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Private sector relations between the Netherlands & Kuwait and the potential for export promotion strategies

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SUMMARY

The interrelatedness of international trade and politics was recognized a long time ago. While at first the emphasis lay on promoting export to build an empire and acquire the means to wage war, later on the focus turned on the more peaceful benefits of trade as scholars noted that trade had a dually cumulative effect. At some point trade was even seen as having the potential to end all wars. Nowadays, most focus is on the opportunities for governments to locate and decrease the effects of border effects and subsequent market failures. The attempts to do so can be called commercial diplomacy which has the aim to promote exports and/or attract Foreign Direct Investment. To achieve these goals the government can choose to extend certain services to firms. In this thesis the emphasis lay on which export promotion services and the question which of those services were actually needed by exporting Dutch firms. To study this question a case study approach was taken with the main focus on business between the Netherlands & Kuwait.

The main component of the Kuwaiti economy is the (crude) oil industry. As could be expected almost all imports from Kuwait to the Netherlands are made up of fossil fuels. The export, which is significantly smaller, is primarily made up of machinery. A majority of Kuwaiti and Dutch firms have been doing business together for many years already, most more than ten years. This seems to be linked to the size of the firm, larger firms have done business with Kuwaiti partners for a longer time than smaller firms. The primary activity that takes place is the sale of products and services to Kuwaiti firms. This can be explained since most of the Kuwaiti firms act as agent for Dutch companies to the local Kuwaiti market. For Kuwaiti firms the incentive to start cooperation came from the fierce competition in the Kuwaiti market and subsequent drive to create niche markets by introducing new products. For Dutch firms the main reasons to start cooperation are the business opportunities identified, but they also use Kuwait as a base for doing business in the region. Contact between Dutch and Kuwaiti business partners has been established through trade missions, trade fairs and conferences. When it comes to the status of current cooperation mostly large firms and those that had done business for a long time described relations as being good to perfect. Small firms and those that had been active for a shorter time in general more often described having problems. However, especially the small firms described being (very) interest in expanding business with Kuwaiti firms. They are also the ones doing knowledge intensive cooperation and joint development of products and services. The Kuwaiti firms asked about problems mentioned especially price level and stringent regulations as barriers, the Dutch firms mentioned reliability and commitment of their Kuwaiti partner as potential problems.

The research further focused on the ways in which the Dutch government can stimulate more export. From both the Kuwaiti and Dutch respondents was often heard that there was a desire for governmental support, be it on average small to medium. Which services firms desire depends on the size of the firm. Whereas large firms especially need information about the local legal framework and other more general information, small firms need services such as trade missions and network event. Currently the Dutch governmental export

support turns out to be especially good in catering to the needs of large firms while some work still has to be done to improve on the services needed by small firms. Large firms also indicate more often there is no need for a different commercial diplomacy approach when doing business in Kuwait. However smaller firms do need a different approach. This might mean that the services desired by large firms are less influenced by local conditions than those of small and medium-sized firms

An extra focus was put on trade missions as a tool of commercial diplomacy in this thesis. The incentive to organize a trade mission comes from the private sector itself. In the same way the choice for a destination is made. The program of the trade mission used to be set up by consultants with knowledge about the local market but due to the decreasing subsidies the role of the consultant will decline and the embassies need to take a more active role in this. Participants of trade missions are not selected, as low numbers of applications make it as such unnecessary. Intake meetings are organized though to discuss the aims of the firm participating. Evaluation of trade missions also happens but focuses mostly on the practical side of the trade mission since real effects on businesses are hard to measure and usually can only be found after some months or years.

Participants of trade mission indicate that their decision to take part was primarily motivated as learning about business opportunities, finding business contacts was a secondary motive. Completely in tune with this was that the highest valued activities of the trade mission are primarily macro-level and secondarily micro-level. Follow-up since the trade missions (3 months later) had not gone beyond emailing and phoning for most respondents, although some were registering at Kuwaiti authorities or planning a new visit. One had signed a contract already. On average the respondents were generally positive about the extent to which their goals had been achieved through participation in the trade mission. The average grade given to the trade missions had been a 7.5. Best graded event of the mission was the ‘network event at the Netherlands embassy’, the lowest grade was received by ‘meetings with Kuwaiti policymakers’.

PREFACE / ACKNOWLEDGMENTS

This research report forms the last chapter to a study career I started at the University of Utrecht in 2005 with the Bachelor Human Geography and spatial planning. After having graduated for this bachelor in early 2010, having written a bachelor thesis on Islamic microfinance, I started with the master Business Geography. During this master I was fortunately given the opportunity to do an internship at the commercial section of the Netherlands embassy in Kuwait. This internship provided me with a lot of opportunities to complete this research project in the best way possible.

Therefore, in the first place I would like to thank my mentor at the Netherlands embassy in Kuwait, Cees Kieft. He gave me the chance to come to Kuwait and do an internship at the embassy. He also provided me with a lot of opportunities to discover the way in which the business world of Kuwait works and introduced me to a couple of the key players in this field. Cees has been a big support throughout the development of plans for this research. And as I came to know during the course of the research, Cees was mentioned by many respondents to be one of the good examples of how to actively support Dutch firms.

Many thanks of course also go out to all respondents from Kuwait and the Netherlands. Without their time and efforts I would not have been able to do this research. Special thanks in this regard go to Ruben Dubelaar and Peter Post of FME-CWM, with whom I had interviews in September 2011. Their openness and views helped me a good deal when writing the chapters Conclusion and Discussion.

I would also like to thank my mentor of the University of Utrecht, Ton van Rietbergen, who helped me during the planning for this research and gave feedback during its progress. Last but not least I would like to thank my parents, Jan and Angèle Thasing, who were a great help during the writing of the project. They reviewed many of the chapters and gave good tips to improve content and grammar.

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1. INTRODUCTION

1.1 BACKGROUND

Since October 2010 the Netherlands has a new coalition government and as usual, with new governments come new views and values. When it comes to foreign affairs, one of the major topics for this government is to focus more on promoting Dutch trade interests. The rationale and implications of this vision are described in two letters presented to the Dutch house of representatives in June 2011; ‘Modernisering Nederlandse diplomatie’ [Modernisation of Dutch diplomacy] of the Ministry of Foreign Affairs and ‘Buitenlandse markten, Nederlandse kansen’ [Foreign markets, Dutch opportunities] of the Ministry of Economic Affairs, Agriculture & Innovation. Reading about the intentions and aims of the new coalition government as described in those letters some questions quickly came to mind: To what extent is this view and need shared by the private sector? The private sector eventually should be the main beneficiary of these policy implications after all. And what about the services provided to firms, are they seen as sufficient and satisfactory?

The intention of focusing foreign policy on promoting Dutch interests has started a broad debate about what actually falls under the broad term ‘Dutch interests’ and the merits of this point of view. This thesis will start by giving a brief description of the interrelatedness of government policy and international trade, thus showing that the promotion of commercial interests through diplomacy is by no means a new phenomenon. That is however as far as it goes as a contribution to the debate, for the thesis itself will primarily deal with the viewpoint of the private sector and thus refrain from taking sides in this debate.

Obviously I could not do research for the entire Dutch private sector venturing into foreign markets. Therefore I chose to do a case study of the dealings of Dutch private sector in Kuwait. So, why did I choose this tiny spec of a country as Kuwait is, one might wonder. In February 2011 I started an internship at the Netherlands Embassy in Kuwait where I worked at the commercial section. This internship provided the opportunity to have first-hand experience in what exactly constitutes commercial diplomacy, as well as having relatively easy access to stakeholders from both the Kuwaiti and Dutch private sectors. Besides, Kuwait itself has a very interesting market. It has a booming oil based economy with strong governmental influence through all its layers. And like the World Bank (2011) indicators on ‘ease of doing business’ show, Kuwait is far from being a business-friendly environment. What better place to start analyzing the need for commercial diplomacy than in a market where these services are, at least at first sight, badly needed? Since Kuwait is considered by the World Bank to be the toughest place to do business in amongst all Gulf Cooperation Council nations, commercial diplomacy services that work here are bound to work in other places with similar conditions as well. This might prove useful in the future since the market opportunities many firms seek after will increasingly be found in the so-called emerging markets of the BRI(I)C(S) countries. Unfortunately, many of these developing markets are places were doing business cannot exactly be described as “a walk in the park”. But being as it may, it is there that the future of Dutch trade interest lies, as is made so pointedly clear by the letter of the Ministry of Economic Affairs (2011).

Another point supporting the choice for Kuwait can be found in another aim described by the Netherlands Ministry of Foreign Affairs. The ministry has made a priority in securing energy supplies to the Netherlands in the near and more distant future. Kuwait, which is believed to harbor about 10% of all proven reserves of crude oil globally, may play a pivotal role in the future of energy trade. Strengthening the trade relations between the Netherlands & Kuwait may prove a useful tool in ensuring energy supplies in the future, as is already stated in ‘Naar een nieuw kader voor internationale energierelaties’ (Ministerie van EL&I, 2011).

So in short: This thesis can be characterized as concerning a case-study design (Bryman, 2008), in which the main focus of interest is twofold. Firstly it will describe the current dealings of Dutch private sector with Kuwaiti companies and secondly it will focus on the ways in which trade relationships can be further developed by government policy.

1.2 RESEARCH QUESTION(S)

The main research question for this thesis is as follows:

‘Which patterns can be distinguished in the business relations of Dutch companies with Kuwaiti companies and in which ways can the Dutch government stimulate more exports?’

Before getting to the answer of this research question first some subquestions will be posed. These subquestions are:

1. How can the current trade between the Netherlands and Kuwait be characterized?
2. What perspective do Kuwaiti firms have in the relations with Dutch companies?
3. Which trends can be seen in the relationship of Dutch firms doing business with Kuwaiti business partners?
4. What are the views of Dutch firms on current governmental export promotion and which services would they like to see being developed?
5. How are trade missions, said to be amongst the most useful tools of commercial diplomacy, planned and evaluated?
6. What are the experiences of Dutch companies that participated in recent trade missions to Kuwait?
7. Which experiences did the Kuwaiti participants to a network event at the Netherlands embassy have?

1.3 SCIENTIFIC RELEVANCE

It was in renaissance Venice that the foundations of diplomacy as we know it were laid (Naray, 2008). Venetian diplomacy aim was primarily the betterment of the Venetian merchants, maintaining foreign relations in order to promote trade and investment. Although opinions on what diplomacy should or should not entail continue to be subject to debate, trade promotion still forms a big part of its key aims. Most literature on the interrelatedness of diplomacy and economy has focused its attention on the macro-economic level and thus mostly on economic diplomacy, which implies a focus on trade agreements, tariffs and subsidies, sanctions, etc. (Potter, 2004) Only recently, according to Van Bergeijk (2009) the start of the 21st century, more attention has been paid to economic diplomacy's "inferior" cousin commercial diplomacy. Literature on commercial diplomacy so far has focused most of its attention on the institutional aspects of commercial diplomacy, i.e. the way in which governments have built an organizational structure to promote their national firms.

This research paper provides further insight in the way governments may organize their international trade promotion. While the institutional structure is part of the research, the thesis' main focus lies on highlighting what the private sector actually requires when it comes to services designed to promote trade.

1.4 PRACTICAL RELEVANCE

As said in the paragraph 'Background' the new coalition government of the Netherlands would like to see a reorientation of the way in which foreign affairs are handled, which would mean more focus on "Dutch trade interests" and economic (or commercial) diplomacy. The main aim of this focus on "Dutch interests" is to stimulate the national economy through helping Dutch firms to expand their business abroad. Most of the debate in the Netherlands is still focused on the institutional side of the plan, given the fact that it is implemented at the same time budget cuts are forced on the whole civil service. This includes the closure of embassies in countries which are considered to be of lesser importance in serving Dutch interests. The debate about the move towards giving more prominence to economic motives is therefore rather blurred at the moment. This research thesis goes back to the basics of this matter; the desire to promote Dutch interests. The best way to find out what exactly would promote Dutch interests it is paramount to return to the perspective of the private sector by questioning whether its actors identify a need for (more) trade promotion by the Dutch government and if so which shape this should take.

2. THEORETICAL FRAMEWORK

2.1 INTERNATIONAL TRADE FLOWS, A QUICK VIEW ON HISTORICAL THINKING

The different fields that play a role in foreign affairs, such as trade, history and politics, used to be studied in isolation of each other while one may only get the complete picture when a more integral approach is chosen. For instance when it comes to the economic aspect, scholars perceive international flows of trade and capital to be in principle voluntary and free from pressure (Van Bergeijk, 2009). This would imply that the actors in this process are equal and independent. It would therefore be easy to explain trade and capital flows as a function of comparative advantages like described by many scholars in economics (Van Bergeijk, 1990). However, when one looks at real patterns of trade flows the picture becomes less clear than the theory. The economist then has to recognize that these trade flows are not only affected by sheer economic prepositions, but also by political and historical factors which are not included in mathematical models (Van Bergeijk, 2009).

MERCANTILISM

In the 16th and 17th century scholars had much more eye for the link between trade and politics. The prevailing model of these years can be called mercantilism (Van Bergeijk, 1990). For pre-classic economic scholars (before 1750) trade was believed to be a zero-sum model in which wealth cannot multiply, rather it accumulates in one place or the other and is therefore a indicator of state power (Schumpeter, 1954). For mercantilists, maximizing the trade surpluses was primarily seen as a way to acquire the necessary means to wage war. This is exemplified by a remark of Colbert in 1666 (Van Bergeijk, 1990, p. 13); '*trade is the source of [state] income par excellence for the government that wants to wage war*.' For instance, Colbert saw the Dutch and British colonial empires around 1670 as a product of their commercial success. It may thus come as no surprise that trade conflicts in these days were much more intense than nowadays and more often then not they led to armed confict. Nowadays one could still see some examples of mercantilist thinking as Van Bergeijk (2009) argues that modern "strategic trade theories" are more or less neo-mercantilist in nature.

In the 18th century the mercantilist approach to international trade gradually gave way to a more benign one. Some authors noted the adverse effect armed conflicts had on trade, leading to the conclusion that '*peace is more beneficial to trade*' (Van Bergeijk, 1990, p. 14). Also scholars noted that trade could be used to improve "friendly" relations between states. One of the first thinkers that increased the knowledge about trade flows further was Hume with his "price-specie flow mechanism" (Van Bergeijk, 1990). He argued that acquiring large trade surpluses led to higher price levels which affected the international competitiveness of the state and ultimately this would correct the balance once again. He further noted that neighboring states gained from spill-over effects of a state which was successful in trade. With this theory Hume attacked the zero-sum theory on international trade, which saw trade as a function of rivalries, and described trade as a form of cooperation that is mutually beneficial to actors.

CLASSIC SCHOLARS

This development in thinking about international trade is exemplified by the title of the most important book one of the founding fathers of modern thinking about economy, Adam Smith, wrote in 1776: “An inquiry into the Nature and Causes of the Wealth of Nations”. While his predecessors had always focused on the wealth of their own nation, Smith took a more integral approach and explored the benefits of international trade. Smith argued that government interference in trade was harmful and trade should be free. Marshall (1890) however states that Adam Smith’s view might be less cosmopolitan than one would think. Adam Smith’s plea might also be explained given his background. At the time the breaking down of barriers to trade was in the main interest of quickly industrializing Britain wanting to get access and export more in new markets. His plea for free trade never encompassed giving foreign powers access to markets in British colonies. Adam Smith viewed economy still a bit like a mercantilist, stating that free trade increases welfare and this welfare creates the base for a strong defense to protect the society (Van Bergeijk, 1990). Adam Smith even argued for ‘*the necessity of trade regulations if national defence requires so*’ (Van Bergeijk, 2009, p.24). Another classical scholar, J.S. Mill, argued that free international trade eventually made war unnecessary. In his line of thought international trade created a shared interest in peaceful relations, war and the consequential disruption of trade would hurt both parties interests and would therefore be avoided (Van Bergeijk, 1990). J.S. Mills wrote this view in 1848, the (arguably) most violent century in human history was yet to come, despite the growing international trade.

19TH AND 20TH CENTURY

For economic scholars in the 19th century it was still considered an anomaly when one looked at international trade and ignored politics. By the mid 20th century political influence has disappeared from the textbooks on international trade flows. According to Collini et al. (1983) this divide in thinking first started with ‘Principals of economics’ by Marshall in 1890. Collini et al. (1983) trace the idea of value-free economical science back to him. According to him the economist should calculate and present various potential paths to reach certain goals, but is unscientific when formulating those goals. The economic scholar therefore is encouraged to not let practical considerations and applicability hinder his scientific work. Hicks (1959) places the split in thinking about economics and politics separately with Pigou in his work ‘Economics of Welfare’, written in 1920. In this book Pigou argued that a true economic scholar does not occupy himself with the general welfare, he is only interest in economic welfare. One of the important characteristics of his approach was that Pigou thought achieving welfare goals could only be found in economic science. By the mid-20th century Pigou’s approach had silently become the dominant school of thought. ‘*Economic scientists were encouraged to stay within their own field of research, as soon as he had made clear that a policy was useful on economic grounds his work was done*’ (Van Bergeijk, 1990, p. 23). Van Bergeijk (1990) uses an article written by Jan Pen in 1989 to place this withdrawal of economic scholars from politics. He states that this withdrawal was seen as a necessary precaution to keep economic science clear from the violent political developments of the time. But already in 1959 Hicks places questions on the study of developments from an exclusively economic perspective. Since then, increasingly more attention is given to political influences in trade.

In the next paragraph a further insight is given into the more recent deliberations on the merits of the involvement of governments with international trade.

2.2 BARRIERS TO TRADE, MARKET FAILURE AND THE POTENTIAL FOR GOVERNMENT INTERVENTION

The previous paragraph described shortly a history of views on the interrelatedness of politics and international trade, culminating in the exclusively economic models developed during the first 60 years of the 20th century. The paragraph ended with Hicks (1959), being the first to criticize this exclusive approach. While jumping through time a bit, this paragraph will go into further detail about current views on government involvement in international trade.

While globalization is progressing in a fast pace, even in the globalized world of today (significant) border effects on trade are still present (Van Bergeijk, 2009). The number of formal trade barriers has decreased, however there is still a sizeable number of other (intangible) hurdles to trade (Veenstra et al., 2010). A study done by McCallum (1995) showed that even a border as open as the US-Canadian border is said to reduce trade flows by 22 percent. This despite the fact that at the time of research the NAFTA trade agreements (creating a free trade zone in North America) had been in place for about seven years. The study done by McCallum (1995) formed the incentive for many scholars to do further research on this topic. One of the papers criticizing McCallum's findings is that of Head & Mayer (2002), stating that the size of measured border effects may be overestimated due to errors in the method of research. They found that '*Transportability issues and the way it affects distance mismeasurement indeed seem central in the estimation of the impact of the borders on trade flows*' (Head & Mayer, 2002, p. 30). These measurement errors proved to be responsible for overestimated border effects in the European Union. While border effects may have been overestimated, even Head & Mayer (2002) amongst other authors, stress that they remain significant and relevant.

Veenstra et al. (2010) explain border effects in part by stating that '*Cultural and institutional distance seems to assume an ever more important role in international trade relations*' (p. 5). They describe four categories of barriers which are encountered by firms wanting to export:

- '*Informational barriers*' (p. 5)
- ´*Internal resources constraints*´ (p. 5)
- ´*procedural barriers*´ (p. 5), like bureaucracy, language and cultural differences
- ´*exogenous barriers*´ (p. 5), like taxation and corruption

All four abovementioned barriers could lead to so-called market failures. Market failures are situations in which the private sector does not invest, leading to a sub-optimal market. Van Bergeijk (2009) formulates it as follows: Market failure is when '*the free market does not generate a sufficient allocation of goods and services. Typically market failures arise due to market power, the occurrence of externalities and situations that are characterized by transaction costs, agency problems, information asymmetries and ill-defined or difficult to enforce property rights*' (Van Bergeijk, 2009, p.78). So, market failure can develop following a multitude of situations. Firms wanting to export need to acquire knowledge of the market they want to export to in order to be successful. Such a firm looking to export will generally have two options available to gather this knowledge (Van Bergeijk, 2009). Either it chooses for the "learning by doing" approach in which the firm experiments with entering a foreign market, but more often an approach is taken of tapping information from consultants, colleagues, export promotion organizations or business trips. Van Bergeijk (2009) gives a list of points on which firms need information when preparing to venture on foreign markets:

- '*Local consumer preferences and their ability to adapt to new products*' (p. 80)
- '*The reliability of local trade partners*' (p. 80)
- '*The distribution of networks*' (p. 80), both existing ones or ones that can be developed
- '*Quality standards and legal, environmental and institutional requirements'* (p. 80)
- '*Prospects for markets*' (p. 80) Opportunities available in the market and especially in niches.
- '*Local negotiating and contracting procedures*' (p. 80)

Each of the abovementioned points exemplifies what '*makes international trade different from domestic trade and may thus constitute a border effect*' (Van Bergeijk, 2009, p. 80). Gathering information on these points takes quite an investment and the outcome remains imperfect in general. Investing in better knowledge is seldom done by the private sector because of the demonstration effect which would be followed by competitors; the so-called free rider's problem. This signaled problem leading to the hesitation of private firms to invest in acquiring information may well form a motive for government intervention. As Harris & Li (2005, p. 74) put it: '*some types of information have the nature of public goods, which markets alone cannot supply – these include unique, reliable and impartial access to information, such as through the global embassy network and other Government channels and contacts, which become available through the Government's very long-term, and non-commercial attachment, to overseas markets.*' Another aspect that can be mentioned in this case since it is considered a public good is the information a government can provide about their exporting companies. They can distribute information about the quality standards, environmental standards and CSR of their national firms, thereby promoting their firms to the host country by basically showing them they are a reliable partner (Van Bergeijk, 2009). This constitutes a public good since it is related to country branding and building "trade capital" (in the form of trust).

