list of countries eligible for the FIB-programme is, however, rather limited: Russia, Kuwait, Bahrain, Qatar, United Arab Emirates, Oman, Saudi Arabia, Singapore and South Korea. Hence, per definition, companies trying to expand their exports to Ukraine are not eligible to apply for FIB-grants. Yearly, Finance for International Business had a budget of €500,000 (AgentschapNL, 2013b). Unfortunately, there is no information on the exact allocation of this budget (e.g. to which country most of the businesses using the FIB-programme are exporting). We have to note that, especially when compared to the PIB (Partners for International Business) or the FOM (Faciliteit Opkomende Markten) policy instruments, the (financial) impact of the FIB is rather limited as its budget does not exceed half a million Euro per year.

Implementing Policy Measures

At this point of the case-study we should take a closer look at the role of the Ministry of Economic Affairs, and more specifically the role of the “direction TOP” (which is responsible for implementing and executing the Top Sector policy), in facilitating trade and export towards the Russian Federation and Ukraine. As we have briefly touched upon before, initiated by the direction TOP, for each sector a so-called ‘top-team’ has been established consisting out of an ‘innovative Small- and Medium sized Enterprise’ (SME), a scientist, a civil servant and a so-called ‘figurehead’ working in the sector in question. Each of these top-teams was asked to draw up an ‘International Agenda’ for their respective sectors. As we have seen in the case-study, seven out of nine Top Sectors have marked Russia as a *priority country* within their International Agenda. In fact, only two (Chemistry and High-tech) out of nine the Top Sectors have *not* mentioned Russia as a country of interest. We have also touched upon the fact that three (out of nine) Top Sectors (Chemistry, Agro-Food and Horticulture

and Propagation Materials) have showed interest in entering the Ukrainian market, as they have marked Ukraine as a so-called *priority country* within their International Agenda.

Within the direction TOP, two civil servants are responsible for what is called “the international aspect of the Top Sector policy”, meaning that they try to link the International Agenda of the nine Top Teams to the different policy instruments offered by AgentschapNL (*NL Agency*). Furthermore, they try to align the travel agenda of the different Ministers and State Secretaries (but primarily the Minister and State Secretary of Economic Affairs) with the demands and priorities listed in the nine International Agendas. This can be seen as a way of adjusting Dutch economic diplomacy to the needs of Dutch businesses, as articulated in their International Agendas. Although the Ministry of Economic Affairs is responsible for AgentschapNL (*NL Agency*), as AgentschapNL is the executive agency for international policies of this ministry, other ministries (primarily the Ministry of Foreign Affairs) are also allowed to delegate (executive) tasks to *AgentschapNL*. Hence, it is unclear which ministry is *in the end* responsible for the wide range of different policy measures- and instruments. This situation has become even more complicated³⁹, as (since January 2013) the DG Buitenlandse Economische Betrekkingen (*Foreign Economic Relations*) has been moved from the Ministry of Economic Affairs to the Ministry of Foreign Affairs.

As we have seen in chapter 4 (primarily section 4.4, “the Top Sector Policy 2011-2013”), internationalization towards (emerging) foreign markets is one of the pivotal objectives of the Top Sector policy. Therefore, this policy is aimed at strengthening the current position of the Netherlands within the world economy by shaping a demand-driven type of sector policy approach. These objectives resemble, to a great extent, the objectives of the DG Buitenlandse Economische Betrekkingen (*Foreign Economic Relations*). As stated by the Ministry of Foreign Affairs (2013) “the mission of DG BEB is to foster the competitiveness of the Dutch economy, strive for an open world economy and promote sustainable globalization”. Hence, one of the primary goals of the DG BEB is to give impetus to international economic activities of Dutch companies by creating favorable conditions for these entrepreneurs and to support them in their struggles to enter promising (emerging) markets and sectors. Furthermore, one of the primary goals of the DG BEB is to facilitate international market access through the active use of economic diplomacy.