Veenstra et al. (2010) state that government intervention would especially be useful in developing countries, the barriers to trade are highest in those countries. However, government intervention has always been a much debated topic amongst economic scholars. Many economist scholars hold to the theoretical argument that '*a transfer of resources to an export industry is an implicit subsidy that potentially distorts the efficient outcome*' (Veenstra et al., 2010, p. 4). Hoekman & Smarzynska (2004) state that while government intervention could be useful, it should be based on a clear goal and the effects should be measurable and cost-effective. It goes without saying that measuring the effects of policies is generally hard to achieve for any topic. Besides, government intervention should generate more benefits than costs (in the form of taxation) and care should be taken to avoid rent-seekers (Hoekman & Smarzynska, 2004). Even Van Bergeijk (2009) is not entirely in favor of government involvement as he states in his book; '*an imperfect market* *outcome is to be preferred to government failures*' (p. 79). What Van Bergeijk (2009) means by these government failures was earlier defined by Harris & Li (1995); '*Government failure as a hindrance to firms and markets arises when the government has a comparative advantage in supplying a good or service (often knowledge), but fails to do so'* (Harris & Li, 1995, p. 76).

Another point that might be characterized as border effects are financial barriers. Financial markets are driven by the ability to make sound risk estimations (Van Bergeijk, 2009). Once again the information problem then sets in because sometimes firms want to export to foreign markets in which the firms' capital provider has no previous experiences, making it hard for them to make a risk assessment. Since making a valid risk assessment is paramount in the financing business the provider of capital will be likely to refuse extending a loan in this case. Also for firms in a country wishing to import from foreign firms it constitutes a risk when there are differences in the monetary and legal settings of the firms' countries. This can especially play a role in case of default. For governments it is hard to take action on the points mentioned since the firms involved are mostly SMEs, requiring a custom-made approach. Helping them through general policy therefore is rather difficult, but one of the tools that could be used is extending export-guarantees. Veenstra et al. (2010) stress the need to do a pre-selection for export subsidies so that '*only the most productive firms are assisted in their internationalization process, as only these firms will be fit enough to survive international markets*' (p. 7).

As a closing point, exporting to some countries carries a relatively high political risk (one of the exogenous barriers). Due to changes in the political situation of a country, investments made by firms can come under threat. Likewise are situations in which the bilateral relations between the two governments deteriorate. Like with financial barriers, government can intervene in these kinds of situations by providing export credit or guarantees, reducing the risk of individual exporting firms (Van Bergeijk, 2009).

In this paragraph the rationale for government intervention has been addressed. While scholars are generally critical about government intervention, they do acknowledge the merits of government intervention when trying to decrease market failure. The following chapter will get into more detail about the ways in which government intervention in international trade can take shape. Please note that due to the focus of this thesis on the private sector only those policies (commercial diplomacy) that are aimed at helping the national private sector will be discussed.

2.3 COMMERCIAL DIPLOMACY

The previous chapter explored the views on the interrelatedness between politics and international trade, as well as giving a rationale for government intervention. This chapter will describe more precisely how a government can intervene. It does so with a focus on those policies which are aimed at helping individual firms as opposed to more generic policies employed using economic diplomacy.

Policies primarily aimed at extending help to individual firms are better known as commercial diplomacy. Commercial diplomacy can incorporate a lot of policy actions and services, most prominent of which are export promotion strategies and inbound investment promotion. This thesis will mainly focus on the actions taken to promote exports.

DEFINING COMMERCIAL DIPLOMACY

Often one reads about the foreign policies of countries, which are called diplomacy. Likewise there exists a lot of attention for economic policies involving foreign aspects. These economic policies with foreign aspects generally fall under the broad term economic diplomacy, a continuation of economic policies abroad.

For many, virtually every aspect is covered by this definition. However, economic diplomacy covers only one aspect of the complete plethora of economically motivated actions taken abroad. In the article of Saner & Yiu (2003) many different forms of diplomacy are described. They claim that not only states use diplomacy nowadays, but that many new forms of diplomacy have been developed through recent years on many levels. One can think about supra-national organisations like the UN, NATO or the EU that have gained significant importance over the last 50 years. Also the rise of multinational corporate organisations has increased the need for diplomacy on many more levels.

Economic Diplomacy takes place at an economic macro level, involving mainly economic policy of both the Ministry of Foreign Affairs as well as those of the Ministry of Economic Affairs. But one might also think about organisations like the WTO or BIS. Saner & Yiu (2003) define it as follows: '*Economic Diplomacy employs economic resources, either as rewards or sanctions, in pursuit of a particular foreign policy objective*' (Saner & Yiu, 2003, p. 13). The term economic diplomacy covers mostly policies which only have an indirect effect on firms and exports.

Besides macro-economic policy, governments also feel the need to act on a micro-economic level; i.e. to promote their country and to stimulate their national firms. Naray (2008) gives a good definition of commercial diplomacy: '*Commercial diplomacy (CDC) is an activity conducted by state representatives with diplomatic status in view of business promotion between a home and a host country. It aims at encouraging business development through a series of business promotion and facilitation activities*.' (p. 2). Another author, Potter (2004) describes what the main motives are behind commercial diplomacy: '*Commercial diplomacy aims to exploit comparative advantages and capitalize on the international opportunities* *created by economic diplomacy and the evolution of markets*' (Potter, 2004, p.55) Commercial diplomacy is focused on providing support for home country enterprises as well as foreign companies looking to invest in the respective country. It can incorporate different forms such as '*export advice, legal assistance, export incentives and backstopping when needed*' (Saner & Yiu, 2003, p. 13), which will be described in more detail later on. One of the major aspects of the work of a Commercial Diplomat is to provide information about export and investment opportunities as well as to organise and help trade missions from the home country (Saner & Yiu, 2003).

On a global scale a lot of time, money and efforts are spent on activities that one could call commercial Diplomacy. Estimates are that it employs about 20.000 people worldwide and there is a total annual cost of more than half a billion US Dollars involved (Naray, 2008). Most of these investments are made and make the most sense for potential markets, not existing ones. For example, while Germany and Belgium might be the biggest trade partners for the Netherlands, these are not the countries where the most commercial diplomacy is developed. Rather more attention is paid to developing markets.

MOTIVES FOR COMMERCIAL DIPLOMACY

Commercial diplomacy is one of the ways a government tries to increase its countries competitiveness, besides other business promotion programs mostly focused on the domestic situation. One of the main drives behind these actions taken by states is ultimately to create jobs, increase tax revenue and economic growth (Naray, 2008). For the beneficiaries of such programs, the firms themselves, the key drive in trade is to look for profitability. Engaging in international operations for them might entail a bigger risk to this profitability than staying within the home market. These risks, border effects, were discussed earlier, here they mostly mean the lack of reliable knowledge.

Businesses appreciate commercial diplomacy since it is generally free (payed by tax) and can reduce the costly risks of entering foreign markets. (Kostecki & Naray, 2007) This is especially ture for SMEs, which usually lack the financial resources and information to pursue opportunities abroad by themselves (Mercier, 2007). Firms are not the sole beneficiaries of commercial diplomacy, also governments themselves gain from commercial diplomacy since companies successfully operating abroad might enhance the image the home country has and lead to higher tax income.

Naray (2008) has made a literature review and came up with the following points that indicate what commercial diplomatic policies can contribute:

1. <u>Answering "the need for access to reliable and neutral business information".</u>

   One of the most pressing reasons for conducting commercial diplomacy is the fact that this information is a scarce commodity. Like Harris & Li (2005) argue, it is embassies and consulates that are best able to provide this knowledge given their long-term and non-commercial presence in a foreign market. Nowadays with the advance of internet information from all over the world has become more easily accessible. This caused a shift towards more custom-made intelligence, based on personal contacts.

2. Supporting firms entering a new market by offsetting their initial weak credibility and image in the foreign market (Naray 2008).

   What is often mentioned as a beneficial aspect of commercial diplomacy is the promoting of the home country's image. Potter (2004) addresses the Canadian example in his article and states that commercial diplomacy has an added value especially in this field. A positive image of a country can give newcomer companies and especially SME's more credibility and trust than they could have achieved on their own. Country image '*is important in distant, i.e. non-traditional, markets and for SMEs because export potential of such newcomers depends on image of a company, which may be difficult to achieve without the benefit of a strong and positive "made-in" image*' (Naray, 2008, p. 5) Examples of such a successful "made-in" image are plenty; take for example the German automotive industry, Italian designer companies, Dutch maritime technology and Belgian chocolates. Commercial Diplomacy thus has a clear role contributing to the export potential of newcomers by promoting these companies and sectors and recommending it to host country business and government. Van Bergeijk (2009) mentions another point; governments have a role to play when it comes to signalling that '*their economy is a reliable partner in international trade*' (Van Bergeijk, 2009, p. 81). It does so by providing information on the country's quality standards, environmental standards, corporate social responsibility, etc.

3. Helping to promote partner search and encourage national firms (mainly SME's) to internationalise (Naray, 2008)

   Another key task for CDC is to assist companies in the search for a business partner in the host country and organising matchmaking events to accommodate these companies. Part of this task is to provide companies from the home country with information about future investment opportunities. It is especially the local knowledge and networks of commercial diplomats that can be helpful in finding these opportunities, but also in helping with participating in trade fairs, store promotions, trade, technical symposia, etc.

4. Conflict handling

   Commercial diplomats can also help home country firms as facilitators in business conciliation and dispute settlement (Naray, 2008). The primary goal is to solve disputes convivially and avoiding judicial proceedings.

5. Supporting delegations from the home country

   Embassy staff is actively involved in the support and preparation of visits from home country government and can provide input for trade negotiations. Likewise it is also active in supporting trade missions and business visits. These activities are so-called classic examples of trade promotion.

6. Fulfilling strategic goals such as supporting R&D or improving access to (energy) supplies

   '*Strategic trade policy arises when government identifies an industry where above average profits can be earned and finds that it can strengthen the strategic position of its national producer to capture those profits*' (Naray, 2008, p. 6) Naray mentiones that most often 'large companies operating in oligopolistic markets rely on an ambassador to obtain important contracts'.

ACTORS IN COMMERCIAL DIPLOMACY

Historically commercial diplomacy, and in fact most economic policies abroad, were the exclusive responsibility of the Ministry of Foreign Affairs in most countries. Saner & Yiu (2003) describe; the ambassador used to be (and might still continue to be) a country's biggest export promoter. While this might very well be true in developing markets, one might wonder if this is the same in already developed markets.

Commercial diplomats can range from high-policy level such as heads of state and ministers to ambassadors and the lower level of specialised diplomatic officers. Most commonly, Commercial diplomats are of the last category and working in different fields such as '*trade, investment, tourism, country image and promotion of science & technology*' (Naray, 2008, p.2). Their work resembles that of private sector trade promotion organisations but is enhanced by the fact that they carry diplomatic status. In fact, most of the research done in this field entails the export promotion part of Commercial Diplomacy. Seringhaus (1986) gives a definition of this: '*All public policy measures that actually or potentially enhance exporting activity either from a firm, industry or national perspective*'.

Recent history has seen reorganisations of many of the diplomatic services around the world and has meant a shift in responsibility away from Foreign affairs and more towards Ministries of Economy and Trade. Besides, some roles have also shifted to regional governments meaning decentralisation of commercial diplomacy responsibility. What's more, diplomacy in general has taken a much more decentralised character since the rise of non-state organisations on both a sub- and supranational level as described by Saner & Yiu (2003).

VARIOUS TOOLS A COMMERCIAL DIPLOMAT CAN USE

Commercial diplomacy relies strongly on human resources since it produces intangible assets such as information, image and relationship capital (Naray, 2008, p. 10). To understand how a commercial diplomat works to produce these intangible assets Kostecki & Naray (2007) first split tasks up to the nature they have, identifying the following roles:

- Intelligence; data collection and analysis of business intelligence
- Communication; communicating found intelligence to various stakeholders
- Referral; facilitation of contact

- Advocacy; '*systematic and planned efforts to defend the home country's business interests*' (Naray, 2008, p. 12)
- Co-ordination; encouraging interaction between both business partners and (local) institutions
- Logistics; support in technical and facility terms

In Naray's (2008) conference paper the author made a matrix to explain the different types of action taken within each role.

Table 2.3.1: Area-Activity Matrix

Area / Activity	Promotion of trade	Protection of intellectual property rights	Co-operation in science & technology	Promotion of country and corporate image	Promotion of Foreign Direct Investments (FDI)
Intelligence	Gathering export marketing data	Supervision of violations of IPRs	Monitoring research achievements	Image studies	Identifying potential investors
Communica-tion	Tourism promotion conference	Presentations during awareness campaigns	Preparation of press articles on scientific achievements	Contribution to made-in promotion events	Briefings for potential investors
Referral	Introducing potential exporters	Search for reliable IP lawyers	Facilitation of contacts between labs	P.R. for large contracts	Approach-ing CEOs with investment proposals
Advocacy	Support of firms in dispute settlement procedures	Pressures for improved protection of home country's IPRs	P.R. in favour of joint scientific projects	Defence of national companies	Protection of home country investors in the host country
Co-ordination	Organization of prospect meetings	Co-ordination of legal action	Introducing parties to initiate R&D joint ventures	Co-ordination of made-in campaigns	Organizing minister's participation in private investors' forum
Logistics	Embassy's secretariat is servicing a trade promotion conference	Training material for awareness campaigns is printed and distributed by the Embassy	Ambassador or CD hosts a conference on promotion of scientific co-operation	Translation of the campaigns material is done by the CD unit's staff.	Members of investment promotion mission use office facilities at the Embassy.

Source: Naray (2008, P. 11)

Commercial diplomats both aim to reach objectives set by their respective governments, but aim also to satisfy demands coming from businesses themselves since these are the main beneficiaries. To combine both roles has proven quite a challenge and the approach chosen differs amongst countries. Kostecki & Naray (2007) identify three types of commercial diplomats and tie to countries they believe take the mentioned approach. Their findings are summarized in Table 2.3.2 below.

Table 2.3.2: Types of commercial diplomats and countries where that type is dominant

Style of Commercial diplomat	Business promoter	Civil servant	Generalist
Approach	Commercial issues understood as business issues	Commercial issues are seen as integral part of international relations	Commercial issues are perceived in a broader diplomatic and political perspective.
Leading concern	Focus on client satisfaction	Focus on satisfaction of the Ministry of Trade	Focus on satisfaction of the Ministry of Foreign Affairs
Countries that employ this type of style	Ireland, Canada, United States, Sweden, Finland, New Zealand, Austria, Portugal, UK, Switzerland, Hungary, Japan, Korea	Germany, France, Poland, China, Cuba	Brazil, El Salvador, Venezuela

Source: Kostecki & Naray (2007, p. 23)

EFFECTS OF VARIOUS TOOLS OF COMMERCIAL DIPLOMACY

There is a substantial body of literature covering various studies into the effectiveness of various tools of commercial diplomacy. This paragraph will discuss some of those studies.

According to Moons & Van Bergeijk (2011), who have done a meta-analysis of these researches done into the effectiveness of various tools of commercial diplomacy, the most significant positive impact on bilateral trade flows is made by the presence of an embassy or consulate. The first author to cover this point was Andrew Rose (2007) who marked embassies and consulates (foreign missions) as export promotion agencies and tested their effectiveness. He signalled a trend in which foreign missions were losing their initial role as foreign policy decision centres and were starting to focus more on the promotion of exports. Rose (2007) wondered if this new focus of foreign missions had an actual and visible impact on exports. Rose eventually found an 6% to 10% increase in bilateral exports for every foreign mission placed abroad, although noting that embassies have a bigger impact than consulates. He argued however that this effect is still small compared to other factors such as; a common language, land border and/or regional trade agreement. Besides this result Rose (2007) also found that bilateral exports decreases with distance, rich and large exporting countries trade more amongst themselves. The work of Rose (2007) has inspired many others to do research into this matter, which turned out eventually to support his view. Afman & Maurel (2010) found a tariff reduction of 2% to 12% related to the opening of embassies in eastern European growth markets. Yakop & Van Bergeijk (2009) replicate the study done by Rose (2007) and find again evidence that embassies and consulates indeed facilitate trade, but they also find differences in the effectiveness. Yakop & Van Bergeijk (2009) note that while foreign missions have hardly any impact on the trade flows between OECD countries, they have significantly more impact in developing nations. Other authors support this view, according to De Groot et al. (2004, p. 119) '*good governance lowers the transaction costs for trade between high-income countries, while trade between low-income countries suffers from high insecurity and transaction costs*'. This would imply according to Yakop & Van Bergeijk (2009), that embassies and consulates succeed in reducing the effects of market failures, especially when it comes to promoting trade between developed and developing countries.

Other researchers have focused on state visits as a tool of commercial diplomacy, which Moons & Van Bergeijk (2011) also found to have a relatively high positive impact on trade flows. State visits usually involve the visit of a head of state and/or other high ranking government officials such as prime ministers, ministers and parliamentary delegations. These state visits usually serve a broad range of purposes. While the general aim is improving bilateral relations the focus may lie on political issues, human rights, environmental protection , etc. (Nitsch, 2007). Whatever the focus, economic relations usually also form part of the agenda as heads of state are often accompanied by high ranking delegations of businessmen and managers. Van Bergeijk (2009, p. 87) describes this interest in economic relations as follows; state visits are helpful when '*public sector involvement is a necessary condition for market access and thus an instrument to reduce or eliminate cultural non-tariff barriers to trade and investment*'. Nitsch (2007) has given the so far most comprehensive analysis of the economic impact those state visits have. His results indicated the effect of a state visit as a rise in bilateral exports of about 8% to 10%. He further noted that positive effect is strong, yet short-lived. It would therefore be helpful to see frequently repeated visits to the country. This is not often the case for state visits, they only rarely take place given their time-consuming and expensive nature (Van Bergeijk, 2009). Visits that can take place more often are those with primarily commercial interest, the trade missions. These will be described in more detail in the next paragraph.

EFFECTS OF TRADE SHOWS AND TRADE MISSIONS

In this thesis a strong emphasis is placed on one tool of Commercial Diplomacy, namely trade missions. '*Trade shows and missions are two types of practices that are believed to be amongst the most effective when the government is actively involved*' (Wilkinson & Brouthers, 2000b, p. 725). While believed to be the most effective, researchers have found it difficult to find substantial evidence of its positive effect on trade. In another article of Wilkinson and Brouthers (2000a) in which 47 US-states in 1990 where subject of study, the authors have found actually a negative correlation between commercial trade missions and exports. They also found that trade shows have a positive impact, be it very small. Van Bergeijk (2009) warns that the research done by Wilkinson & Brothers (2000a) cannot be generalized since it only had a US based perspective. Van Bergeijk (2009) states that this could be influencing the results since the US '*is a high income country with little or no need to actually help its exporters*' (Van Bergeijk, 2009, p. 89). In their recently done meta-analysis of the different tools of commercial diplomacy Moons & Van Bergeijk (2011) also do not find evidence to support the statement that trade shows and missions are the most effective of tools. They have found embassies and consulates, state visits and dedicated Export Promotion Agencies to be even more significantly effective than trade missions/shows. Despite these tools being even more effective, they still found a significant positive effect for trade missions and trade shows.

Despite the fact that the debate is still ongoing about the trade missions and shows, the thesis will focus on this tool given its focus on the perspective of the private sector. Trade missions could be the most tangible and direct forms of support for individual companies since it is mainly aimed at helping inexperienced SMEs develop in foreign markets. Spence (2003, p. 83) states; Trade missions have '*the aim of encouraging SMEs to enter or expand into foreign countries when their experience with the market is still limited*' and the '*objectives of trade shows are to further SMEs' expansion into foreign markets once the firm is already established in targeted markets*'.

Mercier (2007, p. 9) gives a general definition of what exactly constitutes a trade mission: '*Trade missions allow the participants to gain knowledge of a foreign country's culture thanks to direct contact with local business persons and government representatives'*.). Or as was noted by Young (1995, p. 15), '*trade missions seem a very good way of allowing companies to find opportunities abroad and encounter possible partners through local networks*'. However, Mercier (2007) places some criticism as to whether the trade missions really generate new opportunities themselves, or that it might be used to '*maximize publicity by formalizing already agreed deals*' (p.9). Trade missions are preferred especially by SMEs since they require an '*entrepreneurs' management style*' (Spence, 2003, p.84) which means that market-specific knowledge is acquired through informal means. Especially for small exporters this has the preference over a more systematic approach.