This DG can be divided into three sub-units (called ‘directies’): the *Directie Internationaal Ondernemen* (“International Entrepreneurship”), the *Directie Internationale Marktordening en*

³⁹ See also chapter 5 for a more detailed overview of the relation between the Ministry of Economic Affairs and AgentschapNL (*NL Agency*)

Handelspolitiek (“International Competition and Trade Policy”) and the *Directie Economische Diplomatie en Transitie* (“Economic Diplomacy and Transition”). Especially the focus and goals of the latter ‘directie’ resemble to a great extent the focus of the Top sector policy implemented and executed by the Ministry of Economic Affairs. As Van Leeuwen (2013) argues, the *Directie Economische Diplomatie en Transitie* aims at identifying international trends relevant for the Dutch position in the international economic relations, transforming them in so-called ‘International Policy Agenda’s’. Furthermore, one of the pivotal goals of this ‘directie’ is to facilitate international market access through the active use of (economic) diplomacy, paying particular attention to the involvement of Dutch companies in development aid- and cooperation. This high level of overlap between the DG BEB, on the one hand, and the DG TOP (responsible for the Top Sector policy) on the other hand, has lead to a situation of ambiguity, in which it is not clear which ministry, or which Directorate-General within one of the two ministries, should initiate (new) policy initiatives (and hence is responsible for the policy measures- and instruments in the end) in the field of (facilitating) trade and internationalization.

Summary

The Dutch government designed a range of policy instruments and measures aimed at facilitating trade and export. For Dutch companies exporting to the Russian Federation, the *SIB*, *PIB*, *FOM* and *FIB* policy instruments are important. With regard to Ukraine, we have to conclude that only the *FOM* (*Faciliteit Opkomende Markten* or ‘Fund Emerging Markets’) should be regarded as valuable and helpful for Dutch business in their process of internationalization to the Ukrainian market. Furthermore, the “Meldpunt Handelsbelemmeringen” (*Trade Obstacles Reporting Centre*) is the only Dutch ‘instrument’ aimed at overcoming trade- or export barriers. Other measures aimed at overcoming trade- and export *barriers* are implemented on the international level: primarily at the World Trade Organization (WTO).

Second, we focused on the role of the Ministry of Economic Affairs, and more specifically the role of the “direction TOP” in facilitating trade and export towards the Russian Federation and Ukraine. We argued that the role of the Direction TOP (as responsible for implementing and executing the Top Sector policy, also the ‘international’ aspect of this policy) and its relationship with AgentschapNL (*NL Agency*) is rather vague and not well defined. This is caused in particular by the displacement of the DG Buitenlandse Economische Betrekkingen (*Foreign Economic Relations*) from the Ministry of Economic Affairs to the Ministry of Foreign Affairs and the high degree of overlap in goals and focus between the Top Sector policy and the policies initiated by the DG BEB.

Chapter 7 Analysis of the Case Study

In this thesis' second chapter we identified several 'best practices' with regard to a broad range of governmental efforts aimed at facilitating trade, export and internationalization in general. If we compare the (Dutch) policy measures and instruments (as described in the case-study) with these 'best practices', we have to conclude that a rather large amount of the 'best practices' are met in the different policy instruments used in our cases. For example: the private sector itself is highly involved in the SIB, PIB, FOM as well as the FIB (using the so-called *golden triangle*), and these programs focus either on several specific (Top) sectors, or several specific countries or regions. Furthermore, in the Netherlands one single governmental Export Promoting Agency (*AgentschapNL*, or in English *NL Agency*) is responsible for coordinating and executing the various policy instruments. According to the 'best practices' this should lead to more effective policy measures and instruments.

There are, however, several caveats to this conclusion. Let us first recall that in chapter 2 (in which we elaborated on the theoretical framework) we came forth with an overview and classification of trade-and export barriers. The vast majority of the barriers we identified in the case-study (both within the Russian and Ukrainian sub-units) can be categorized as so-called *environmental* barriers. According to Leonidou (2004), this category refers to a rather broad range of barriers ranging from deteriorating foreign economic conditions, political instability (caused by either economic, societal or political factors), rules and regulations (such as entry restrictions, price controls or special tax rates for foreign products), tariff and non-tariff barriers, unfamiliar business practices (corruption), differences in socio-cultural habits, to barriers stemming from a difference in language (ibid, pp.294-296).

If we compare the policy measures and instruments executed through *AgentschapNL* (*NL Agency*) with the identified barriers we argue the following: first of all, these measures and instruments are not aimed specifically at *environmental* barriers which appeared to be most prominent in influencing Dutch exports to the Russian Federation and Ukraine. Second, although the policy instruments resemble (to a great extend) the 'best practices' identified in the academic literature, they are not designed to lift specific trade- and export barriers. Instead, they are meant to improve the (overall) business climate, provide information on certain foreign market(conditions), provide businesses with loans or facilitate Dutch trade or export through (various forms of) public-private partnerships. Measures aimed at overcoming trade- and export barriers are implemented on the international level: primarily at the World Trade Organization (WTO). Furthermore, we identified great divergence in the application of policy instruments between the two sub-units Russia and Ukraine. Although

both countries can be defined as *emerging economies* and attract growing numbers of Dutch companies and products, there is a great variation in the available policy instruments for these countries. Whereas with regard to Dutch exports to the Russian Federation the *SIB*, *PIB*, *FOM* and *FIB* policy instruments are eligible, concerning exports to Ukraine, only the *FOM* (*Faciliteit Opkomende Markten* or ‘Fund Emerging Markets’) can be regarded as valuable for Dutch business in their process of internationalization to the Ukrainian market. There is, however, not only variation in the policy instruments available (and feasible) for either Ukraine or the Russian Federation, but also volatility in terms of the policy instruments’ names and applicability. Despite the fact that the (general) content of the policy instruments remained the same, the focus (for example, the specific export destinations eligible for support) of the individual instruments changed over time and, in some cases, even from year to year.

In the fourth chapter, we elaborated on a detailed overview of the current Top Sector policy and its predecessors. The goals of the Dutch socio-economic policy (and the means of achieving them) changed significantly over the last decades. In a similar way, many of the policy measures and instruments changed names quite regularly, although their function or goal(s) remained (to a great extend) the same. Taking this into account, the Top Sector policy can be seen as a successor of several policies (from 2004 onwards) as in the vast majority of policies from the early 2000s onwards, there is a strong focus on internationalization. The Top Sector policy sets itself apart from previous policies by its design as a demand-driven policy (the ‘golden triangle’ consisting out of entrepreneurs, research institutions and governmental officials) and its focus on nine specific sectors of the Dutch economy. However, apart from the international agenda’s⁴⁰ of the nine Top Teams, there is (with regard to policy instruments aimed at facilitating internationalization) only very little difference from preceding policies.

Hence, although internationalization and the facilitation of trade- and export (especially towards *emerging economies*) is portrayed as one of the pivotal objectives of the Top Sector policy, there are almost no⁴¹ policy instruments designed specifically for companies stemming from one of the nine Top Sectors. This might be due to the fact that by far the largest share of Dutch export is (still) destined for the European market: Dutch exports to the BRICS, or other emerging economies, are

⁴⁰ The main points stemming from the top-teams International Agenda are: the desire to strengthen the Dutch economic diplomacy, to highlight the importance of a level playing field, a more effective promotion and “Holland Branding” abroad, strategic and targeted acquisition of high-quality foreign companies in the top sectors, the stimulation of cooperation in the field of innovation and a better use of the ‘Dutch strengths’ within development cooperation.