Heuts & Poel (2010) hold the opinion that trade missions represent a widely used form of commercial diplomacy, which is rising in importance in recent years. This trend is also noticed by Spence (2003) who gives a possible explanation to this rise: '*the availability of rapid air transport at low cost has made the organization of trade missions – like summit diplomacy – much simpler and more cost effective'* (Spence, 2003, p.84)

Heuts & Poel (2010) have researched the effects of trade missions for Dutch companies. Through their various interviews and a survey they have found that companies beforehand had the following expectations:

- Participation in the trade mission will generate growth of the firms' international network
- The participation gives a better view and awareness of interesting opportunities in the visited country

- Exchange of knowledge with other companies and institutions
- Improved image of the own company and the sector in which the company is active

One of the interesting outcomes of the research study was that it is not only contact with foreign companies that was beneficial to the participating company, it was also the interaction with the other Dutch companies in the trade mission. Especially for smaller companies (SME's), for whom it might be the first mission they attend, the learning curve is steep. They can benefit from the knowledge of international trade and the visited country in specific from the bigger and more experienced companies also present. On a regular basis the interaction during the mission leads to cooperation after the mission (Heuts & Poel, 2010)

Another benefit is that so-called costs of failure are limited by participating in trade missions (Heuts & Poel, 2010). A company can for example find out through participating that the foreign market does not offer the opportunities that were expected, or it discovers that the firm is not yet fully equipped to export. In that case the participation in the trade mission made it possible for the company to discover this without first doing extensive investments.

About one in five respondents in the study says their company has realized more export to the visited country after the trade mission (Heuts & Poel, 2010). It remained hard however to precisely recognize a direct link between participation and financial results, just as previously argued by Van Bergeijk (2009). Many respondents said the presence of a government official during the mission is of great importance. A high-ranking government official can give the trade mission a higher status and can open opportunities to meet with big foreign companies and with foreign governments. Another benefit of a government official is that he can be a sort of marketing tool for companies. Also Potter (2004) mentions in her article that Canadian SMEs benefit greatly from the Canadian approach. They were given the '*legitimacy and access to key foreign private and public sector decision makers that they could never hope to have without the goodwill generated by the presence of the prime minister or international trade minister'* (Potter, 2004, p. 59).

According to Heuts & Poel (2010), especially the quality of the matchmaking program is determinant for the success of the mission. Preparation by the organizing institution but also both intake and the companies own preparations are a key in the making of a high quality matchmaking program. Other factors are for example the involvement of the government official, the quality of the Dutch embassies and consulates, the investment in follow-up by companies themselves, and lastly a not too big group size.

SAFEGUARDING STRATEGIC GOALS THROUGH COMMERCIAL DIPLOMACY

Commercial diplomacy might also be very useful to not only promote exports but also to serve more general (political) and strategic goals. One of the clearest examples in that context would be the goal to secure energy supply. This has been mentioned in the report 'Naar een nieuw kader voor internationale energierelaties' (2011) written by officials of the Ministry of Foreign Affairs (MFA) and the Ministry of Economic Affairs. The authors mention that evaluation of the current "prioritized" countries when it comes to energy supply has brought some interesting results. Those “prioritized” countries are Russia, Saudi Arabia, Algeria and Kazachstan. The authors mention that in all these countries it is difficult to get access and operate for foreign companies. They consider it therefore necessary that Dutch governments’ high officials go on trade missions to these countries since they might be able to create opportunities for Dutch firms. The authors further mention that the prioritizing of these countries has had mixed successes. The relations with Russia and Saudi Arabia are going well, but with Algeria and Kazachstan the relations are more laborious. Main reason for this they say is that the relations with the first two countries have a broader base. There are mutually beneficial relationships, based on more than just the trading of energy. ‘This broader economic relationship has eased the development of a constructive energy relation’ (BZ & ELI, 2011, p.6).

It remains clear that the incentive for building strong bilateral economic ties mainly lies with the Netherlands. Actors from the prioritized countries are usually most interested in Dutch firms that have expertise in the field of energy efficiency and durability. Drawback is that Dutch companies do not possess unique expertise in these fields and companies wanting to cooperate with the prioritized countries also cannot always be found.

One of the main recommendations of the report of BZ & ELI (2011) is that there needs to be more focus on developing a broader economic relation with the prioritized countries. One of the ways to do this is to improve the level of commercial diplomatic services provided.

3. METHODOLOGY

This chapter forms the bridge between the theoretical framework and the case study. It will describe the setting up of the case study research and the choices made. This thesis can be characterized as a mixed methods research (Bryman, 2008), meaning that both quantitative research methods and qualitative research methods were used. The first part will cover those aspects involved in the quantitative research and the second part will cover the qualitative research part of thesis.

3.1 RESEARCH POPULATION

Starting off with the research project, the first step was to get an overview of which companies were doing business with one another. Unfortunately the Netherlands embassy in Kuwait lacked a database of such contacts and the lists that existed where made up of data discovered 'by chance' during meetings or conferences. While this could hardly be called a systematic approach a further problem arose with the fact that the existing records tended to be focused on just a few sectors, and that it was outdated. Thus the need arose to start making a more comprehensive database of company contacts.

To make a comprehensive database, a few barriers existed. One of the most prominent ones was that no other organizations, like both the Dutch and Kuwaiti Chambers of commerce or any other organization could provide data on the interactions between the Netherlands and Kuwait since companies are not required to register their actions abroad.

The best option remaining was to go through all the visa applications done at the Netherlands Embassy in Kuwait and select the business visa applications. These business visa applications included who the applicant was, the (Kuwaiti) company he/she worked for, the Dutch company extending an invitation, the contact within the Dutch company and finally (in some cases) the reason for travel. Although the data gathered this way would be a rather indirect indication of which contacts existed.

As a research sample for the database the choice was made to register all business visa applications in the period January 2010 till December 2010. The total of visa applications in the year 2010 amounted to 2961 and of these visa applications about 277 were business visa applications. This means that only 9% of all visa applications in 2010 were business related. The next step was to use this initial database to make two separate lists, one containing Kuwait based companies and the other one containing Netherlands based companies and contacts. Out of the total 277 business visa applications in 2010, about 154 individual Kuwaiti companies and 124 Netherlands based companies could be identified. The contacts from this database with companies formed the backbone of my research project but also provided a useful tool for other purposes at the embassy.

The contacts for the 'trade mission' part of the research were gathered through another way than the one described above. While working as an intern at the Netherlands embassy in Kuwait two trade missions visited Kuwait. I collected all the contact details of the Dutch participants of these missions as well as those that organized it. On top of that I added to this list the participants of an earlier trade mission to Kuwait in October 2010. The contact information also included the two respondents from FME-CWM with whom I later did interviews.

The same approach was taken for the Kuwaiti participants of the networking event at the Netherlands embassy on Sunday 8 May 2011. Since we had gathered information about all Kuwaiti participants present at the event, this list could be used for sending the invitations to do the survey.

3.2 QUANTITATIVE RESEARCH METHODS

DATA COLLECTION

Data collection for the quantitative part of this research project consisted of two steps. The first step was to find official statistics describing the macro-economic relations between the Netherlands & Kuwait. The second step was to do a survey among the Dutch company contacts gathered in the database of business visa applications.

OFFICIAL STATISTICS

All statistical data in this research were collected from the CBS (Statistics Netherlands) organization. This organization makes data available describing the international trade between Kuwait and the Netherlands, both services and goods. They also provided data on the energy sector specifically.

One of the main difficulties in this part of the research was the lack of statistical data from Kuwait's perspective. Kuwait lacks a statistical bureau of its own and therefore no data could be gathered on the position of the Netherlands amongst other countries as one of Kuwait's business partners. When it comes to the energy sector there was one organization, the International Energy Agency, which did have information on the Kuwaiti export of crude oil. Unfortunately they did not include to which countries crude oil was exported and a further complicating matter was that their data used barrels as measure, not kilograms like CBS did. This made it impossible to compare the data and therefore these data have not been used in this research.

SURVEY 'BUSINESS VISA'

In order to get the highest response rate possible the choice was made to do a survey amongst all the contacts of Netherlands based companies mentioned in the business visa applications. The choice to only incorporate the Dutch companies was made for a couple of reasons:

- While the business visa applications provided clear data of contact persons in Dutch companies, for the Kuwaiti company no contacts were mentioned. Finding out who to talk to for Kuwaiti SMEs is hard enough but still doable. However, for the big conglomerates, oil companies and large family (clan) owned firms, it is nearly impossible to find someone who knows the relations with Dutch companies exactly.

- Interviewing the person who actually got the visa would not yield many answers. While a number of them were there for signing contracts and making deals (usually coming from SMEs), the majority of those with a business visa (employees of the big companies) were “just” going on a training, visiting a conference or going on a plant visit (for example, KPI has a refinery in Rotterdam). It would be highly unlikely that they would know about how relations were build up and the current status.

- From former experience it was known that most Kuwaiti companies act as local representatives or agents for foreign companies. This is due to the laws and regulations in Kuwait, making it very hard for foreign firms to enter the market without a local partner. Since these Kuwaiti companies usually represent a sizeable number of companies, their knowledge and interest in individual Dutch companies is usually limited.

The invitation to participate in the online survey was sent to 108 different contacts from Dutch companies. In the end there was a response from 41 different contacts, of which 32 had managed to complete all questions. Thus the total respons rate was about 38%. The online survey was divided into 5 distinctly different parts which will be described below in more detail.

Part 1 consisted of personalia questions. These questions were used to identify who filled out the questionnaire and for which company this respondent worked.

In part 2 questions were asked to establish the company’s profile. The first question was set up to establish the size of the respondents’ firm by asking the number of employee’s in the firm and the annual turnover of the firm. The answer possibilities were established using the European Union definition of Small & Medium Enterprises. The second and third question were used to get a picture of the international profile of the firm. The second question asked the total number of countries the firm was doing business with. The third question got more into detail by letting the respondents use percentages to indicate how big the focus of their firm was on various countries/regions of the world.

Part 3 explored the relations with Kuwaiti companies further. The first question in this part was used to establish which activities took place in the relation between the respondents’ firm and the Kuwaiti firm(s), it was a closed multiple choice question in which respondents could choose multiple options. The second question, also closed multiple choice with multiple options, inquired about what the main motives were to start doing business with Kuwait. The third question asked about how long the firm had been in business with Kuwaiti companies, a closed multiple choice question where respondents could fill out only one option. Then there were three open questions about firstly the establishment of contact, secondly the support the firm had received from Dutch government and lastly the current status of cooperation. The last question in this part 3 asked the respondents about their firms’ interest in expanding their business activities in Kuwait.

Part 4 was designed to cover commercial diplomacy. The first question was a multiple choice question with one answer possibility that inquired about the need of the firm for support from the Dutch government when doing business with Kuwait. The answer the respondent gave would determine the next question. Respondents that indicated their firm had a small, medium or large desire for governmental support went on to question two, while respondents that indicated their firm did not need government support went on to question four. Question two, a multiple choice with more than one answer option, asked what services the firm needed. Question three, multiple choice with only one option, asked in which sense the respondent thought the services provided by the government matched the actual needs of the firm. Question four was again answered by every respondent, it was designed to see whether respondents thought Kuwait needed a different approach by commercial diplomats than other countries. It was multiple choice with only one option to choose. After the choice the respondent was asked to fill in his/her motivation. In question 5 a list of Dutch organizations concerned with commercial diplomacy was listed, respondents had to select those organizations they knew. The final question of this part consisted of a scale on which respondents were asked to which extent they were satisfied with; - the current offer of supporting organizations – the current structure of supporting organizations – the online information provided.

Finally, in part 5 the survey was closed. The respondent was asked if there were any additional remarks, whether his/her name could be mentioned in the report and finally whether they would be available for an interview on later date.

DATA PREPARATION AND ANALYSIS

All the responses for the survey 'Business visa' were coded for use in SPSS. While the closed questions were obviously easy to put into coding, the open questions were a different story altogether. I realized beforehand that asking open questions would make it harder to analyse, but I did so because I either did not want to lead the respondent to answers and secondly I did not know what to expect. Eventually I also did code the answers to open questions. This increased the margin of error of course. Therefore in the chapter data-analysis I do mention (some of) the original answers received for open questions. The coding frame for this survey can be found in the chapter Appendices as appendix 4.

Data analysis of the official statistics was done through Microsoft Excel and SPSS. The way of analyzing was by using descriptive statistics and frequency tables.

Data analysis for the survey 'Business visa' was done using both SPSS as well as the analysis tools available in the online survey-tool Surveymonkey. Given the non-parametric nature of the data from the survey, the scope of available tests was limited. Fortunately most of the data collected could be characterized as ordinal variables, somewhat increasing the possibilities for analysis. To analyze correlations between ordinal variables ideally the non-parametric test Spearman's correlation coefficient would be used, but given the smallness of my dataset I opted to use Kendall's tau correlation coefficient instead. For the analysis involving ordinal variables and nominal variables I used the Kruskal-Wallis test. The Kruskal-Wallis test is better suited for these kinds of analysis than the often used Chi-Square test although it does not provide the same level of information provided by Kendall's tau correlation coefficient.

> *Explanation of Kendall's tau correlation coefficient*
>
> *Kendall's tau correlation coefficient can be used to test correlation between ordinal, non-parametric variables. Kendall's tau gives a rank to every entry and then calculates the correlation. An outcome of 1 would indicate a perfect positive link, -1 a perfect negative link.*

3.3 QUALITATIVE RESEARCH METHODS

The qualitative research methods were chosen to overcome the limitations discussed earlier with the survey 'Business Visa'. This will be described per research tool.

DATA COLLECTION

Data collection for the qualitative part of this research project consisted of four steps. The first step was to do interviews with Kuwaiti companies that had done business with Dutch firms in 2010. The second step was to do a survey amongst the Dutch companies that had participated in trade missions to Kuwait in the autumn of 2010 and the spring of 2011. The third step were two interviews done with two business development managers of FME-CWM who had helped organizing the trade missions to Kuwait in May 2011. The fourth and last step consisted of a survey done amongst Kuwaiti participants of the network event of the Dutch Energy Solutions trade mission in May 2011. These four steps will be described in more detail below.

INTERVIEWS WITH KUWAITI COMPANIES

As was mentioned earlier in the paragraph covering quantitative research, doing a survey amongst Kuwaiti companies mentioned in the Business visa database was difficult. Therefore another approach was chosen, namely doing a semi-structured interview. Since the number of Kuwaiti companies in the database was too high to visit all of them a selection had to be made. Using the database, a distinction could be made on which Kuwaiti companies had contact with more than one Dutch company. About 20 Kuwaiti companies turned out to have had contact with more than one Dutch company in 2010. In the end 8 companies were successfully contacted with which an interview could be done. The interview guide used for these interviews can be found in the chapter appendices as appendix 5. All these interviews were done at the office of the respondent in a more or less quiet room. I made notes during the interview and wrote transcriptions of each interview the same day.

On top of these interviews came the interviews done earlier in April 2011 while I was writing a report on the oil & gas sector In Kuwait. While the main focus of these interviews had been the oil & gas sector the interviews also yielded a lot of information about the relations with

Dutch companies. I therefore included in this thesis those interviews that provided valuable information.

SURVEY 'TRADE MISSIONS'

At first, it was thought that the survey 'business visa' might generate some responses which would require more in-depth interviewing. This however turned out to be less than expected and therefore another approach was taken. During my internship at the Netherlands embassy two trade missions came to Kuwait in May 2011. The first one involved a group of tDutch companies with health related products and services, the other one companies specialized in oil & gas products and services. These Dutch companies who participated in the trade mission were interesting to incorporate in the research since they had experienced firsthand one of the most effective tools of commercial diplomacy according to literature. Besides, most of them were new entrants to the Kuwaiti market and therefore all their experiences would still be "fresh".

The first thought was to do more in-depth interviews with those participants of the trade missions but I soon realized that what I wanted to know would fit better in a structured interview. I did not expect much variation in the answers given and wanted to make the results comparable to one another, like the earlier survey 'Business visa'. A new survey was designed, this time spread out across more pages and using more "question logic" (which would direct the respondent to the next question according to their answer in earlier ones). The general idea remained the same however, as will be described in the underlying description of the design of the survey. (Also found in appendix 7)

Like in the survey 'Business visa' part 1 consisted of personalia questions. These questions were used to identify who filled out the questionnaire and for which company this respondent worked.

In part 2 questions were asked to establish the firms profile. The first question was set up to establish the size of the respondents' firm by asking the number of employee's in the firm and the annual turnover of the firm. The answer possibilities were established using the European Union definition of Small & Medium Enterprises. The second and third questions were used to get a picture of the international profile of the firm. The second question asked the total number of countries the firm was doing business with. The third went more into detail by letting the respondents use percentages to indicate how big the focus of their firm was on various countries/regions of the world.

In part 3 of this survey the experiences of the participants with the trade mission to Kuwait were explored. In the first question the respondents were asked if their company had been in business with Kuwait before the mission, and if they responded affirmatively they would get a question in which they had to indicate for how long they had done business with Kuwaiti firms. The second question asked the respondents to name three goals they had before taking part in the trade mission to Kuwait. There were three lines on which they could fill in their answer, the question remained open because I did not want the lead the respondent. The third question in this section was an open one again, asking about the way in which the respondents had prepared for the trade mission to Kuwait. This question was in there specifically because literature already pointed out that preparation is vital for success.

The fourth question asked about which three activities of the trade mission the respondents found the most beneficial to achieve their goals, once again in open style. The fifth question asked whether the respondents or others in their firm did any follow-up on the contacts acquired in Kuwait. If they responded with a ‘yes’ an open question would follow in which the respondents was asked in what way they had done follow-up. The sixth question asked to rate on a Likert scale to what extent the predetermined goals for the trade mission had been accomplished. All answering to have achieved at least partially their goals were asked which goals had been achieved. The next question was again a rating scale, this time with numbers 1-10. Respondents were asked to give a rating for the following aspects of the trade mission:

- Information provided beforehand about Kuwait
- Information provided beforehand about potential partners in Kuwait
- Meetings with delegates from Kuwaiti companies
- Meetings with Kuwaiti policy makers
- Company visits in Kuwait
- Networking event at the Netherlands embassy in Kuwait
- The trade mission in general

In part 4 the respondents were asked if their company was currently doing business with Kuwaiti companies. If they were they were asked to select which activities took place between them and Kuwaiti firms. The following question asked what the opinion of the respondent was on the current cooperation with Kuwaiti firms.

Part 5 contained the same questions on commercial diplomacy as the earlier survey ‘Business visa’. Thus, the first question was a multiple choice question with one answer possibility that inquired about the need of the firm for further support from the Dutch government when doing business with Kuwait. Question two, a multiple choice with more than one answer option, asked what services the firm needed next to, of course, trade missions. Question three, a multiple choice question, asked in which sense the respondent thought the services provided by the government matched the actual needs of the firm. Question four was again answered by every respondent, it was designed to see whether respondents thought Kuwait needed a different approach by commercial diplomats than other countries. It was multiple choice with only one option to choose. After the choice the respondent was asked to fill in his/her motivation.

Finally, in part 5 the survey was closed. The respondent was asked if there were any additional remarks, whether his/her name could be mentioned in the report and finally whether they wanted to receive an overview with the results of the survey.

For this survey there were 19 responses, out of the 37 contacts the invitation for the survey was send to. This makes for a response rate of 51%. Out of the 19 contacts that responded, 16 filled in all questions. The respondents are displayed in appendix 9.

INTERVIEWS WITH CONTACTS OF ORGANIZATION TRADE MISSION

Since the trade missions became a focal point in the course of the research the choice was made to gain more insight in this tool. One of the best ways to approach this was by interviewing the people who helped organize the most recent trade missions. Due to time constraints I confined the research to the two trade missions I had seen coming to Kuwait myself. Both missions were organized by the organization FME-CWM, an organization representing employers and businesses in the Dutch technological industry. At the headquarters of FME-CWM in Zoetermeer I spoke with Ruben Dubelaar, business development manager at FME-CWM. Another business development manager, Peter Post, I interviewed over the phone, this due to his busy travel schedule. Like with the interviews done with Kuwaiti respondents I made notes throughout the interview and later the same day made transcriptions of the interview. The interview-guide used for the interviews can be found as appendix 14.

ONLINE SURVEY DONE AMONGST KUWAITI PARTICIPANTS OF THE NETWORK EVENT DURING THE OIL&GAS TRADE MISSION IN MAY 2011

This survey initially was initially not part of this research project. I set-up this survey up while doing an internship at the Netherlands embassy in Kuwait when I was asked to do an evaluation of the network event on Sunday 8th of May 2011. That is why some of the questions seem to bear little relevance to my research questions and also the reason why not more participants from other network events formed part of the research population. However, when looking at the results it became clear to me that indeed some of these outcomes did have relevance for this thesis and that is why it now forms part of it. Although having quite a good response rate, with 17 respondents out of a population of 25, these numbers are still too low to do statistical testing. The data was therefore treated as qualitative data. The design of the survey, letter of invitation and the names of respondents can be found in respectively appendices 11, 12 and 13.

DATA PREPARATION AND ANALYSIS

Data analysis of the survey among trade mission participants presented some challenges. The questionnaire was set-up as a quantitative research tool, be it with a relatively high number of open questions requiring coding afterwards. Eventually the low response rate made it impossible to do statistical tests. I therefore treated it with a more qualitative research approach which was fortunately possible because of those numbers of open questions. I did however translate many of the open answers into coding to use this more aggregate data to provide better insight. The coding frame for this survey can be found in the chapter Appendices in Appendix 10.

Given the semi-structured nature of the interviews with Kuwaiti companies, it proved relatively easy to do cross-evaluation on the responses gathered. I therefore made a document with the answers of each respondent per question. I then wrote in the data-analysis chapter the findings per question. This type of analysis could not be done with the interviews with the business development managers of FME-CWM. I therefore more or less made a summary of the transcriptions to describe the outcomes.