⁴¹ An exception has to be made for the *PIB* (*Partners for International Business*), which is only eligible for Dutch companies stemming from one of the nine Top Sectors

rather modest. In this respect, the Netherlands is somewhat lagging behind compared to other European countries. We argue, however, that this lack of policy instruments aimed specifically at (companies from) the Top Sectors is (more likely) the result of the rather vague and not well defined relationship between the Direction TOP (responsible for implementing and executing the Top Sector policy, including the 'international' aspect of this policy) and *AgentschapNL (NL Agency)*, which is the executive agency of the Ministry of Economic Affairs carrying out "policy and subsidy programs focusing on sustainability, innovation, international business and cooperation" (*AgentschapNL*, 2012, p.4). This unclear relationship stems not only from the fact that other Directorate-Generals or Directions within the Ministry of Economic Affairs, but also other Dutch ministries (primarily the Ministry of Foreign Affairs) have the possibility to delegate (executive) tasks to *AgentschapNL*. Hence, this leads to a situation in which it is unclear to which organization *AgentschapNL* should adhere to in the first place.

The relationship between the Direction TOP and the executing agency *AgentschapNL* (as described above) can be characterized as unclear, vague and ambiguous. Due to the fact that the Ministry of Economic Affairs is dependent on *AgentschapNL* (which is an autonomous actor) when it comes to implementing and executing the Top Sector's internationalization strategies, the Direction TOP has only very limited leeway to influence internationalization policies directly. Hence, as it is not only the Direction TOP, but also other (contextual) actors and conditions that dominate the policy implementation and execution process, policy outcomes are rather hard to predict on beforehand. This situation is aggravated as *AgentschapNL (NL Agency)* does not only adhere to (different actors within) the Ministry of Economic Affairs, but also to other ministries (primarily the Ministry of Foreign Affairs). As we have seen in chapter 5, Dutch embassies find themselves 'entrapped' between different governmental organizations as, especially with regard to economic missions, it is not clear to which ministry (or which department within a ministry) they should adhere to. As a result, implemented policies differ from place to place. This ambiguity decreases not only the likelihood that the Top Sector's internationalization policies are understood uniformly across the different implementation sites, it also creates ample opportunities for a large number of actors to participate in the implementation process, in order to influence its final outcome.

Since the beginning of 2013, the relation between the Direction TOP and *AgentschapNL* has become even more unclear, due to the replacement of the DG Buitenlandse Economische Betrekkingen (*Foreign Economic Relations*) from the Ministry of Economic Affairs to the Ministry of Foreign Affairs which had led to a high level of overlap between the policy goals of the DG BEB, on the one hand, and the DG TOP (responsible for the Top Sector policy) on the other hand. At the moment, it is not

clear which ministry, or which Directorate-General within one of the two ministries, should initiate policies (and hence is responsible for the policy measures- and instruments in the end) in the field of (facilitating) trade, export and internationalization. When we focus specifically on *economic diplomacy* we have to conclude there is not only insufficient coordination between the two ministries (Economic and Foreign Affairs) responsible for *Economic Missions* (one of the primary instruments under the banner of 'economic diplomacy'), but it is also not clear who is exactly responsible for the content and implementation of these missions.

Chapter 8 Conclusion

8.1 Answer to the Research Question(s)

The central research question guiding this master's thesis' research was *"Does the Dutch Top Sector policy facilitate the internationalisation of Dutch companies to emerging markets and how can this be explained?"*

In short, the answer might be "yes, but to a rather limited extend". In order to formulate a more extensive and empirically underpinned answer to the central research question, we turn to the hypotheses we formulated at the beginning of this research.