3.4 RELIABILITY AND VALIDITY

Bryman (2008) in his book on social research methods already states it is hard to speak of evaluating a research using the usual criteria when using a case study design. The choices and the position of the researcher can influence the respondents and the research itself.

An entirely value free analysis is impossible according to Bryman (2008). Nonetheless I tried to limit my influence as a researcher as much as possible in various ways. These are described below.

- The term ‘commercial diplomacy’ is for many too vague since it can incorporate many aspects. Therefore I used the terms ‘export promotion’ and ‘government support when doing international business’ instead since these terms are self-explanatory and would be easily understood by all.
- When designing the survey there were questions which I felt could be “leading” the respondent when posed as a closed multiple choice. Therefore I chose on many occasions to use open questions to let each respondent independently formulate their thoughts on the topic. Of course this complicated data preparation and analysis but given the smallness of the dataset and me being the sole researcher (therefore no inter-oberserver issues) I felt this was the best approach.
- The surveys also included various interrelated questions which made it possible to identify through correlation test whether the reliability was sufficient.
- All interviews were semi-structured, using an interview guide. While there was room for other topics to be discussed, the semi-structured design ensured that all respondent were asked the same key questions in the same manner.
- Early on I was advised by my mentor at the Netherlands embassy against using a tape recorder for interviews so instead I made notes during the interviews and translated them into full transcripts on the same day as the interview.
- Being an intern at the Netherlands embassy has undeniably influenced especially the Kuwaiti respondents. I tried to limit this influence by indicating at the start of each interview that I was conducting this research independently as a student. Nevertheless I noticed that in many occasions this did not register since they still regarded me as an embassy staff member.
- Given the abovementioned problem, all interviews except one were done at the office of the respondent. I felt that being regarded as an embassy staff member was influencing most interviews enough already. Inviting respondent to do an interview

at the Netherlands embassy itself would have been influencing them to an unacceptable degree.

All invitation letters, surveys designs, coding frames and interview guides can be found in the chapter appendices. The responses (both coded and uncoded) on the survey and interview transcripts are available upon request, an email to thomasthasing@gmail.com will do.

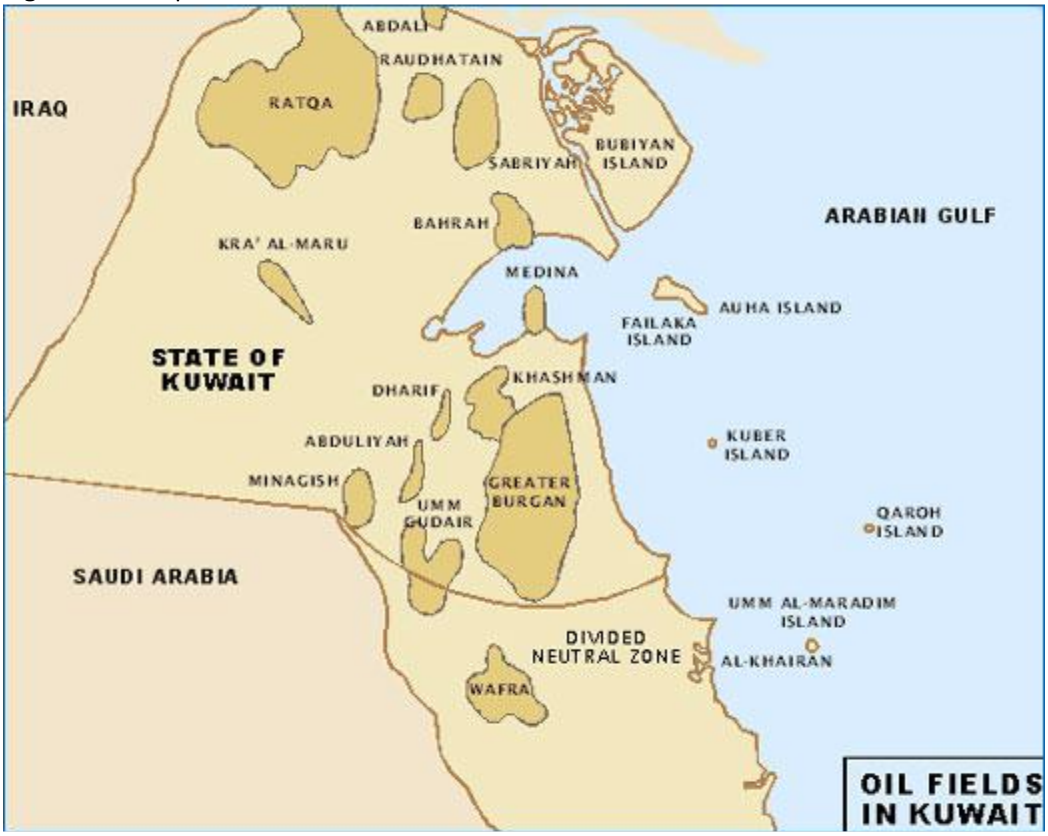
4. INTRODUCTION TO KUWAIT

Before coming to an analysis of the collected data I will first introduce Kuwait, the country that functions as the focus of this case study.

Kuwait will function as the primary area of focus in this research. As I figured that most of the readers are quite familiar with the Netherlands and its economic structure there is no need to introduce the country, but for Kuwait there is. Kuwait is probably best known as the country that was invaded by Iraq in 1990 and months later liberated by a broad international coalition during the first Gulf war. It also formed the base for most military operations during the start of the second Gulf war of 2003. As these conflicts have shown, Kuwait might be a small and dry country but it has a very strategic location on the north-western end of the Persian Gulf. Its natural harbour has provided access to the Indian Ocean for its sizeable hinterland for many centuries and therefore trade has always formed a major part of Kuwait's economy. Until a century ago Kuwait's most important industries were fishing and pearl diving but after the Japanese found a way to artificially produce pearls the industry collapsed leaving Kuwait as a relatively poor state. Then, in 1938, oil was discovered in Kuwait. The field then discovered, Burgan oil field, remains in production till this day, being the second largest oil field in the world. More oil fields were discovered in the course of a couple of years and nowadays it is estimated that Kuwait still holds about 10% of the world's total oil reserves. Daily output hovers around 2,6 million barrels per day (KOC, 2011) but is planned to increase in the coming years.

Figure 4.1 displays the oil fields in Kuwaiti territory. A first glance on the map quickly shows that most of the oil-fields of Kuwait are onshore, the off-shore fields are of negligible size (that is, as far as is publicly known). As can be seen, there are two major fields, already mentioned Burgan field and Ratqa field. Especially the last one is somewhat controversial, the exact location and contents are unknown to the wider public. Some even suggest the Kuwaiti Ratqa field is actually an extension of the vast Rumaila oil field of Iraq. It is therefore mentioned that possible Kuwaiti slant-drilling formed the major casus-belli for the invasion of Kuwait by Iraq. Besides the production of crude oil Kuwait has also developed downstream industries which are able to produce various oil products. One part of the map deserves some explanation. The divided zone in the south of Kuwait is the result of a border treaty between Kuwait and Saudi Arabia. Since the borders in this area were disputed by both countries, the treaty determined that within the designated neutral zone all profits from fossil fuels would be shared between the countries. Therefore, a joint venture company was established as a cooperation between Kuwaiti KPC and Saudi AGOC to manage operations in the divided zone.

Figure 4.1: Map of the oil fields of Kuwait.



Source: KOC, 2011

OBSERVATIONS OF THE BUSINESS CLIMATE KUWAIT

Most Dutch companies and in fact almost all international companies work in Kuwait through a local agent. These agents earn between 5% and 20% of the total project value in exchange for the provision of services, like for example processing all paperwork, supportive services to foreign staff (offices, cars). Cooperating with a local partner is something that is recommended by all stakeholders in Kuwait, both public and private. This point is also mentioned by Kemperman & Raes (2010). Although in their article they place emphasis on the acquisition of tenders the points they mention can fulfil a general purpose. Besides the need for a local partner they also stress the need for a strong presence in the targeted market and access to relevant networks of policy makers. One point were Kuwait stands out from the others is the exclusivity of agent contracts. In Kuwait companies usually have only one agent for all their products, which is a rather rare situation as compared to other contacts. For some companies fairly disappointed with their agent this rule puts pressure on their willingness to stay active in the Kuwaiti market.

When it comes to these local partners one can distinguish two categories. One group of local companies represent big multinationals which are responsible for a large share of their turnover. For them, the incentive to cooperate with Dutch SMEs is small. Then there are other local companies who do focus more on SMEs and have their turnover spread over more parties. Generally speaking, the incentive to search for foreign partners is quite high since most Kuwaiti firms feel the need to stay competitive and innovative in an overcrowded market. Bringing in new technology and niche products is therefore vital.

Many of the Kuwaiti respondents, which will be mentioned later on, put forward that doing business in Kuwait is all about building relations. Building a (social) relationship first is vital to be successful in business according to many of the Kuwaiti respondents. Besides the necessity to build trust amongst business partners, in Kuwait another pressing reason for this exists; the general lack of easily accessible information. Unlike western societies where information is transparent and accessible for everyone (for example through the internet), this is very different in a society like Kuwait. For example, the sheer number of projects proposed to take place in Kuwait in the near future is staggering. The difficulty however lies in finding out which projects are actually going to happen, which projects of these have priority, how the tendering process works and how to successfully do a bid for the project. Mostly none of this information can be found online, it is only through direct contact with multiple stakeholders one might eventually find out.

Table 4.1: Ranking of countries by ease of doing business

Global Ranking 2009		Global Ranking 2010		Global Ranking 2011	
Singapore	*1*	*Singapore*	*1*	*Singapore*	*1*
Saudi Arabia	16	Saudi Arabia	13	Saudi Arabia	11
Bahrain	18	Bahrain	20	Bahrain	28
Netherlands	*26*	*Netherlands*	*30*	*Netherlands*	*30*
Qatar	37	United Arab Emirates	33	United Arab Emirates	40
United Arab Emirates	46	Qatar	39	Qatar	50
Kuwait	52	Kuwait	61	Oman	57
Oman	57	Oman	65	Kuwait	74
Iran	142	Iran	137	Iran	129
Iraq	152	Iraq	153	Iraq	166

Source: IFC and World Bank (2009, 2010, 2011)

At the conclusion of this paragraph about the business climate in Kuwait a look can be taken at the annual Doing business reports of the IFC and World Bank. These organisations join efforts to describe the ‘ease of doing business’ per country and region, for which they make a ranking. The ranking is based on a couple of indicators, such as ‘registering property’, ‘protecting investors’ and ‘enforcing contracts’. Table 4.1 shows the ranking of Kuwait in some consecutive years, as well as its place among neighbouring Gulf countries. Also added are the number one in the ranking and the Netherlands. Looking at this table one can clearly see that Kuwait the ‘ease of doing business’ in Kuwait is rapidly falling in recent years. In 2011 Kuwait has the lowest ‘ease of doing business’ of all GCC countries, while only neighbouring "troublemakers" Iran and Iraq are performing even worse.

SUMMARY

A World Bank/ICF report on the ‘ease of doing business’ had found that in 2011 Kuwait was one of the most difficult countries to do business in the Gulf region. Only Iran and Iraq presented more challenges to firms. From observations done during the internship was learned that the economy of Kuwait is driven for 90% by government spending. In many sectors the Kuwaiti market is rather overcrowded and competition is fierce. Doing business is greatly helped by maintaining social relations and also by having a local agent. The local agent is sort of a mixed blessing, especially since the exclusivity of agents in Kuwait meaning that Dutch firms are usually bound to one agent only. When the agent performs satisfactorily this of course is no problem but tensions can arise when the Dutch firm is not happy with their Kuwaiti agent.

5. DATA-ANALYSIS

In this chapter the outcome of the data collection will be stated and analysed. Besides a look into Commercial Diplomacy in relation to Kuwait, a significant part of the research focuses on the relations (of firms) between Kuwait and the Netherlands.

5.1 THE MACRO-ECONOMIC RELATIONS BETWEEN KUWAIT & THE NETHERLANDS

The previous paragraph introduced Kuwait as an oil rich country and a place where the 'ease of doing business' leaves much to be desired. In this paragraph the first subquestion will be addressed: 'How can the current trade between the Netherlands and Kuwait be characterized?' To do this a further look will taken on the relations between the Netherlands and Kuwait on a macro-economic level. The data that was analysed for this paragraph were official statistics provided by the CBS (2011).

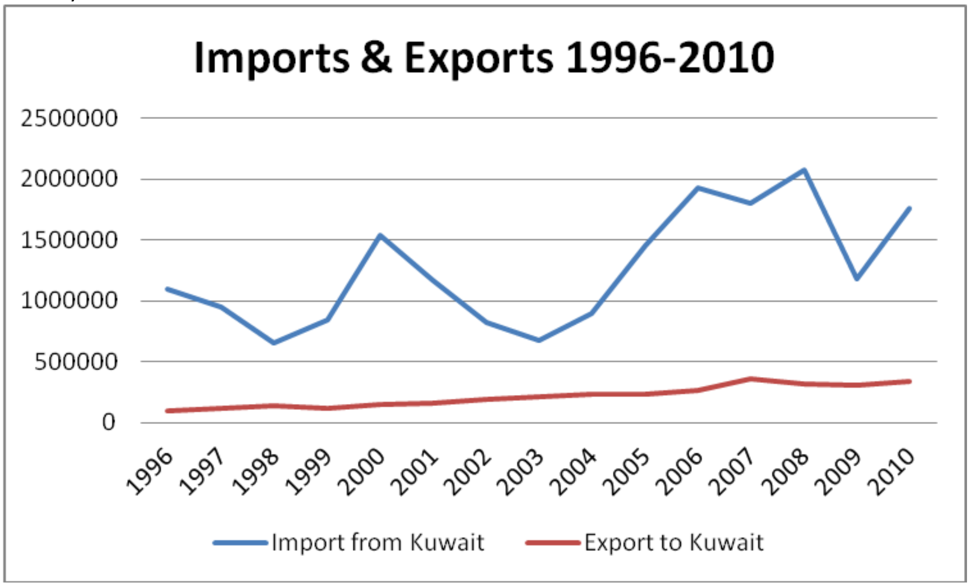
The first step is to look at the trade balance between the Netherlands and Kuwait. In Table 5.1.1 the size of imports and exports of goods in 2000, 2005 and 2010 are displayed. Also calculated is the trade balance (netto exports). The size of imports and exports of services are only included for 2010, since data from earlier years is lacking. Looking at the table one concludes that there is a sizeable difference in goods imported from Kuwait and those exported to Kuwait, which leads to a negative trade balance for the Netherlands.

Table 5.1.1: Import, Export and trade balance between the Netherlands and Kuwait (in mln. euros)

	Import from Kuwait	Export to Kuwait	Trade balance
2000	1.539,25	145,71	-1.393,55
2005	1.452,034	238,95	-1.213,09
2010	1.754,92	334,18	-1.420,74
2010 (services included)	1.815,92	443,18	-1.372,74

Source: CBS Statistics Netherlands, 2011

Figure 5.1.1: Development import and export of goods between 1996 and 2010 (in x1000 euros)



Source: CBS Statistics Netherlands, 2011

Given the relative differences in import volume per year which did not become clear in the table, I also included figure 5.1.1 illustrating the development of imports and exports of goods over the years. When looking at the imports line one quickly realises that it follows the state of the Dutch economy closely; showing the IT bubble of 2000 and its subsequent burst, as well as the credit crunch of 2008 and its aftermath. The line indicating exports, although substantially smaller, does not follow the state of economy. It rather rises at a stable rate per year.

Having established what the trade balance between the Netherlands and Kuwait was for recent years, a look is taken into the distribution of goods and services exchanged. As can be seen in table 5.1.2 below, it is goods that are exchanged, not so much as services. Especially when it comes to imports from Kuwait to the Netherlands only a small part consists of services.

Table 5.1.2: Comparison goods vs. Services 2010

	Goods	Services
Imported from Kuwait	96,64%	3,36%
Exported to Kuwait	75,71%	24,29%

Source: CBS Statistics Netherlands, 2011

The country profile of Kuwait already showed that Kuwait's economy is primarily driven by oil. That oil is also the dominant factor in the relations between the Netherlands and Kuwait is shown in table 5.1.3. The overwhelming majority of goods imported consist of Fossil Fuels with a percentage of 98% in 2010. It used to be an even higher percentage in 2000 (99%). The other categories are of negligible size. This immediately explains why the import curve shown in figure 5.1.1 followed the state of the economy so closely. Many authors, like Filis (2010) have described the relation between stock markets and oil imports.

Table 5.1.3: Import of goods from Kuwait to the Netherlands

2000		2005		2010	
Fossil Fuels	**99,040%**	Fossil Fuels	**99,625%**	Fossil Fuels	**98,005%**
Plastics and articles thereof	**0,895%**	Machinery	**0,178%**	Machinery	**1,078%**
Optical instruments	**0,016%**	Aluminium products	**0,052%**	Plastics and articles thereof	**0,688%**
Aluminium products	**0,016%**	Food of animal origin	**0,030%**	Organic chemicals	**0,064%**
Machinery	**0,013%**	Optical instruments	**0,030%**	Electronic Equipment	**0,038%**

Source: CBS Statistics Netherlands, 2011

Now that it is clear that Fossil fuels form the overwhelming majority of goods imported from Kuwait, the focus in table 5.1.4 lies on the importance of Kuwait as a supplier of crude oil to the Netherlands. Of course fossil fuels consist of more than just crude oil, they also incorporate the oil products derived from crude oil. The data to split this category does not exist however. Looking at which countries exporting crude oil are most important to the Netherlands it is clear that while Saudi Arabia was the main supplier of crude oil to the Netherlands in 2000 this role has been taken over by Russia in later years. Other big exporters to the Netherlands are the countries providing North Sea oil such as Norway and the UK. Kuwait used to be right behind or among those countries but fell back slightly in 2010.

Table 5.1.4: Direct import of crude oil in the Netherlands

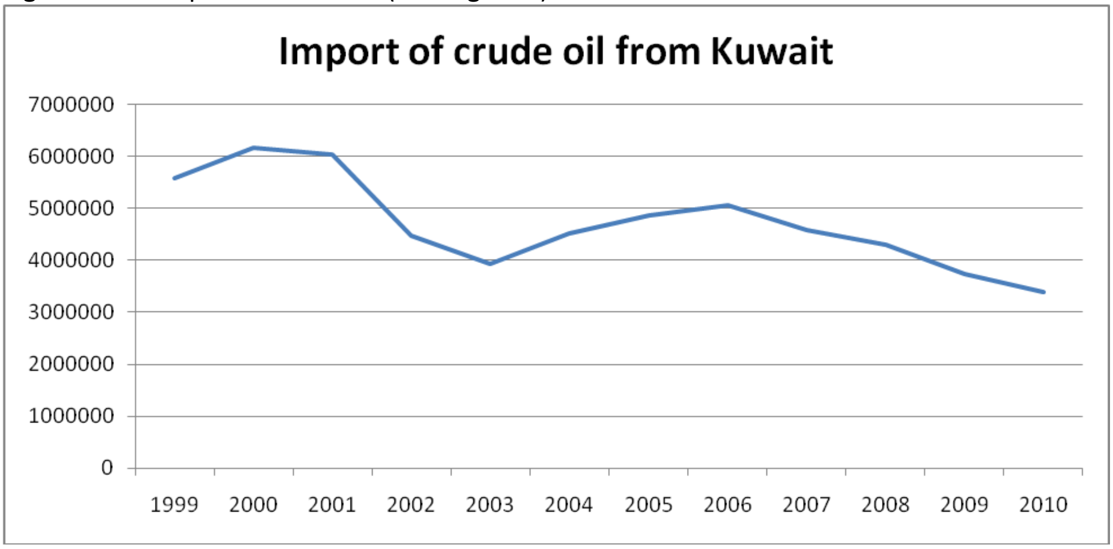
Rank	2000	Percentage of total in 2000	2005	Percentage of Total in 2005	2010	Percentage of total in 2010
1.	Saudi-Arabia	**20,42%**	Russia	**26,89%**	Russia	**29,36%**
2.	United Kingdom	**18,87%**	Saudi-Arabia	**21,44%**	United Kingdom	**11,01%**
3.	Norway	**18,27%**	Norway	**11,59%**	Norway	**10,59%**
4.	**Kuwait**	**11,37%**	**Kuwait**	**8,98%**	Saudi-Arabia	**7,47%**
5.	Algeria	**8,03%**	United Kingdom	**7,64%**	Nigeria	**6,65%**
6.	Russia	**6,85%**	Algeria	**4,71%**	**Kuwait**	**6,01%**
7.	Iraq	**5,47%**	Belgium	**4,68%**	Algeria	**4,60%**
8.	Iran	**4,79%**	Iran	**3,44%**	Belgium	**4,40%**
9.	Denmark	**3,65%**	Nigeria	**2,93%**	Iran	**3,86%**
10.	Venezuela	**0,94%**	Iraq	**1,41%**	Iraq	**3,57%**

Source: CBS Statistics Netherlands, 2011

This trend of falling imports from Kuwait is clearly visible in figure 5.1.2, which shows that the import of crude oil from Kuwait has dropped considerably since the start of the 21st century. The careful observer might note that in earlies figure 5.1.1 the imports from Kuwait were rising, which later turned out to be almost exclusively fossil fuels. There seems to be a discrepancy between these findings and the findings in figure 5.1.2, but this is not the case.

The imports in figure 5.1.1 were measured by value in euros while the imports shown in figure 5.1.2 are measured in kilograms. This leads us to the conclusion that although the absolute import of crude oil from Kuwait is declining, the oil price has risen.

Figure 5.1.2: Import of crude oil (in kilograms) to the Netherlands from Kuwait 1999-2010



Source: CBS Statistics Netherlands, 2011

EXPORT

Previously was already established that exports to Kuwait were small compared to the imports from Kuwait. Nevertheless, the volume of exports still represents a value of €443 mln. in 2010. Like with export I also split up the exports in the goods category. When it comes to the goods that are exported from the Netherlands to Kuwait one would expect a more diverse picture, given the broad multilayered structure of the economy in the Netherlands. This indeed seems to be the case, as is shown in table 5.1.5. The most exchanged products seem to fall in the category of 'Machinery' with a percentage of 25,83% in 2010, followed by 'Food of animal origin' with 17,04% in 2010.

Table 5.1.5: Export of goods to Kuwait from the Netherlands

2000		2005		2010	
Machinery	**14,826%**	Machinery	**26,888%**	Machinery	**25,831%**
Food of animal origin	**13,521%**	Electronic Equipment	**10,003%**	Food of animal origin	**17,035%**
Electronic Equipment	**9,071%**	Motorized vehicles	**8,175%**	Pharmaceutical products	**10,820%**
Pharmaceutical products	**7,249%**	Optical instruments	**8,090%**	Electronic Equipment	**8,109%**
Optical instruments	**7,009%**	Food of animal origin	**6,660%**	Optical instruments	**6,868%**

CBS Statistics Netherlands, 2011

SUMMARY AND ANSWER TO SUBQUESTION ONE

When looking at the macro-economic relations between the Netherlands and Kuwait a large trade deficit can be seen. The imports from Kuwait to the Netherlands have much higher value than the exports to Kuwait. About 98% of all imports are fossil fuels, which can only be oil since Kuwait is a net importer of natural gas. Exports to Kuwait show a rather more diverse picture, 'Machinery' being the most prominent good exported. When it comes to crude oil imported, Kuwait forms the 6th largest importer to the Netherlands in 2010. It used to have more prominence but the size of crude oil imports to the Netherlands is gradually declining.

5.2 THE PERSPECTIVE OF KUWAITI COMPANIES DOING BUSINESS WITH DUTCH COMPANIES

Having presented the macro-economical relations, from this paragraph on more light will be shed on the micro-economical perspective of the private sector. In this paragraph subquestion two will be leading: 'What perspective do Kuwaiti firms have on the relations with Dutch companies?' The data for this paragraph were gathered by interviews as is described in more detail in the chapter "Methodology".

The Kuwaiti firms that were interviewed specifically for this research had an average of 3.75 different Dutch firms they had contact with. All of those Kuwaiti firms are agents for Dutch companies, which means that they act as representatives for Dutch firms on the Kuwaiti market. They do the local marketing of the product and/or service and provide after-sales services.

When asked how they came in contact with Dutch companies some stated that it had been established such a long time ago that they did not quite remember. Most others mentioned that they had met representatives of the Dutch company on trade fairs, conferences and missions abroad. Some, like ATC and Bin Nisf trading, also scour the internet, scientific papers and business journals for partners. The respondent of Rezayat Trading Co. said that although he finds most contacts through conferences and trade fairs he was quite happy with the annual report the Dutch embassy sends him. This provides him with a good deal of information on Dutch industry and leading companies within those industries.

In question 4 the respondents were asked how the relations with Dutch firms were at present. All of them answered relations were good at the moment. Al Mojil mentioned the good quality of Dutch products, which comes at lower prices than their main competitors from the UK, Switzerland and Germany. He also praised the professional attitude and punctuality of the Dutch firms Al Mojil Drug co. works with. The respondents of White Stores co. and Yiaco Medical co. also share this view on the Dutch business mentality. They praised the innovativeness, international experience, straightforwardness and most importantly the reliability of Dutch firms. The respondent from Advanced Technology Co. is particularly happy with the reaction to the feedback they give to Dutch companies. Together they find a way to adapt the products to the Kuwaiti market, where one of the main challenges is the extremity of the climate. Vice versa Dutch firms also help expand the network of Advanced Technology Co. in Europe. Another point which is often mentioned is that the Kuwaiti respondents are happy with the numerous visits to Kuwait Dutch representatives make and the training they provide. Another perspective was given by the respondent of Rezayat Trading Co. The respondent mentioned that for them price is of the utmost importance, even more so than quality. So according to them, Dutch products face huge competition from (cheaper) Chinese and Korean firms. It has to be said though that the origin and strength of competition varies per industry.

When asked if the respondents firms' wanted to see more cooperation with Dutch firms in the future they all responded positively. Since most of them work as agents for the local market, they want to increase the number of companies they represent. Given the rather overcrowded market which Kuwait is most of them also look at ways to open niche markets and therefore their foreign relations might come in handy since these foreign companies generally possess more innovative techniques and products. While most of the respondents thus prefer to expand relations in a more quantitative sense, some suggest more in-depth cooperation. For this, they most often mention the setting up of joint trainings or the joint development of products.

In question 6 the respondents were asked whether there were any problems when doing business with Dutch companies. While a couple of them say they do not experience problems whatsoever, some others do. One issue standing in the way of cooperation is the price level of Dutch products and services which is mentioned by both the respondents of Rezayat Trading co. and Warba Medical Supplies. Another issue is the current ban from the Kuwaiti government on fresh meat imports from the European Union, which is also affecting the trade with Dutch companies. This ban came in place during the FMD (Foot-and-mouth disease) crisis in Europe some years ago, Kuwaiti government officials have been reluctant to lift the ban ever since. Another issue was brought up by George Breidy of Advanced Technology Co, who said he experienced a lack of information about the Dutch medical sector. While he was eager to get more information about which firms might be interesting for them to contact he said he did had not yet found a good source for this kind of information. The last issue was raised by the respondent of White stores co, Faris Aoun. He noted having difficulty persuading Dutch firms to enter the Kuwaiti market. Main reason for this he explained is that the Dutch companies consider the market to be too small, especially when considering the adjustments to products that have to be made, for example for the packaging.

SUPPORT BY THE DUTCH OR KUWAITI GOVERNMENT

Since I was a representative of the Dutch embassy in Kuwait for those I interviewed, all the respondents primarily focused on what the Dutch embassy could do to support business and not so much the whole structure of governmental support, let alone the Kuwaiti side.

The respondent of Al Mojil Drug co. said that he thinks one of the most important supporting roles of an embassy is to facilitate matchmaking events. He said that he was quite happy with the Netherlands embassy since they contact him a lot. Other embassies clearly have a more passive role and also slow follow-up. One of the best examples of commercial diplomacy he found was done by the Swiss embassy. They had founded the Swiss-Kuwait forum which meant a meeting every two months. Next to drinks and diner with the ambassador this also involved discussions and workshops and most importantly meeting representatives of different Swiss industries. While being a very successful strategy, continuation of the project turned out to be difficult since the changing of ambassador also meant the end of the forum.

Advanced Technology Co. mostly stressed once again that the provision of information could be improved. They would like to see besides general information also more tailor-made information for each industry. Above all, they would like to see a system in which their inquiries are met with a sufficient and speedy follow-up. This point of view was also shared by the respondents from Bin Nisf Trading & Contr. and Palms Agro production co.

The respondent of Rezayat Trading Co said he saw little relevance for diplomatic support. In his view the incoming trade missions he had visited had provided him with little potential partners. The number of participants in his view is too small, and they all service other niche markets. What he thought would be much more helpful would be for the Dutch embassy to provide Kuwaiti companies with information about upcoming trade fairs in the Netherlands and streamline visa application procedures for delegates going to these kinds of events.

The respondent from Warba Medical Supplies also mentioned that so far they had not used services provided by the Dutch embassy, apart from the usual and necessary 'legal' paperwork and visa applications. But he would be happy to get more information on Dutch industries and leading companies in them. A point mentioned by the respondent was that he was happy with the work in Holland-branding the embassy did. Since he is selling Dutch products he noticed that the strong reputation of Holland is making it easier to sell these products. This works even when the prices for those products are on a higher level than other manufacturers.

The respondent of White Stores co. mentioned that he had not often worked with commercial sections of embassies in general. He mostly finds new business partners through visits of trade fairs, but he mentions that a while ago he used the services of the French embassy in Kuwait to check a potential business partner. The most interesting point mentioned by the respondent was that in his opinion the main role of the embassies was to provide consultation during trade conflicts and work to streamline regulations with the local authorities. He mentioned that he had found quite some difficulties when different bans (such as a ban on beef imports) were put in place by the Kuwaiti government. Embassies would have to take a leading role in addressing the lifting of these bans to Kuwaiti government officials.

The respondent of Yiaco Medical Co once again emphasised the informative role an embassy should take. He suggested a similar approach as the respondent of Rezayat Trading Co. did; to send an annual report with information about various Dutch industries. Other approaches he suggested were to invite key business leaders from Kuwait to the Netherlands, as well as specifically targeting the most influential Kuwaiti families with information about Dutch industry.

GENERAL REMARKS BY THE RESPONDENTS

The respondent of Al Mojil Drug Co told me that business in Kuwait is characterized by social relations. For business partners therefore it is important to visit social events, such as diwaniya's (group gatherings with neighbours and friends). The respondent of Advanced Technology Co mentioned that in the Kuwaiti economy the government is the main drive behind most developments and projects. He estimated that, at least in his sector (healthcare), about 90% of all tenders are of public or semi-public organisations. The respondent of Warba Medical Supplies agreed with the respondent from Advanced Technology Co. that 90% of the industry is controlled by the government. He told me that since the government has relatively big budgets they tend to focus on quality more than price. This means that Warba Medical Supplies can also do business with European companies, which are usually offering products from a higher price category. The private sector costumers of Warba Medical Supplies are often more than the government focused on price. For them, Warba does more purchases from (East-) Asian companies. The respondent explained that he foresees a boom in business in the coming years since the government is tendering multiple healthcare-related projects, including the construction of nine new hospitals.

RESPONSES FROM KUWAITI OIL & GAS INDUSTRY FIRMS

On the 5th of April 2011 I met with Ahmad Abou Zahr of Canar Trading & Contracting, one of the main service companies in the Kuwaiti Oil & Gas industry. They have done business with a couple of Dutch firms, for example with WW Eurovalve and BAF Valves. Ahmad Abou Zahr said that he thought many Dutch companies put their focus more on (South) East-Asian markets and less on Kuwait. For doing business in Kuwait he described it is paramount that one finds a good business partner, one that is actively promoting the Dutch firms' products and services and maybe even more important, is plugged in to the informal networks and has some influence (which is called 'wasta' in Kuwait). According to Ahmad most Dutch companies are stuck with the wrong partner in Kuwait since they lacked knowledge about the market and they do not really know their partners when they enter business with them. But otherwise, Ahmad Abou Zahr thinks Dutch companies are known to be professional, dedicated and trustable partners with a lot of expertise. When it comes to good examples of commercial diplomacy, Ahmad Abou Zahr mentioned an example of the French embassy. The embassy had organised a conference in Kuwait in which major representatives of all French and Kuwaiti industries were present, Ahmad Abou Zahr being the main spokesperson of the Kuwaiti Oil & gas private sector companies. Since the French brought so many major representatives and high ranking officials they were rewarded with a lot of deals and contacts.

On the 12th of April 2011 I met with Abdulrahman Almathkour of Fawares Petroleum Services, another major private sector service provider. He was more critical about Dutch firms than most other respondent saying that in his opinion they did have a lot of expertise but they lacked international experience and lacked the proactive attitude needed to gain a firm hold in new markets. In his dealings with Dutch businessmen mr. Almathkour has found them extremely risk averse and focused on details, an attitude that complicates doing business in Kuwait. His advice for commercial diplomats was to invite Dutch companies more often to Kuwait to let them get more understanding of the business culture and institutional system in Kuwait.

The last interview to be mentioned took place on April 11, 2011 with Sameer Abu Shanab of Projacs. He mentioned not having done much business with Dutch companies. Main reason for this he mentioned was his impression that Dutch companies put their focus elsewhere in the region (like Dubai) or even further east. He noticed a shift after the crisis hit Dubai in 2009. Suddenly foreign firms became more aware of the bigger Gulf region and started operating in different markets. In Kuwait there used to be only a few bidders for every tender, now it ranges into the 20 to 30 bidders. Also Sameer Abu Shanab said that Dutch firms should recognise the opportunity to use Kuwait as a base when doing projects in Iraq, a country which is opening up for international business fast.

SUMMARY AND ANSWER TO SUBQUESTION TWO

Relations between Kuwaiti firms and Dutch firms were mostly indicated to have started a long time ago and most Kuwaiti respondents had found a business partner through participation in trade fairs, trade missions and conferences. Some had found business partners through other means. All of the respondents indicated that business relations were good at the moment, giving a couple of reasons for the good relations: Mentioned most often positive point was the professional attitude and punctuality of many Dutch firms. However, the price level of Dutch products was sometimes indicated as quite high leading to strong competition from especially Asian competitors. Besides all respondents being happy about the current relations, most also indicated wanting to expand the relations with various Dutch firms further. They meant this mostly in a quantitative way, to get more Dutch products to represent on the Kuwaiti market, especially products servicing niche markets were highly desired. More in-depth cooperation does not reach further than adjustments of products to the local market and the provision of trainings by Dutch firms.

When the respondents were asked about problems they were experiencing in doing business with Dutch firms most were hesitant. Eventually some problems were mentioned, such as the price level of Dutch products, a ban on certain meat products, a general lack of information about Dutch industries, problems with acquiring a visa and lastly the difficulty in convincing Dutch firms of the opportunities in Kuwait.

Kuwaiti respondents also mentioned what they hoped to see from the Netherlands embassy. They viewed the provision of information about Dutch industries and the facilitation of matchmaking as the most important tasks of the embassy. Other points of interest were the Holland branding strategies which were also helping the Kuwaiti firms selling Dutch products and the streamlining of rules and regulations with the Kuwaiti authorities. Some Kuwaiti respondents mentioned best case examples they had experienced with other embassies, but they also indicated that the efforts done by embassies was usually tied to specific persons in the staff. A change in staff would often result in different priorities and the end of beneficial events.

5.3 THE VIEWS OF DUTCH COMPANIES DOING BUSINESS WITH KUWAITI COMPANIES

In this paragraph an answer is provided to subquestion three: 'Which trends can be seen in the relationship of Dutch firms doing business with Kuwaiti business partners?' The data for this paragraph was gathered using a survey, as is described in the chapter "Methodology" in more detail. Eventually 42 respondents started the survey, of which 33 completed all questions. The other 9 only partially filled in the questionnaire but wherever possible these answers are also taken into account.

FIRM CHARACTERISTICS

The survey started by establishing within which category one could place each respondent's firm. The following table shows which characteristics of their firm the respondents filled in.

Table 5.3.1a & b: Respondents firm characteristics

Number of employees	10 or less (Micro)	11 till 50 (Small)	51 till 250 (Medium)	251 till 1000 (Large)	More than 1000
	26,5%	17,6%	32,4%	8,8%	14,7%

Annual turnover	Less than € 2 mln. (Micro)	€ 2 mln. till € 10 mln. (Small)	€ 10 mln. till € 50 mln. (Medium)	€ 50 mln. till € 100 mln.(Large)	More than € 100 mln.
	15,2%	18,2%	24,2%	12,1%	30,3%

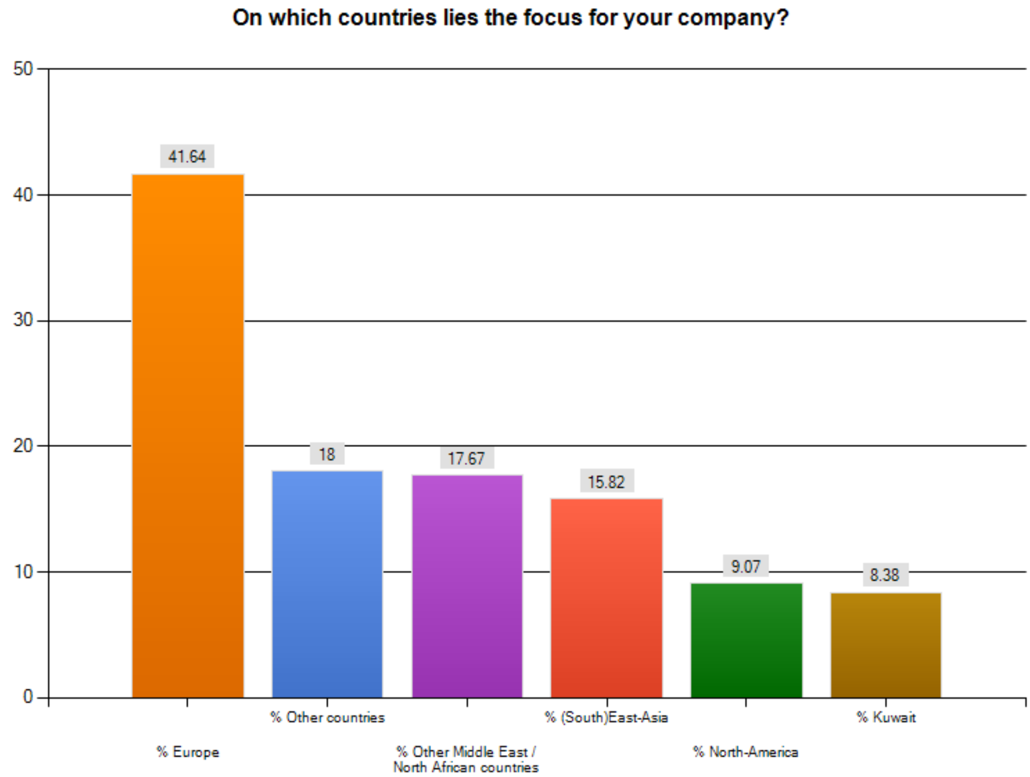
As can be seen most respondents place their firm in the group medium sized enterprises when it comes to 'number of employees'. Curiously, when it comes to 'annual turnover' most respondents indicate their firm as having a turnover of 'More than €100 mln.' The data in table 5.3.1a was used to split up the respondents into various groups in order to further analyse the data. Since the results in categories 'number of employees' and 'annual turnover' did not match a choice had to be made for one of them. I chose in this case to use the 'number of employees' as the benchmark for establishing the size of the firm. The respondents were grouped in 3 different groups:

- Small firms (<=50 employees)
- Medium sized firms (51- 250 employees)
- Large firms (251=> employees)

The respondents were asked about the number of countries their firm traded with. The general average was 44 countries, but there were differences when looking at the various groups. Small firms indicated doing business with an average of 23,33 countries. Medium sized firms had an average of 47,1 countries and large firms had an average of 86,57 countries. Statistical testing using the Kendall´s tau correlation coefficient supports this view. A significant positive link (0,586) was found between firm size and the number of countries the firm did business with. Thus a conclusion might be; the larger the firm the more countries they do business with.

The next question was aimed at discovering on which geographical region the firms focused. The main focus for these firms lies on Europe, as can be seen in figure 5.3.1. The average is 41,64% for Europe and only 8,38% for Kuwait. This ratio does not change much when checking for small, medium and large sized firms. Europe remains, not surprisingly, the main focus area. But there is a difference in the focus placed on the Kuwaiti market. Small sized firms place, relatively, the biggest focus on Kuwait compared to medium and large sized firms. For these small firms the importance of Europe is also smaller. These observations are supported by the Kendall's tau correlation coefficients and show some other points of interest. The correlation coefficient shows a significant negative link between company size and focus on Kuwait (-0,457), and a slightly weaker but significant negative link between company size and focus on MENA (-0,351). These outcomes mean that indeed smaller firms have more focus on Kuwait and the Middle Eastern region than do larger firms. The larger firms are found to have more focus on Europe, a positive and significant coefficient of 0,301. I also found the rather "open door" outcome that the more countries a firm does business with the less its focus is on Kuwait, a relatively strong and significant negative link of -0,562.