Hypothesis (1)

"We expect Dutch companies to encounter barriers stemming from emerging countries' 'political ambiguity' or domestic (but trade related) regulations in their trade with- and export to Russia (sub-case 1) and Ukraine (sub-case 2)"

In the case-study we have identified a range of barriers. In Russia, three categories of barriers appeared to be most prominent in influencing the Dutch exports: Technical Trade Barriers (TTBs), Sanitary and Phytosanitary (SPS) measures, and corruption. These barriers can be grouped under the banner of *environmental* barriers, stemming from either *political ambiguity*, hindering domestic regulations, or both. Examples of *political ambiguity* are to be found specifically if we take a closer look at the role of corruption within the Russian society. Although a couple sources (primarily -KPMG, 2013) argue that corruption cannot be regarded as a specific trade- and export barrier, there is an abundance of (academic) evidence on the hindering influence of corruption on trade and export. In Ukraine, three specific barriers caught the eye: import valuation, certification and corruption. As with the Russian case, these barriers have an *environmental* nature, or stem from *political ambiguity*.

Hypothesis (2)

"We expect that 'internal resource' and 'environmental' based trade- and export barriers are more difficult to overcome than 'market knowledge' or 'export procedure' based barriers"

In this research, we differentiated between different categories of barriers and we argued that exogenous (environmental) barriers, in contrast to (amongst others) 'market knowledge' barriers, are rather difficult to handle as individual businesses are not able to influence the policy outcomes concerning these exogenous factors. Of course, we can only make some inferences on the sub-cases Ukraine and Russia. The 'Meldpunt Handelsbelemmeringen' (*Trade Obstacles Reporting Centre*) is the only Dutch policy instrument aimed solely at overcoming 'environmental' trade- or export barriers in Ukraine or the Russian Federation. Other measures aimed at overcoming trade- and export barriers are implemented on the international level: at the various EU institutions, the WTO or through bilateral consultations and negotiations. The *Trade Obstacles Reporting Centre* is a rather modest policy instruments as its goal is to 'collect' accusations of (primarily) unfair international competition in order to facilitate possible solutions to the reported barrier by bringing together the different relevant actors such as ministries, embassies and governmental agencies. This policy instrument is, however, always used in close consultation and cooperation with international institutions such as the European Commission and the World Trade Organization.

As we have seen in this research, a broad range of Dutch policy instruments and measures are aimed at facilitating trade and export. For Russia, the *SIB*, *PIB*, *FOM* and *FIB* policy instruments are important, while for Ukraine specifically only the *FOM* (*Faciliteit Opkomende Markten* or 'Fund Emerging Markets') is of importance. These policy instruments focus, however, only on facilitating trade and export by improving companies' knowledge on the foreign market and export procedures. No attention is devoted to the (macro-level) environmental based trade- and export barriers. Furthermore, it proved to be rather difficult to assess which (and if so, which one of them) policy instrument is successful in overcoming trade- and export barriers. Hence, as there is only one (rather modest and small) Dutch policy instruments aimed specifically at lifting these barriers, we are not able to give a definite answer to this hypothesis. Further research on this topic should be conducted in order to make solid inferences on the variance in difficulty in overcoming certain types of trade- and export barriers.

Hypothesis (3)

"We expect an EPA to be (more) successful in overcoming trade- and export related barriers if the 'best practices' (table 4) are taken into account"

Subsequently,

“We expect an EPA to be less successful in overcoming trade- and export related barriers if the ‘best practices’ (table4) are not taken into account”

The Dutch government designed a range of policy instruments and measures aimed at facilitating trade and export. In the Netherlands, ‘AgentschapNL’ (NL Agency) is the primary *Export Promoting Agency* (abbreviated to EPA) assigned to execute “policy and subsidy programs focusing on sustainability, innovation, international business and cooperation” (AgentschapNL, 2012, p.4). Facilitating international trade and export is only one out of three major topics this agency is concerned with.