Figure 5.3.1: Focus of firms on countries

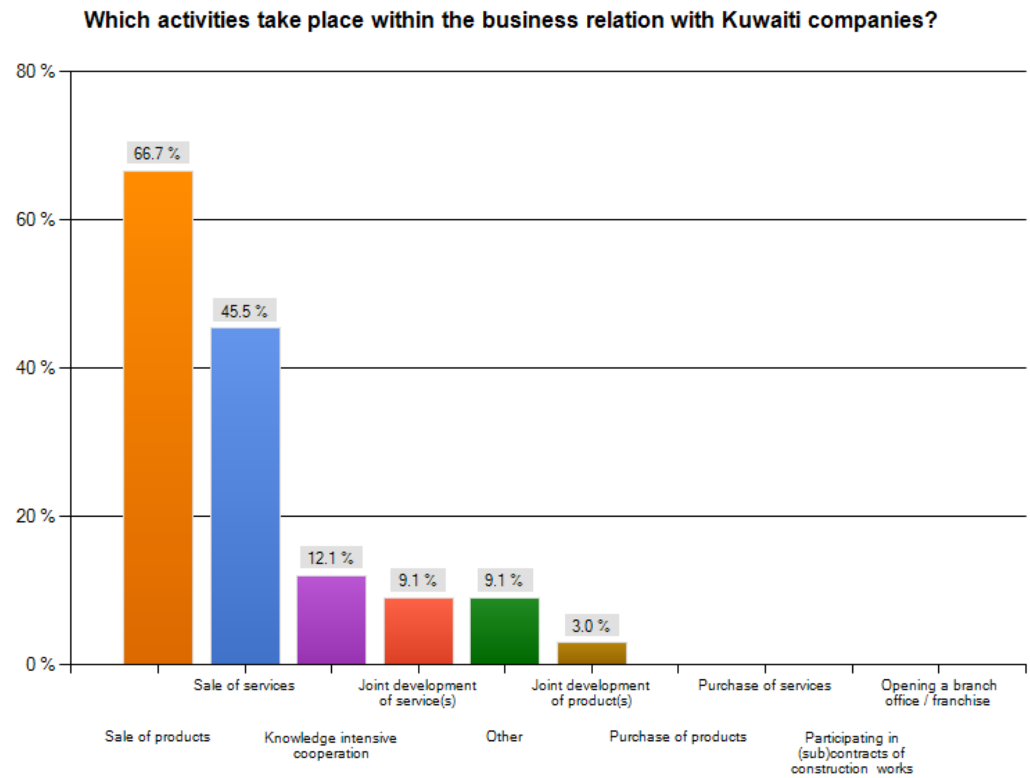


RELATIONS WITH KUWAIT

As can be seen in Figure 5.3.2, most respondents indicated that their firms were primarily involved in the sale of products to Kuwait, with a percentage of 66,7%. This was followed by the sale of services at 45,5%. Please note that the percentages do not add up to 100%, this is because the respondents were able to select more than one answer. Strange enough, none of the respondents indicated that their company was purchasing products or services from

Kuwait, neither were they participating in (sub)contracts of construction works or opening a branch office. The reason for this strange outcome could be the limitations of this research project (discussed in methodology and discussion). However, they could also be perfectly natural given the macro-economic data, which indicated that (in 2010) 98% of import from Kuwait fell in the category 'fossil fuels', an industry dominated by a few key firms not part of the respondents group. The other categories of products imported from Kuwait were of negligible size making it likely that those firms that did import were missed in this research.

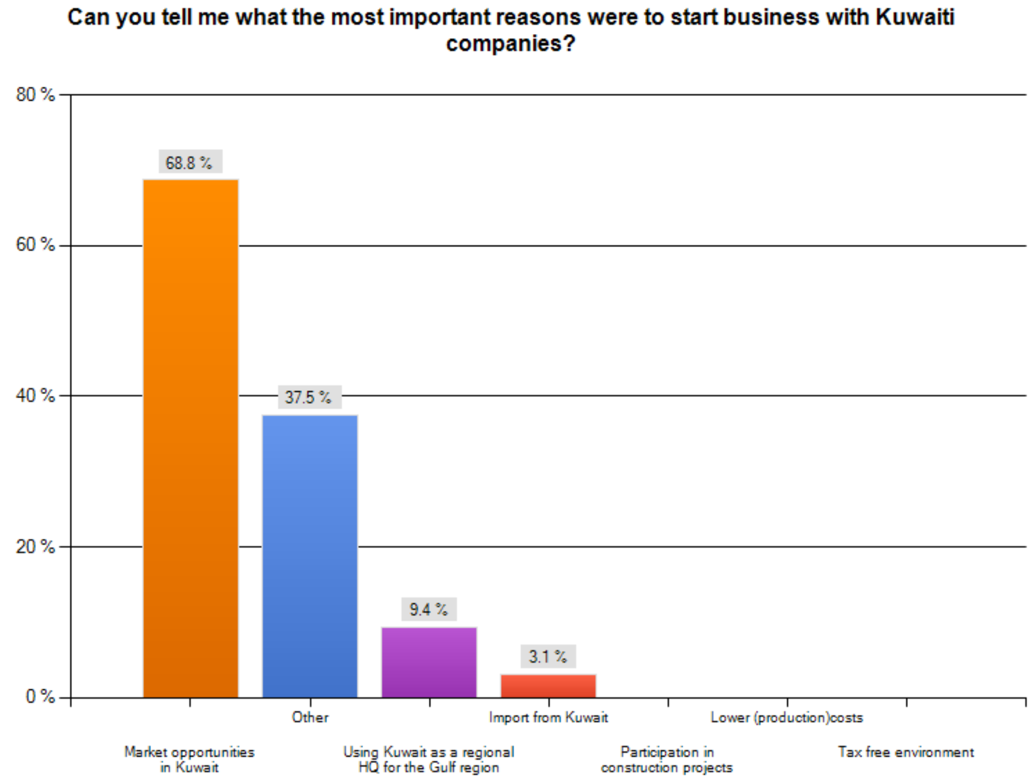
Figure 5.3.2: Activities taking place in business relation with Kuwait



The outcomes of all responses were also compared with the results when split up in smaller groups of firm size. The patterns recognisable in the overall figure remained the same. However, one could recognise a trend in which smaller firms do more 'knowledge intensive cooperation', 'joint development of service(s)' and 'joint development of product(s)' than medium sized firms and large firms. To check these observations with SPSS the Kruskal-Wallis test was used. The test concluded that there were no significant differences between small-, medium- or large sized companies.

In this research I was also interested in what the main motives were for Dutch companies to start doing business with Kuwaiti companies. Although the majority of respondents gave the rather "open door" answer of 'market opportunities in Kuwait', a substantial group selected the category other. It is in this category that the surprising answers lie, such as: 'service contract with Kuwait Oil Company', 'one of the shareholders is Kuwaiti', 'companies from Kuwait are forced by their clients to use our services (KEMA)' or 'we were approached by a Kuwaiti company after a conference'. The last answer matches the way the Kuwaiti respondents described earlier.

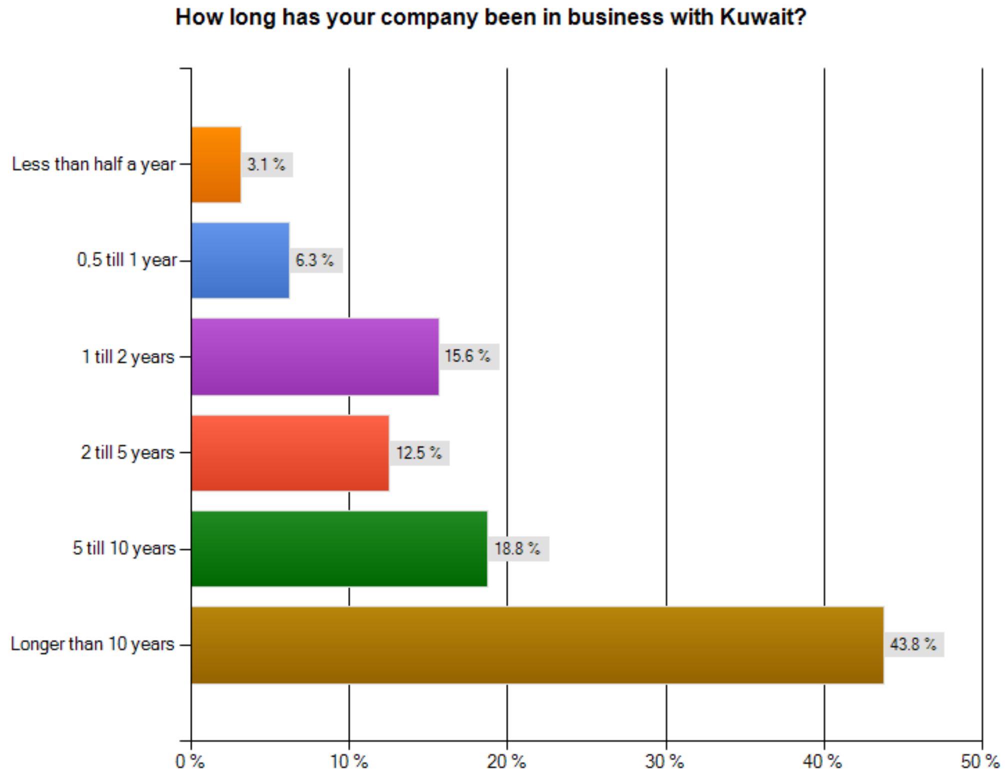
Figure 5.3.3: Reasons to start business with Kuwait



The results of the separate groups with small, medium and large sized firms do not differ much from the overall outcome. Using the Kruskal-Wallis test in SPSS the same outcome was found; there are no significant differences between the groups. The only point of interest, rising from observation, is that it is mostly large firms which use Kuwait as a regional base. Based on my interviews with various Kuwaiti businessmen my guess is that most of the firms that use Kuwait as a base actually focus on business/projects in Iraq. The main motive for them to base their operations in Kuwait stems from the higher security risks and insurance costs involved when operating in Iraq. This is also mentioned in literature (De Groot et al, 2004); '*The impact of trade diversion is likely to be most severe for low security countries*' (p. 119)

Then, in figure 5.3.4 can be seen clearly that a large share of companies have done business with Kuwait for a long time. About 43,8% has done business for more than 10 years and another 18,8% mentions being in business with Kuwait for 5 till 10 years. While this question alone could not be enough to prove that to be successful in the Kuwaiti market means building a long-term relationship, this information combined with the other remarks of Dutch businessmen seems to indicate in that direction.

Figure 5.3.4:Duration of business with Kuwait



Comparing the overall results of this question with the different size groups gives some interesting insights. All medium and large size firms have been in business with Kuwait for more than 2 years, the majority for more than 10 years. Among the small firms, the majority (35,7%) has been in business with Kuwait for 1 till 2 years, followed by '5 till 10 years' and 'Longer than 10 years' (both 21,4%). Thus it is clear that smaller firms tend to have spent less time in business with Kuwaiti companies than medium and large firms. Statistical testing has also provided back-up for this claim. The Kendall's tau correlation coefficient indicates a moderately strong and significant positive link (0,445) between firm size and duration of business relationship. Another significant but slightly weaker positive link (0,384) was found between the number of countries a firm does business with and the duration of business with Kuwait. Focus on Kuwait showed a very weak negative link which was also not significant.

In the next question the respondents were asked how they established contact with Kuwaiti companies. The majority answered that this was done through an agent, unfortunately it is not always explained how they met this agent. Most that do mention how contact was established say it was either done through a conference, a trade show or a trade mission. Others mention that they came to know about the Kuwaiti partner through mutual relations, or through the relations they established at a former employer which has already built up a name in the industry. In some cases is mentioned that one of the founding companies of the Dutch firm was Kuwaiti or Indian, both with already a large network in Kuwait. There were no sizeable differences between small, medium or large firms and neither were there differences between companies that had been in business with Kuwait for a short time or longer time. These observations are supported by the Kruskal-Wallis test done using SPSS, this test also found no significant differences between the various groups.

Question 11 was designed to investigate whether the Dutch firms were supported by the Dutch government when setting up the business with Kuwait. Only 4 out of 32 respond that they indeed had benefited from services provided by the Dutch government. One explained that the Dutch embassy introduced them the Kuwaiti contacts, another mentioned that they used the embassy to check their trade partner after the first contact was established. Yet another one met his/her Kuwaiti business partner through a trade mission organised by the Dutch government. The last one mentioned that they use various services the Dutch government provides and are really happy with those services. The other 28 respondents all said that they did not receive support from the Dutch government in any way, while others say they had only minimal support. One even mentioned that they were quite unhappy with the embassy since they kept refusing to extend visa to the Dutch firms' Kuwaiti business partners. This point was also made by one of the Kuwaiti respondent, which had also indicated that he would like to see easier visa application procedures. No real differences between the various subgroups were found (small, medium, large firms and length of business relations) as the correlations in Kendall's tau correlation coefficient both lacked significance. Also the focus on Kuwait or the number of countries the firm does business with do not show significant links.

In question 12 the respondents were asked about the current status of cooperation with Kuwaiti firms. Of the 32 respondents for this question, 18 described the relation as good or even perfect. They mention a couple of reasons for being happy with the Kuwaiti partner, such as:

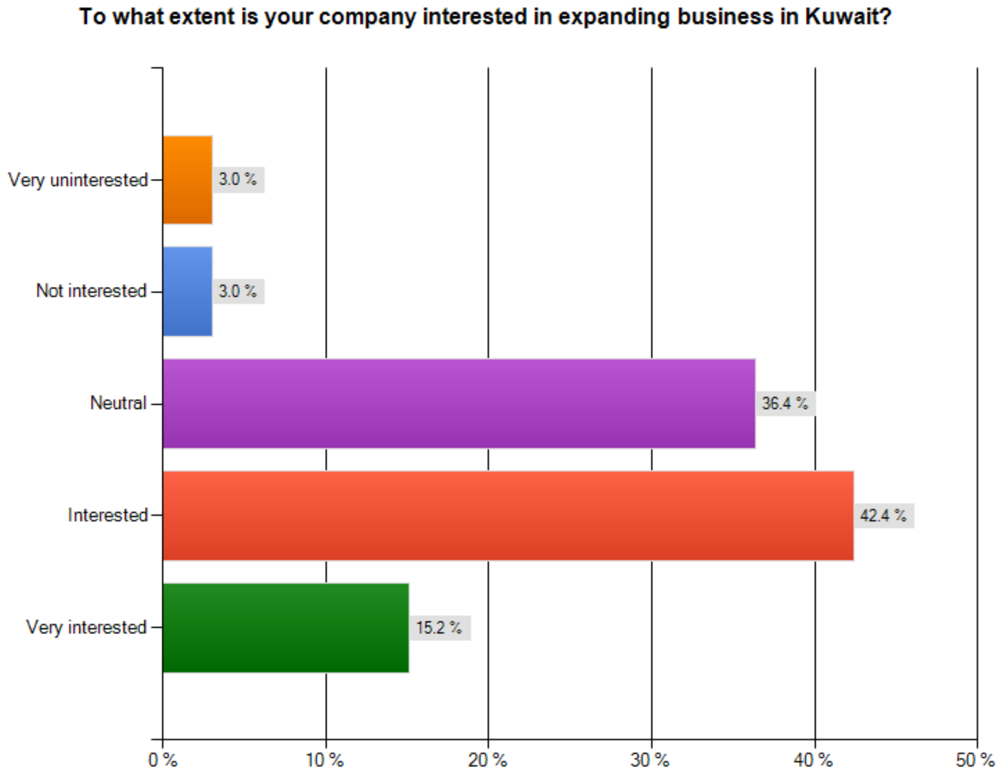
- they made them market leader in Kuwait
- they provide good help and knowledge about how to work in this difficult and bureaucratic market
- they have proved to be a reliable partner that buys products on a very regular basis.

Two respondents mention that while they are really satisfied with the relations with Kuwaiti companies, there is not much business at the moment which one respondent blames on current price levels and economic situation. Four respondents rate the cooperation as sufficient and four respondents say they are unhappy with the current cooperation with Kuwaiti companies. The reasons for their discontent is that they say their partner is painfully slow, one adds this is unfortunately the case with all their Arabian partners. One other says his firm is currently ending the cooperation with Kuwaiti companies due to bad experiences.

When comparing the answers of question 12 between the smaller sub-groups some interesting points came up. For example, all large firms (which also have done business with Kuwait for longer time) describe the relations with Kuwaiti companies as good or very good. The medium-sized firms (also there for longer time) describe the relations as satisfactory to good and the small-sized firms tend to be negative about the relations with Kuwaiti companies, especially the ones that have done business with Kuwait for a shorter time. These observations are however not supported by statistic testing. Both the coefficients of size of company and the duration of business in relation to the status of current cooperation show a weak positive link. These links are however not significant. There is however a significant positive link between the number of countries the firm is doing business with and the status of current cooperation with Kuwaiti companies. This indicates that companies that have business with more countries describe having better cooperation with Kuwaiti companies. The variable 'Focus on Kuwait' did not show a significant link.

In the final question of the part about cooperation with Kuwait the respondents were asked if their firms were interested in expanding the relations with Kuwait. This can be seen in figure 5.3.5.

Figure 5.3.5: Extent of interest in expanding business in Kuwait



Again 18 (almost the same respondents as the previous question) state that their firm is interested to very interested in expanding the relations. They give a couple of reasons for this interest;

- Kuwait provides a good market with a lot of growth potential
- The middle east is the main focus area for the firm and Kuwait provides a good base to service the region
- While the rest of the MENA region is slowing down, Kuwait provides a lot of interesting opportunities, primarily due to government driven megaprojects
- More and more Kuwaiti clients are familiar with the firm and do business with them, the Dutch firms therefore are interested to keep a presence in Kuwait and expand further.

One respondent mentioned that while they are interested in expanding business with Kuwait, there are no specific reasons for this. Kuwaiti clients are clients like any other and the Dutch firm is not particularly interested in focussing on Kuwait. Then there are 12 respondents that indicate they have a neutral viewpoint for expanding business with Kuwait. Most mentioned reason for them is that they are happy with their local partner and think this partner already gives their products full market coverage already. Kuwait is a fairly small market for them. One respondent mentions that they would like to see more relations with Kuwaiti governmental institutions without damaging their current relations. Only two respondents mention their firms having no interest whatsoever in expanding business with Kuwait. One mentions that they remain passive, if Kuwaiti companies want to do more business they are willing to consider this but they are not actively searching for more contacts. The other one, which in the former question said they were breaking off their current cooperation, says they were disappointed in their partner, the difficulty to operate in this market and the amount of corruption in Kuwait. Also they think there is too much competition in this small market.

Comparing the different sub-groups of firms amongst each other indicated that it is mostly small firms that are really interested in expanding business with Kuwait, the length of their business relations does not matter in this case. The large firms also indicate an interest in expanding business, while the medium-sized firms are mostly neutral about expanding the business with Kuwait. Like in the previous three questions the observations are mildly supported by the coefficients but eventually found to be insignificant.

SUMMARY AND ANSWER TO SUBQUESTION THREE

Dutch firms doing business with Kuwait range from small sized firms to large (multinational) firms, the distribution seems to be quite even. Larger firms tended to do business with more countries than small companies and their focus was more on Europe than the Middle East and Kuwait. Smaller companies, having a lower number of countries they do business with, expressed more focus on Kuwait and the Middle Eastern region in general. All businesses are mostly involved in the sale of products and services to Kuwaiti firms. None was importing goods or services. Amongst those that were doing joint development of products and services were only small sized Dutch firms.

The most important reason to start doing business with Kuwaiti firms were identified market opportunities in the country, but some also indicated using Kuwait as a basis to service other countries in the region. Deriving from other interviews and observations it is most likely that they use Kuwait as a base to do business in Iraq.

The data further showed that most companies doing business with Kuwaiti firms have done so for many years already. Most of the companies in the survey ‘Business Visa’ had done business with Kuwait for more than 10 years. Large sized firms have on average been present on the Kuwaiti market for the longest time, as opposed to small sized firms. The data analysis further showed that the companies that had done business with Kuwait for longer time are on average positive about their relations with Kuwaiti partners. Those companies that have done business with Kuwait for a shorter time describe having more problems and are generally less positive about their Kuwaiti partners. The respondent of FME-CWM responsible for the Dutch Energy Solutions trade mission mentioned that this might have something to do with habituation by firms that do business for a longer time with any MENA region country. Although he suggested that almost all companies experience some form of trouble with local institutions, those that have done business for a longer time perceive this situation as normal for those countries. Therefore they do not mention the troubles they face, they might not even be much aware of it anymore. Another reason might be that firms that experiences problems in their first years abort trading with Kuwait, leaving only those that were already satisfied.

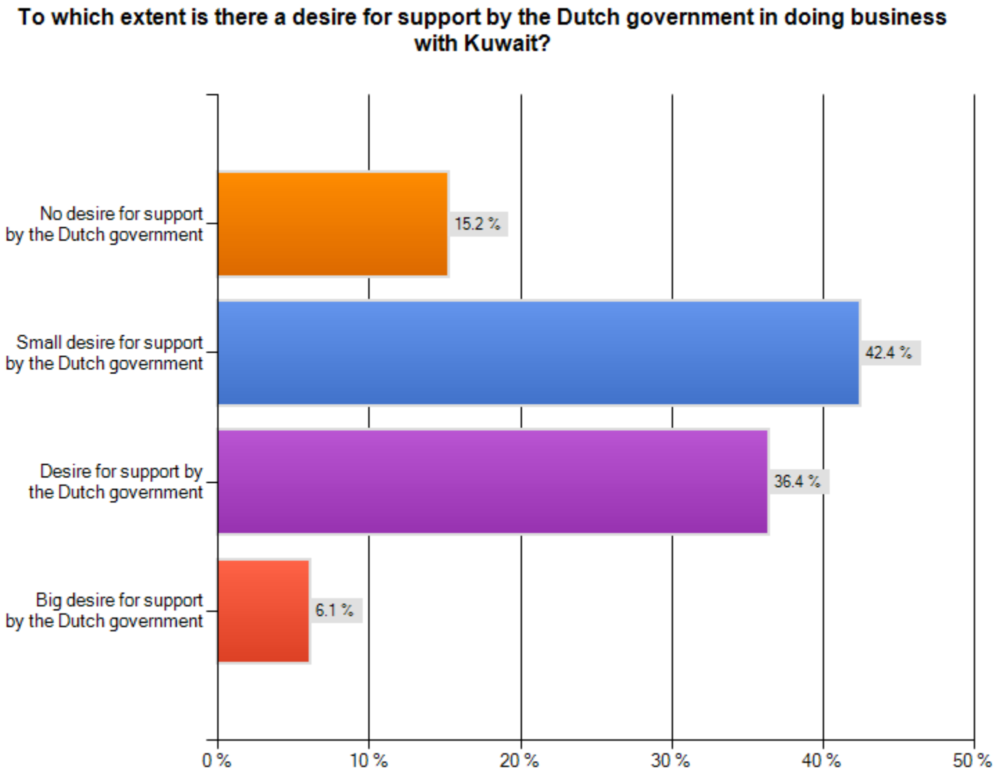
Contact with Kuwaiti firms was mostly established through trade fairs, missions and conferences. Exactly the same as previously stated by the Kuwaiti respondents. Most Dutch firms note having received no support from the Dutch government whatsoever when setting up relations with Kuwaiti firms. Only four respondents did and they were quite happy with the service provided. Slightly more than half the respondents in the survey indicate being interested in expanding the relations with Kuwaiti firms. Amongst which the small sized firms are generally most interested.

5.4 THE NEED FOR COMMERCIAL DIPLOMACY

In this parapgraph an answer will be provided for subquestion four: 'What are the views of Dutch firms on current governmental export promotion and which services would they like to see being developed? Just like the previous paragraph, data for this paragraph has also been collected using the survey 'Business visa'. The analysis was done using the tools of the online tool surveymonkey.com and through use of SPSS.

Figure 5.4.1 displays the opinions of the respondents to the survey. In general one could say there is a clear desire for (export) support by the Dutch government, be it varying in to which degree the respondents like to see support. Only 15,2% of the respondents indicated that they had no desire for support.

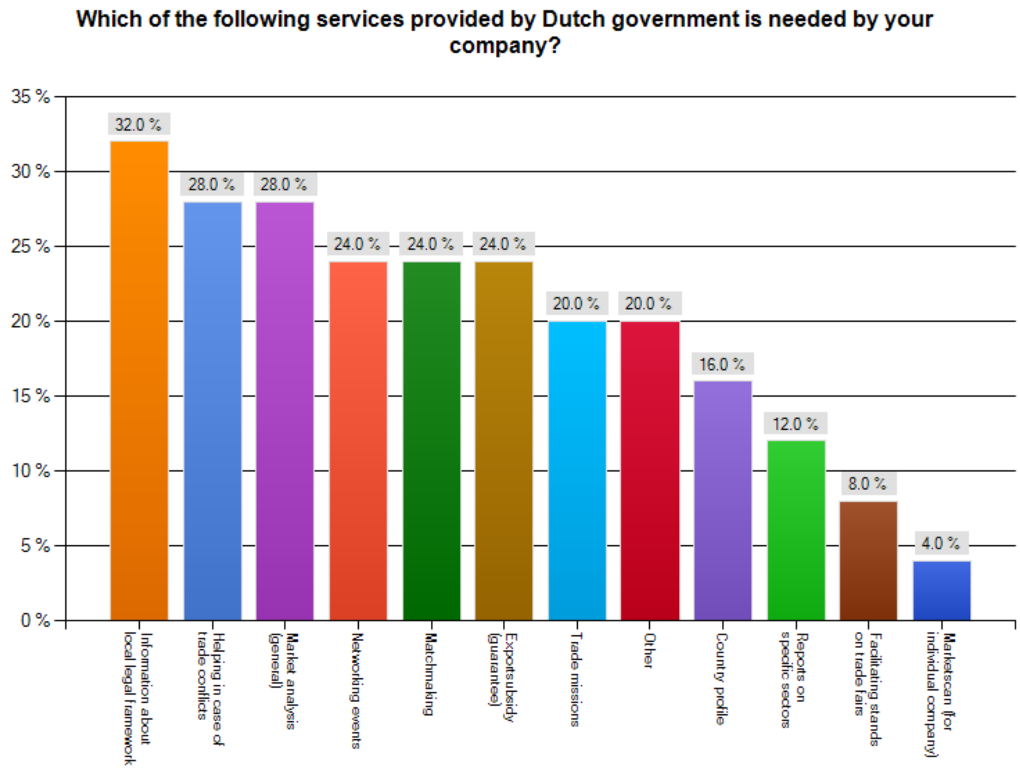
Figure 5.4.1: Extent to which there is desire for support



Comparing the subgroups amongst each other delivers some interesting results. Amongst all the groups the category 'small desire for support by the Dutch government' is the biggest one. However, while small and large firms both have more firms that indicate a 'desire' or 'big desire', the medium-sized firms have a relatively high percentage that does not desire any support. Other points of interest come when looking at the differences between the firms length of business. All respondents that answered having 'no desire' fall in the groups of firms that have done business with Kuwait for 2-5 years or 5-10 years. All the answers that indicated a 'big desire' fall in the groups of firms that have done business with Kuwait for 1-2 years or longer than 10 years. This would signal that companies need support by the government most during the later stages of start-up of business with Kuwait and at the moment they have done business for a long time already. Between these stages the desire for support is less pronounced. Given the diversity in outcomes among the abovementioned observations it is no surprise that the Kendall's tau correlation coefficients could not find a link between 'desire for support' and 'company size' or 'duration of business with Kuwait'. The only significant and relatively strong positive link found was between 'focus on Kuwait' and 'desire for support'. This indicates that the firms who put more focus on Kuwait also are more likely to have a higher need for support by the Dutch government.

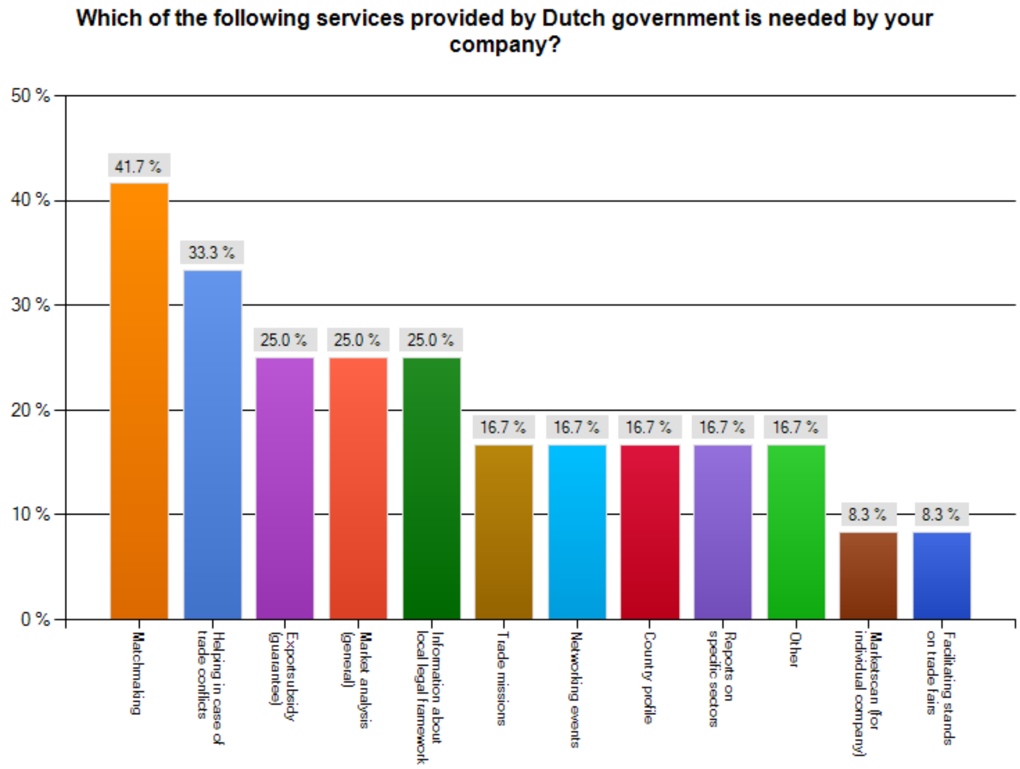
While figure 5.4.1 indicated a considerable group of respondents wanting to get support from the Dutch government, the next question further investigated more specifically what services those respondents would like to see. This is displayed in figure 5.4.2. Most popular in general is 'information about the local legal framework', while 'helping in case of trade conflicts' and 'market analysis (general)' were also popular services respondents wanted to be provided with. Once again, the category 'Other' held some interesting answers: '*Dutch government should try to align regulations more with Kuwaiti government*', '*More Memoranda of Understanding would be helpful', 'Visa allocation should be more straightforward*' and '*Dutch government should take up project financing guarantees since Dutch banks are hesitant nowadays to provide capital for this*'.

Figure 5.4.2: Commercial diplomacy services needed in general



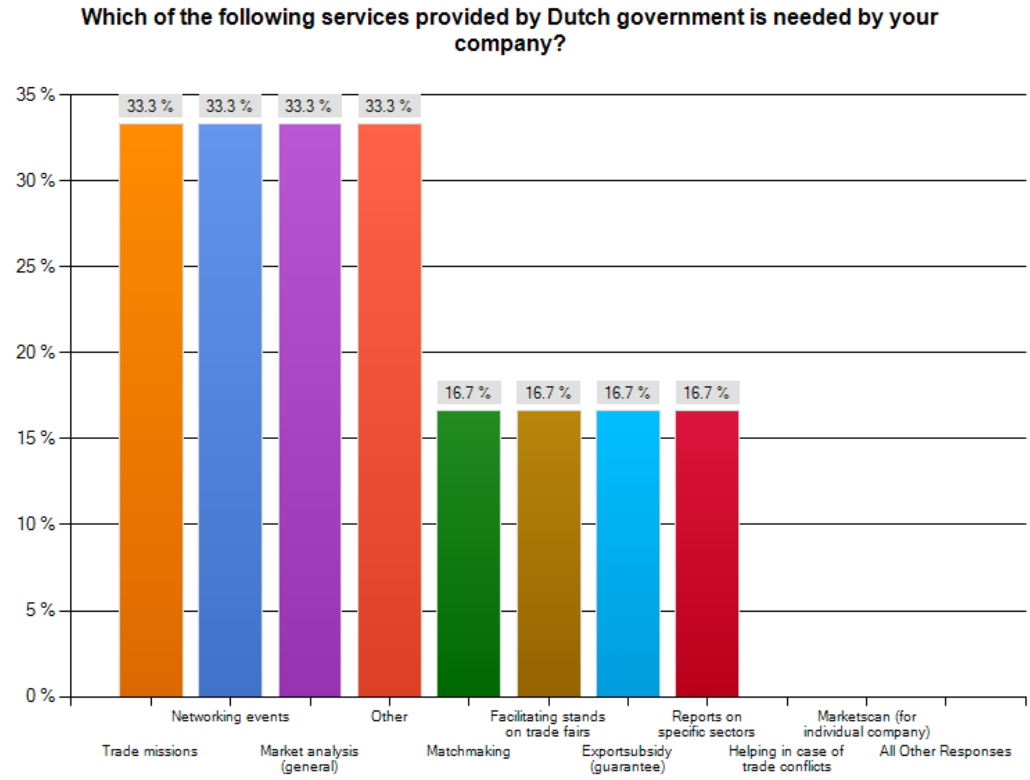
While the overall results tend to generalize much, a clearer picture appears when looking at the various subgroups, especially those related to firm size. In figure 5.4.3 the responses from small sized firms is visible. Respondents from small-sized firms indicate a big need for ‘matchmaking’ (41,7%), followed by ‘helping in case of trade conflicts’ (33,3%) and a shared third place (25%) by ‘export subsidy (guarantee)’, ‘market analysis (general)’ and ‘information about local legal framework’.

Figure 5.4.3: Commercial diplomacy services needed by small-sized firms



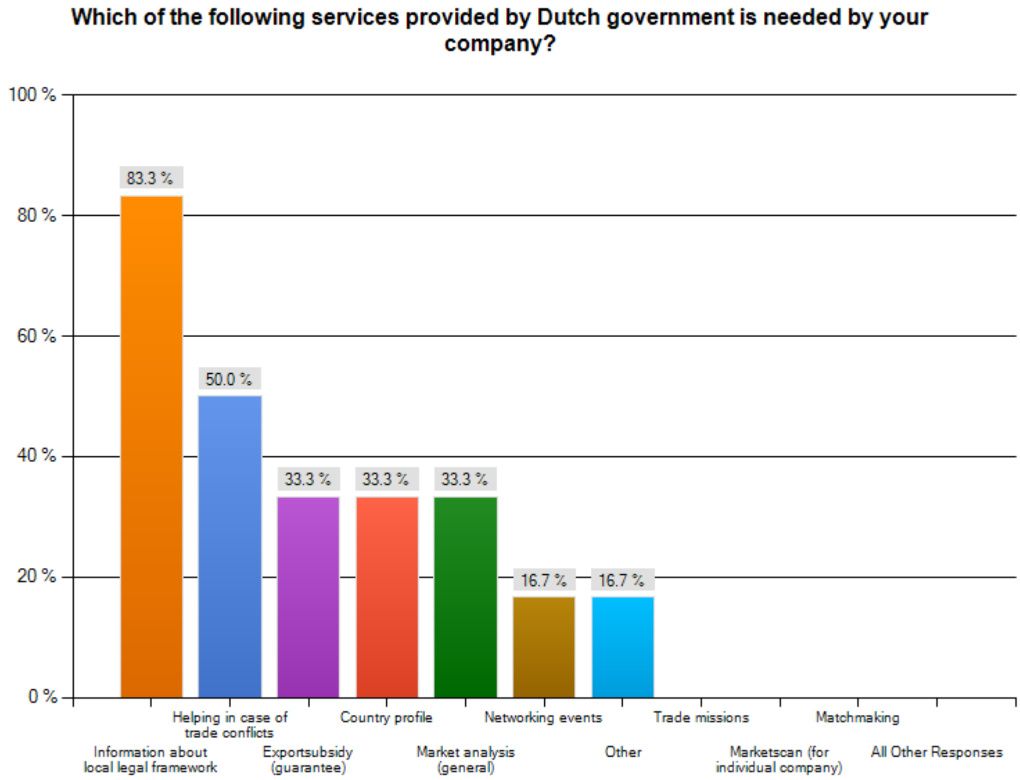
In figure 5.4.4 the answers provided by respondents from medium-sized firms is displayed. They indicate having the highest need for ‘trade missions’, ‘networking events’, ‘market analysis’ and ‘other’. In this last category the answers of ‘coordinating regulations’ and ‘providing project finance’ fell.

Figure 5.4.4: Commercial diplomacy services needed by medium-sized firms



In the group of large-sized firms the respondents answers are displayed in figure 5.4.5. The most mentioned is the need for 'information about local legal framework' (83,3%), followed by 'helping in case of trade conflicts' (50%) and a shared third place (33,3%) for 'export subsidy (guarantee)', 'country profile' and 'market analysis (general)'. An interesting point is that of the respondents from large firms none has indicated a need for either 'trade missions' or 'matchmaking'. This supports the view held by diplomats at the Netherlands embassy of Kuwait who said that the large firms do not need this kind of support because they have their own networks and contacts. This view is also supported by literature sources (Spence, 2003), in which is described that commercial diplomacy should primarily aim to support SMEs wanting to export.

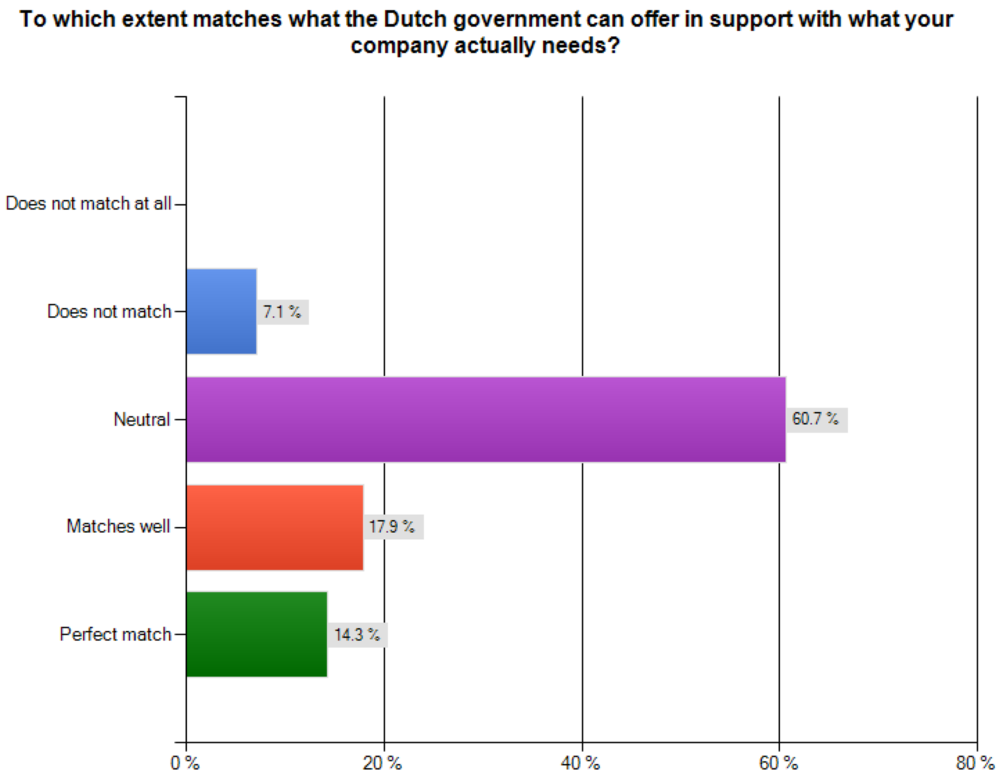
Figure 5.4.5: Commercial diplomacy services needed by large-sized firms



Concluding from the responses for this question it is clear that firm size is a determinant as to which services are needed. The statistical analysis in SPSS showed somewhat less certainty on differences between the groups. The Kruskal-Wallis test showed only significant differences between the groups for the variables 'Helping in case of trade conflicts' and 'Information about the local legal framework'. Comparing the answers when subdivided into groups based on length of business relation the differences are less pronounced then one would imagine. For example, one might think that firms with long business relations place less importance on matchmaking than those with shorter business relations. This however is not the case since the need for this kind of service is quite evenly distributed across the various lengths of business relations. The Kruskal-Wallis test shows one exception; the need for a 'marketscan (for individual company)'. For this variable the differences between the groups are significant.

Question 3 in the commercial diplomacy part of the survey asked to what extent there was a match between what the Dutch government was currently providing in services and what the firm would actually need. While the results are quite inconclusive, the balance seems to tip over to the positive side, since more respondents answered 'matches well' or 'perfect match' than did 'does not match'. The respondents that indicated there was no match were asked the reason for this. They provided the following answers: 'Dutch government should do more to facilitate network relations on a high [governmental] level' and 'problems with money transfer have to be solved by going to the Ministry of Finance, while it would be much easier if the embassy could help'.

Figure 5.4.6: Extent to which there is a match between government services offered and company needs

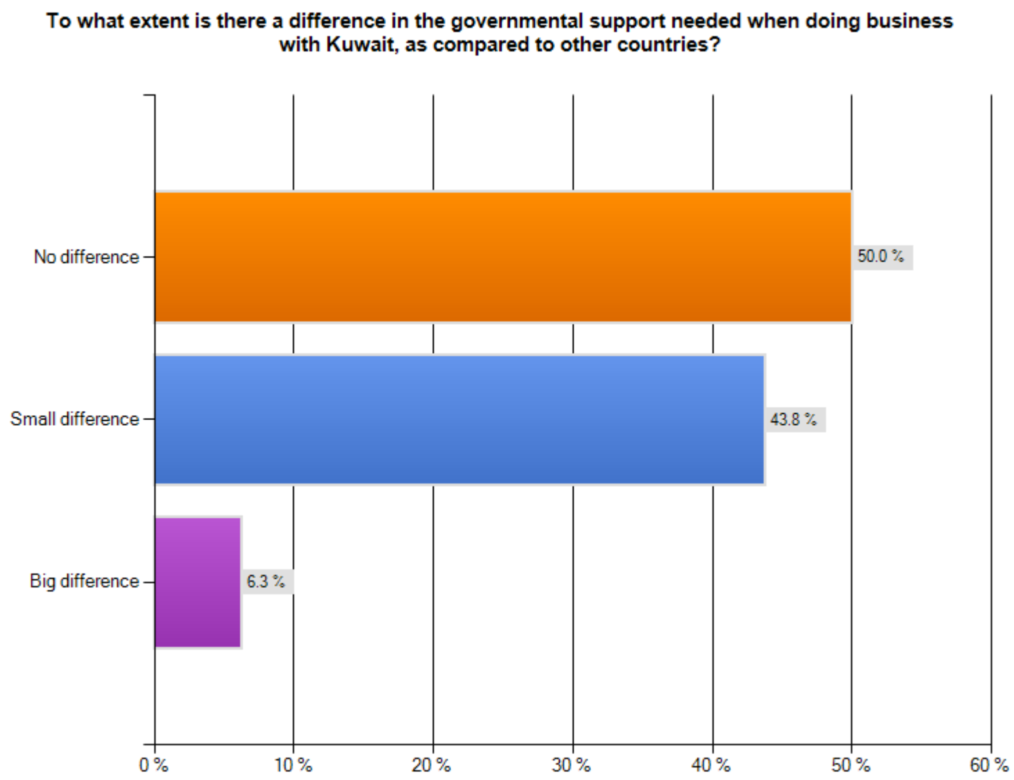


When looking at the firm-size subgroups some differences appear. Most responses of respondents from small and medium-sized firms fell in the category 'neutral' about the match, about 69,2% of small firm respondents and 75% of medium-sized firm respondents. Among respondents from large firms the categories 'matches well' and 'perfect match' were dominant at 33,3% each. Looking at length of business relationship does not render substantial differences. The statistical test kendall's tau did not find significant links.