Based on a broad range of scholars, we identified several best practices; ranging from focusing on non-traditional exports or a sectoral focus, to involving the private sector more in the EPAs’ boards. The question remains, however, whether these best practices are taken into account in the internationalization strategies of the Top Sector policy. In general, if we compare the policy instruments (as described in the case-study) with these ‘best practices’, we have to conclude that a rather large amount of the ‘best practices’ are incorporated in the Dutch policy instruments. There are, however, several caveats to this conclusion. For example, the policy instruments are not aimed at *environmental* barriers (although this category of barriers appeared to be most prominent in influencing Dutch exports to the Russia and Ukraine). Furthermore, although resembling to a great extent the ‘best practices’, the policy instruments are not designed to lift trade- and export barriers specifically. Instead, they are meant primarily to improve the overall business climate.

Hence, the hypothesis that incorporating the so-called ‘best practices’ in the EPAs’ (organization) structure leads to overcoming (more) trade- and export barriers cannot be confirmed in this case-study research.

Hypothesis (4)

If the Top Sector policies⁴² are implemented in a context with low levels of policy ambiguity and low levels of conflict, we expect to categorize the implementation as *Administrative*. Therefore, we argue that:

(4.1) *“If it is clear what roles the different organizations involved are to play within the implementation process, it is (more) likely that the implementation will be successful”*

⁴² With the notion ‘Top Sector policies’ we refer, within these hypotheses, to those policies implemented under the banner of the Top Sector policies aimed at facilitating internationalization.

If the Top Sector policies are implemented in a context with low levels of policy ambiguity, but high levels of conflict, we expect to categorize the implementation as *Political*. Therefore, we argue that:

(4.2) *“If the Ministry of Economic Affairs is able to bring together the coercive mechanisms needed to control agent’s resources, it is (more) likely that implementation will be successful”*

If the Top Sector policies are implemented in a context with high levels of policy ambiguity, but low levels of conflict, we expect to categorise the implementation as *Experimental*. Therefore, we argue that:

(4.3) *“If it is not clear what roles the different organizations involved are to play within the implementation process, it is less likely that the implementation will be successful”*

If the Top Sector policies are implemented in a context with high levels of policy ambiguity, as well as high levels of conflict, we expect to categorise the implementation as *Symbolic*. Therefore, we argue that:

(4.4) *“If the Ministry of Economic Affairs is not able to bring together the coercive mechanisms needed to control agent’s resources, it is less likely that implementation will be successful”*

Although the implementation process of the Top Sector’s policies aimed internationalization are characterized by high levels of ambiguity, we argue that there is no conflict between different actors over the implementation of the Top Sector policies. Political support for the Top Sector policy has been stresses repeatedly by (former) Minister of Economic Affairs Verhagen and his successor (and current Minister) Kamp. Hence, we argue that the (still ongoing) implementation of the Top Sector policy can be categorized as *experimental*. This conclusion is based, primarily, on the fact that different organizations are involved in the implementation process of the Top Sector policy. Especially if we focus on the policies aimed at internationalization, we see that a range of different organizations (the Ministry of Economic Affairs, the Ministry of Foreign Affairs and NL Agency) are involved in the implementation process. Due to the fact that the roles and responsibilities of these actors are rather vague and not well-defined, the ‘international’ aspect of the Top Sector policy is, most likely, not implemented in the most optimal manner. Especially the role of the Direction TOP (as responsible for implementing and executing the Top Sector policy, including the ‘international’ aspect) and its relationship with AgentschapNL (NL Agency) appeared to be rather troublesome. This is caused in particular by the displacement of the DG BEB (*Foreign Economic Relations*) from the Ministry of Economic Affairs to the Ministry of Foreign Affairs, and the high degree of overlap in goals and focus between the Top Sector policy and the policies initiated by the DG BEB.

8.2 Paving the Road to Emerging Markets?

In the previous paragraph, we tried to answer this thesis' hypotheses in order to make some inferences with regard to the research question. We may conclude that the 'road' towards emerging markets has not become smoother or swifter: although the current Top Sector policy facilitates the internationalisation of Dutch companies to emerging markets, it does not do a significantly better job than previous policies. This situation is, primarily, the result of a discrepancy between the (initial) goals and aims of the Top Sector policy and the actual policies implemented in the day-to-day reality.

Recall the words of (former) Minister of Economic Affairs Maxime Verhagen, who argued that the Top Sector policy offered the tools necessary to "extend Dutch exports and to enter previously unknown markets" (Verhagen, 2011, p.2). In the end, what is left of all the good intentions the Top Sector policy started with?

The *vision* of the Top Sector policy is rather clear (focusing on a demand-driven approach to policy-making, also with regard to internationalization). The *role* of the Ministry of Economic Affairs (directorate TOP), on the other hand, is not well-defined and unclear. As a result, it is hard to link the Top Sector policy with the numerous policy instruments aimed at internationalization. Furthermore, the International Agenda of the top-teams focuses only on a limited number of policy instruments disregarding the wide variety of other instruments available. Of course, with regard to internationalization, a lot of attention is paid to economic missions and diplomacy. However, this cannot be linked *per se* to the Top Sector policy as previous policies also stressed the importance of (economic) diplomacy. In the end, especially with regard to internationalization, only the demand-driven approach is what sets the Top Sector policy apart from previous industrial- innovation and enterprise policies. The 'output'⁴³ of the Top Sector policy is rather straight forward and new: a demand-driven approach towards policy-making. Also with regard to internationalization, the demand-driven approach is implemented as the top-teams have the (political) leeway to formulate an International Agenda which is adopted by policy-makers at the Ministry of Economic Affairs. Concerning the 'outcome'⁴⁴ of the Top Sector policy, on the other hand, we have to conclude that only little changes or adjustments are made in the policy instruments concerning internationalization. Hence, despite all the good intentions this policy started with, it is still questioned whether the current Top Sector policy is the best 'tool' to spur the internationalization of Dutch companies. This question is voiced even louder as the Top Sector policy, despite its ambitious goals, does not resemble a paradigm change in the Kuhnian or Lakatosian tradition.

⁴³ The output of a policy can be described as 'what the policy does'

⁴⁴ The outcome of a policy can be described as 'what difference the policy made/makes'

8.3 Policy Recommendations

As a major part of the research is conducted at the Dutch Ministry of Economic Affairs, we conclude this Master's thesis with some concise and practical policy recommendations. As we have seen in figure 1, this research should be seen as (a form of) feedback on the current Top Sector policy as it offers an opportunity to learn and adapt the policy, which might be valuable, especially because the current Top Sector policy can be regarded as a policy in progress (started in 2011 and still in the 'stage' of implementation).

1. The *vision* of the Top Sector policy (directorate TOP) is rather clear, in contrast to the *role* of the different actors involved. The Ministry of Economic Affairs should communicate which actor is responsible for every part of the Top Sector policy. Make sure this is communicated internally (within the Ministries and agencies involved) *and* externally (to the general public and businesses).
2. Urge the top-teams to come up with more elaborate and in-depth International Agenda's, especially focusing on their expectations with regard to governmental actions.
3. Try to link the needs expressed by the top-teams to the (already) existing policy instruments concerning internationalization.
4. Urge the responsible agencies or ministries to expand and further develop the Transitiefaciliteit (*Transition Facility*) and the Fonds Opkomende Markten (*Fund Emerging Markets*) in order to strengthen the focus on emerging economies.
5. Learn from past policy experiences: try to incorporate (in a systematic way) a reflection on previous policies within the process of policy-making.
6. Be aware of the fact that different Ministries and governmental agencies are responsible for policy measures- and instruments concerning internationalization.
7. Use the 'golden triangle approach' *within* the government itself, as this will enable for an institutionalized way of cooperation between the Direction TOP (Ministry of Economic Affairs), Direction BEB (Ministry of Foreign Affairs) and AgentschapNL (*NL Agency*).
8. Continuation: Only change the names of policy instruments, or the actors responsible for implementation and execution of the instruments, if this is absolutely necessary. Frequent changes in name, composition, function or responsible agency/ministry leads to confusion amongst the general public and businesses.

8.4 Recommendations for Further Research

Next to the (more practical) policy recommendations for the Dutch Ministry of Economic Affairs, we also come forth with some recommendations for future (academic) research. Especially due to limits in time, resources, and scope, this research features some caveats. The following recommendations reflect, to my opinion, the most salient opportunities for conducting more in-depth research on the topic of governmental innovation- and internationalization strategies.

First of all, this research is limited in its scope, as it (only) comprises of a case-study research on the Russian Federation and Ukraine. Future research could focus on other emerging countries (for example Brazil, India and China) or on other countries the Netherlands has (historically seen) strong economic ties with (for example the Dutch former colonies). Currently, the vast majority of researches on governmental internationalization strategies and Export Promoting Agencies (EPAs) is focused on the United States or, to a lesser extent, on the (Western) European countries. It would be rather interesting to incorporate other points of view (for example from emerging markets themselves) into future research. Furthermore, in the academic literature on internationalization policies there seems to be a bias towards qualitative (small-N) research. It would be rather beneficial if large-N quantitative research would be conducted, as such a research design allows for incorporating more (independent) variables, making stronger inferences and establishing more solid causal relations between different variables.

More fundamental caveats have been discovered in this research' theoretical chapter. Especially with regard to the academic literature on trade- and export barriers, and the 'best practices' literature, a more generally applicable 'base' to start from is highly needed. At this moment it is, for example, not clear what causal mechanisms exactly are at play with regard to the variance in difficulty in overcoming certain types of trade- and export barriers. Furthermore, it appeared in this research as if, although incorporated in the Dutch EPAs, the so-called 'best practices' were of no (or only very little) influence. More research is needed in order to determine under which conditions certain 'best practices' are of influence on Export Promoting Agencies (and, consequently, under which conditions they are not of influence). Lastly, the academic debate on (lifting) trade- and export barriers is, to my opinion, focused too much on the national (governmental) level. This is rather peculiar, as many of the policies aimed at overcoming (environmental) barriers are drafted at the international level, primarily the World Trade Organization (WTO).

Appendix 1

List of Interviewees

The following respondents have been interviewed in the period April 2013- July 2013.

| Name | Function/Organization | Date |
|---------------------------|---|------------|
| prof. dr. Piet Borst | Former scientific director at the <i>Nederlands Kanker Instituut</i> (Dutch Cancer Institute) | 03-04-2013 |
| ms Eva Szabo | Economic Officer, Embassy of the Netherlands (Budapest, Hungary) | 15-04-2013 |
| ms Nicolette Tiggeleove | EIM/Pantheia (consultancy company) | 13-05-2013 |
| ms Evelin Durieux | Economic Officer, Embassy of the Netherlands (Kiev, Ukraine) | 14-05-2013 |
| ms Anneloes Viveen | Economic Officer, Embassy of the Netherlands (Moscow, Russia) | |
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| prof. dr. Mark van Twist | Erasmus University Rotterdam | 23-05-2013 |
| prof. dr. Erik Hans Klein | Erasmus University Rotterdam | 23-05-2013 |
| mr Geo Aldershof | Executive Secretary at the <i>Nederlandse Vereniging Groothandels</i> (Dutch Association Wholesalers) | 27-05-2013 |
| mr Bert Jan Koopman | Director, <i>FENEDEX</i> (Federation Dutch Exporters) | 07-06-2013 |
| ms Angélique Heijl | Executive Secretary at the department for International Economic Policy, <i>VNO-NCW</i> , (Confederation of Netherlands Industry and Employers) | 20-06-2013 |
| mr Micha van Lin | Head of the Department International Entrepreneurship, <i>FME</i> , (Confederation of Employers and Industry within the Technological Industry) | 26-06-2013 |
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