The abovementioned observations may provide some interesting insights when combining these answers with the ones in question 2. In this question it became clear that the different firm sizes required different kinds of Commercial diplomacy services. Following question 3, one might note that in the recent past Dutch commercial diplomacy has been primarily catered to the needs of large-size firms since they are generally positive or even very positive about the way in which their requirements are met. Likewise, one could argue that the way in which the requirements of small and medium sized firms are met is less satisfactory. This could lead to the conclusion that while the Dutch commercial diplomacy is relatively successful in providing services like 'information about local legal framework' and 'helping in case of trade conflicts' it is less so in services like 'matchmaking' and 'trade missions'. This will be confirmed, at least partially, by the interviews with respondents of FME-CWM and the Dutch participants of trade missions.

Question 4 informed whether the respondents felt there was a difference in the need for support when doing business with Kuwait, as compared to other countries. About half of them said there was no difference, while 43,8% indicated a small difference and 6,3% a big difference. Respondents were asked why they thought there was a difference or no difference. Answers ranged from 'not having enough experience with other markets' to 'having expertise in dealing with Arab countries and Kuwait is no different'. One respondent said that in the end 'local markets need to be accessed by the company itself. Information provided by the government is far too shallow and therefore only limitedly usable.' Another respondent shares this view and says there is a small difference between Kuwait and other countries since every country needs a different approach.

Figure 5.4.7: Extent to which there is a difference in needed support

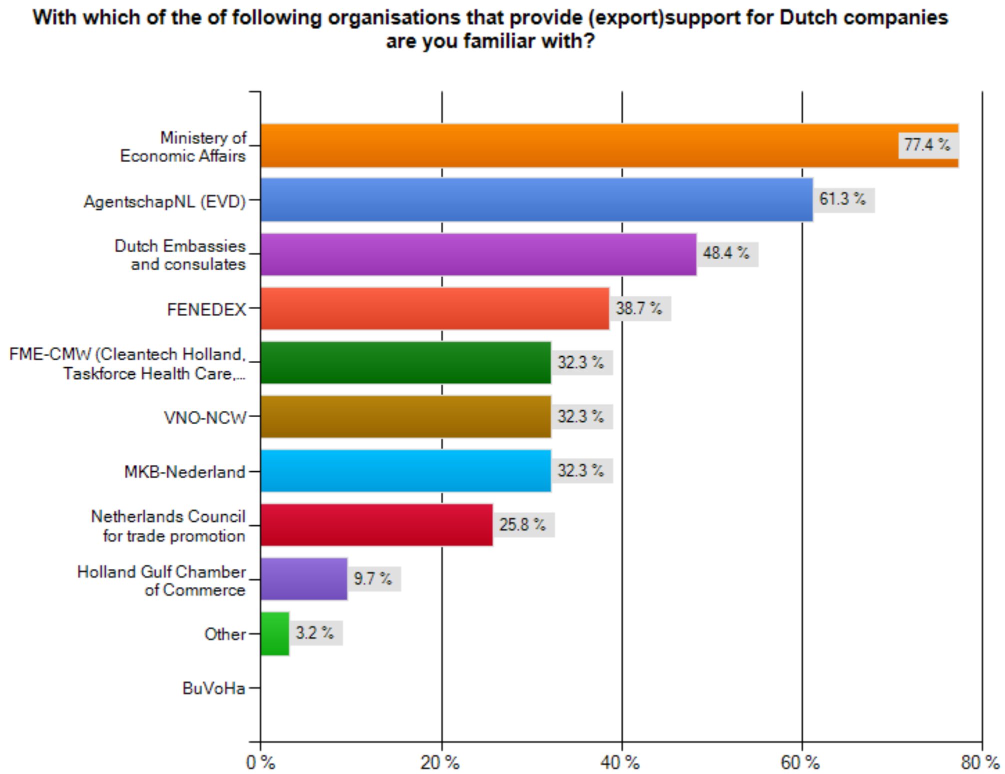


Once again comparing the different groups of respondents based on length of business relation with Kuwait does not render any significant correlations. Neither does the variable 'company size' but the observations show something interesting. About 42,9% of the respondents from small firms says they feel there is no difference, 50% says there is a 'small difference' and 7,1% says there is a 'big difference. Among respondents from medium-sized firms 50% says there is 'no difference', 40% says there is a 'small difference' and 10% says there is a 'big difference. Finally, among respondents from large firms 57,1% says that there is 'no difference', 42,9% says there is a 'small difference' and none of them said they felt there was a 'big difference'. This leads to the conclusion that the larger firms find less difference in governmental support services needed. The reasons for this might be twofold: Either the larger firms have internalized more knowledge and expertise in entering foreign markets and therefore are less dependent on services provided by the government.

Otherwise, as can be seen in question 2 larger firms require different services than smaller firms and the services large firms require vary less in usefulness in general than those of smaller firms.

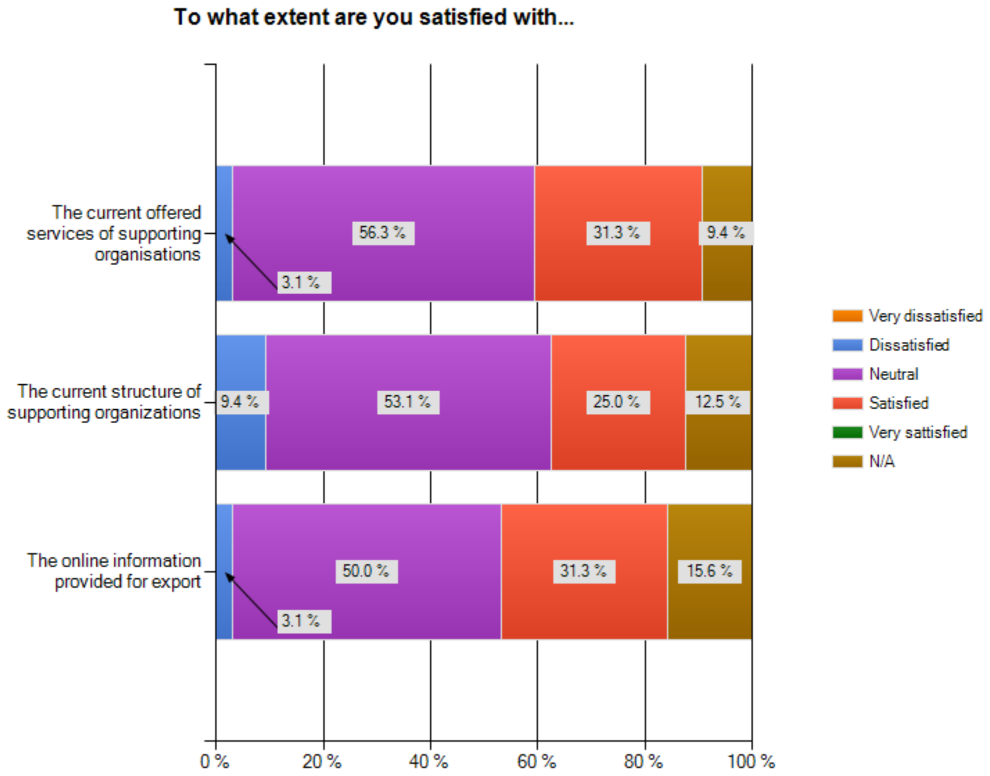
The last couple of questions were designed to discover how respondents felt about the current structure of Dutch commercial diplomacy. One of the striking characteristics is the sheer number of organisations involved. Respondents were asked to select those they had heard of, the outcome can be viewed in figure 5.4.5. The best known institution that provides commercial diplomacy services is the Ministry of Economic Affairs (77,4%), followed by AgentschapNL (61,3%) which is a hybrid organisation of both the Ministry of Economic Affairs and the Ministry of Foreign Affairs. The embassies and consulates of the Ministry of Foreign Affairs are listed third (48,4%). These governmental organisations are then followed by non-governmental organisations, primarily branch organisations and federations. These results varied little when controlled with the subgroups.

Figure 5.4.8: Best known export providing organisations



The final question consisted of a scale on which the respondents were asked to fill out their rating for three topics 'Current offered services by supporting organisations', 'Current structure of supporting organisations' and 'online information provided for export'. On all three topics the differences are not so big, the trend is more towards the positive side with the majority of respondents having answered 'neutral' or 'satisfied'.

Figure 5.4.8: Extent of satisfaction with ...



Comparing these results between the subgroups based on firm size gives some more insights. Respondents from large firms are generally 'satisfied' (57,1%) with the current services offered, 28,6% is neutral and 14,3% is dissatisfied. On the current structure respondents from large firms 14,3% is dissatisfied, 42,9% is neutral and again 42,9% is satisfied. When it comes to online information provided 42,9% is neutral, 28,6% is satisfied and 28,6% finds it not applicable. Among the respondents from medium-sized firms, 60% is neutral about the current services offered and 40% is satisfied. About the current structure 20% is dissatisfied, 30% neutral, 40% satisfied and 10% finds it not applicable. The online information provided is rated both 50% neutral and 50% satisfied. Finally, among the respondents from small firms about 71,4% is neutral about the current services offered, 7,1% is satisfied and 21,4% finds it not applicable. The values for the current structure shows exactly the same figures and the online information provided is rated dissatisfactory by 7,1%, neutral by 50% and 21,4% satisfactory, while 21,4% finds it not applicable. These results show that large firms are generally more positive about these three topics than the smaller firms. Unfortunately for none of these three questions a significant variable was found.

SUMMARY AND ANSWER TO SUBQUESTION FOUR

In general one could see there is a clear desire for governmental support, but the degree to which varies. Statistical testing further indicates that there especially is a need for support for firms in the later stages of their start-up in Kuwait and for those that have been in business with Kuwait for a long time. It also showed that companies that have a relatively big focus on Kuwait on average need more support from the Dutch government.

What kind of services the companies need varies as well. Most mentioned service overall is the provision of 'information about the local legal framework', but I found that company size matters when it comes to the question of what a company needs as support for doing business internationally. Small sized firms especially indicate needing services like 'matchmaking'. Medium sized firms need 'trade missions', network events' and 'market analysis'. Large sized firms especially need 'information about the local legal framework'. The extend to which there is a match at the moment between what the government can offer and what firms actually need most respondents were rather positive, indicating 'matches well' or even 'perfect match'. It turned out that it is mostly large firms that were really optimistic about this match, while small firms were more negative. This leads to the conclusion that at the moment the Dutch government is primarily catering for the needs of large firms and not so much to the needs of small and medium-sized firms.

Respondents were also asked whether Kuwait posed a difference in the need for support compared to other countries. The opinion on this remained 50-50. Large firms on average answered more often there was no difference as compared to smaller firms. Remembering once again that the services needed vary according to the size of the company this means that the services needed by large firms are less influenced by local conditions than those of small and medium-sized firms.

The last survey questions explored the views on the current structure of Dutch governmental support. Best known organization providing support is the Ministry of Economic Affairs, followed by Agentschap NL. Also asked was the extent to which respondents were satisfied with the current structure, offer of services and available online information. While the average tended towards the positive side, respondents from larger firms seemed to be more satisfied in relation to these topics than were respondents from small and medium sized firms.

As came forth from both the interviews and surveys, the quality and efforts taken in Commercial diplomacy seem to rely mostly on motivated individuals. Whereas documents seem to indicate a more systematic approach, in practice this usually is not the case.

5.5 ORGANIZATION OF TRADE MISSIONS

In this paragraph subquestion five is leading: ´How are trade missions, said to be amongst the most useful tools of commercial diplomacy, planned and evaluated?' The information for this paragraph was gathered by doing two interviews. More information can be found in the chapter methodology, the interview guide used can be found in appendix 14.

THE DUTCH ENERGY SOLUTIONS PROGRAMME AND THE TASK FORCE HEALTH CARE

The first interview was done with Ruben Dubelaar, a business development manager at FME-CWM. FME-CWM is an organisation representing employers and businesses in the Dutch technology industry. One of the projects they lead, together with the IRO, is Dutch Energy Solutions (DES): a programme set up to support Dutch companies active in the oil &gas industry that want to export to countries around the Persian Gulf. Currently Dutch Energy Solutions has 31 members, about 70% of which are Small-Medium Enterprises and the other 30% being already established multinationals like Stork, TNO, KEMA and NMi. Dutch Energy Solutions organises trade missions to the Gulf region regularly. The mission to Kuwait in May 2011 was one of those missions.

The second interview with a Peter Post, also a business development manager of FME-CWM, was done over the telephone. The respondent interviewed was involved with the healthcare technology trade mission to Kuwait in May 2011. I first asked the respondent about the Task Force Health Care (TFHC) of which the trade mission had been a part. He explained that the TFHC was a public-private organisation or platform for the Dutch medical technology sector. It has participants from the private sector, NGO's, Educational institutions and the Ministry of Education, the Ministry of Economic Affairs, Agriculture & Innovation and the Ministry of Foreign Affairs. It was set up in 1996 as a platform for development aid. The main mission has been *´to provide a structural contribution to the improvement of healthcare infrastructures in emerging and developing countries by the maximum use of Dutch expertise and technology. We wish to achieve this by stimulating the cooperation between industry, NGO´s, government authorities and knowledge institutions in projects and programs´* (TFHC, 2011). The respondent further said that the aim of the platform was provide a place to network for the Dutch participants. The focus of this networking is on sharing experiences and knowledge related to international business, not on innovation.

THE INITIATIVE TO ORGANISE A TRADE MISSION

The letter to the Dutch House of Representatives 'Buitenlandse markten, Nederlandse kansen' indicates that the Ministry of Economic Affairs wants to put more emphasis on the organisation of trade missions for companies in so-called top-sectors. Given the fact that Dutch Energy Solutions members belong to one of those top-sectors (namely Energy) and are focussed on the Gulf region, a priority region for the Ministry, I asked the respondent of DES whether he knew if the Ministry is actively involved in setting up trade missions. This is not the case he said; they finance (parts of) the programme but are not actively pushing for the organisation of trade missions. The initiative for a trade mission comes forth from the needs expressed by the members of the programme. The programme Dutch Energy Solutions itself was set up upon the incentive of the private sector, and it now falls under the 2g@there projects of the Ministry of Economic Affairs for which it receives some funds for the organisation of trade missions.

CHOOSING THE DESTINATION FOR A TRADE MISSION

A destination for a trade mission of the DES is primarily found by listening and inquiring amongst the members of the programme. Ideally the countries most mentioned are then considered as a destination for the trade mission. However, it does not necessarily work like that since the members can also be more passive and expect the programme managers to set the course. Their can also be a large pull towards one destination from influential actors, like businessmen or embassy staff at the respective destination country.

The respondent of TFHC explained a bit more about the process of finding a destination. He said the plan for a trade mission and its destination came from four sources. The first source was an annually held survey amongst participants of the TFHC, in which the respondents were asked in which countries they saw opportunities the following year. With the outcomes of this survey a top 10 is made of most mentioned countries. The second source is a less structured approach; registering whatever comes up in meetings with various stakeholders. The respondent indicated that these two sources were the usually the determining ones for a trade mission since the trade missions are mostly demand driven. Then the third source is external contacts such as embassies and consulates, NGO’s and consultants. Fourth source are reports, business monitors, journals, etc. The fourth source primarily functions to support the choice for a destination. The established annual top 10 serves as the benchmark, they mostly try to organize a trade mission to one or more of the mentioned countries. With the other countries in the top 10 they also organize activities. Kuwait was in the top 10 for 2010 and there was also strong encouragement from external contacts such as the Holland Gulf chamber of commerce and the commercial section of the Netherlands embassy in Kuwait.

SETTING UP OF THE TRADE MISSION SCHEDULE

When the plan for a trade mission is taking shape and the destination is chosen the FME-CWM normally hires a consultant to make the trade mission schedule. These consultants are hired for their knowledge and experience with the local market and the network they have built over there. It is then the consultant’s responsibility to make a schedule for the trade mission and also take into account the various wishes as indicated by the participating companies in the intake meetings. The making of the schedule usually involves close cooperation between the consultant and the local embassy. While the consultant plans the schedule the FME-CWM remains chief responsible. The respondent of TFHC said that it was necessary to keep check of consultants since they can opt for the “easy way”, only organizing meetings with agents and lower ranking officers of institutions or government.

The FME-CWM wants the trade mission to have a higher quality with meetings with more prominent decision takers like board members and ministers.

Ideally a trade mission includes both macro and micro level activities. Macro level activities are those that involve meetings with local policymakers and leading companies. Micro level activities are those involving the meetings with potential business partners. The respondent said that having only micro level activities would be bad since the participants of the trade mission then stay blind from the bigger picture and major developments going on in the visited country. Only macro level gives a good impression of the country but does not generate any business.

The first step in setting up the schedule is usually to first organise the macro level activities. For Kuwait these were the state-controlled oil companies KOC and KNPC for the DES and the Ministry of Health plus various hospitals for the TFHC. After all appointments are made the focus turns to organising the micro level activities such as visits with other local companies and there is also room for specific wishes of the various participating companies. Another micro level activity that is often included in the schedule is the matchmaking event at the embassy. I asked both respondents what they thought about the value of this matchmaking event and both agreed that the quality of such an event varies from place to place. This has mostly to do with the size and schedule of the economic section of a local embassy and their enthusiasm for the trade mission. In countries where many trade missions visit, like China or South Africa, there can be less focus put on the matchmaking event and therefore turn out to be less useful for participants. In Kuwait the respondent of the DES was very positively surprised by the matchmaking event, as many participants had enthusiastically described having interesting meetings with potential partners. The respondent of the TFHC mentioned that network events organized at an embassy give the event a certain glamour, which usually increases success.

ENABLING COMPANIES TO PARTICIPATE

Companies wanting to participate are usually invited for an intake meeting in which their goals for the trade mission and their expectations are discussed. The respondent of DES answered that there was no selection done beforehand, in general every company showing an interest can join. He mentioned that the main funding partner of the programme, the Ministry of Economic Affairs, Agriculture & Innovation, even made it compulsory to incorporate every interested company. The respondent of the TFHC mentioned that only in some cases the organizers question the usefulness of participation of a company and they advise the firm not to participate. This always stays an advice though, there is no formal exclusion. But in most cases, with trade missions having an orienting nature (first visits to a country) anyone can join. Trade missions on a high level sometimes do see selection procedures.

Trade missions in general have about 12 to 16 participants, which is considered the most optimal size. There is no official maximum to the number of participants so in theory the number of interested companies can exceed this optimal putting a strain on resources since the funds provided by the Ministry of Economic Affairs are not tied to the number of participants. However, both respondents mentioned having more than 20 interested firms was uncommon, even though for example the invitations for the missions of the TFHC were send to about 2000 companies.

EVALUATING TRADE MISSIONS

I asked both respondents whether trade missions were usually evaluated by FME-CWM. They explained that this was indeed the case, normally the participants receive an invitation for an evaluating survey within two weeks after the mission. The focus in these surveys is mostly on the practical side; how the participants valued the trade mission and how they were planning to do follow-up. Evaluation is also usually done on the last day of the trade mission during diner. The participants are then asked to give grades to the mission, mention points where it could be approved and whether their goals had been achieved. These evaluations of the FME-CWM focus on the practical side of the trade mission since real effects of a trade missions on businesses is hard to measure.

The primary goal of trade missions is to introduce new contacts and acquire information about an industry. Seldom are actual deals discussed and concluded during a trade mission. So when asked what makes a trade mission successful in their view the respondents answered that this occurs when participants had indicated to have gained new insights and made new contacts. Whether new business really develops is hard to measure, mostly this does not become visible until one or two years later. Surprisingly the respondent of TFHC said that the perception of the usefulness of the trade mission does not always bear relevance to eventual business effects. He mentioned that he had experienced some times that participants of a mission who at first valued the mission as not particularly worthwhile ended up doing a lot of business with partners found during the mission. Vice versa there were also situations in which participants who had valued the mission high never got to do any business with firms from the visited country.

NEW POLICIES OF THE GOVERNMENT

I also asked both respondents about what they thought about the change in policies described by the Ministry of Foreign Affairs and Ministry of Economic Affairs. The respondent of DES said that currently the Ministry of Economic Affairs provides funding for programmes like the Dutch Energy Solutions but that this will change in the future as they shift towards more commercial diplomacy. This will effectively mean that there are insufficient funds for the rather expensive consultant and this might make organizing trade missions more difficult. For the task of setting up the schedule of the trade mission more will be asked from the local embassy, which the respondent hoped to be new partners in this.

The respondent of TFHC also noticed the change in government policy. Previously the TFHC had experienced difficulty in finding support: the Ministry of Economic Affairs found them to be not focused enough on business and did not like the many projects done in Africa since it was not a focus area. Otherwise the Development Aid department of the ministry of foreign affairs found the TFHC as being too much focused on generating business and profits. Due to the changed views the TFHC currently receives a lot of support since there is much more appreciation for NGO's and firms working together. Nowadays therefore there is much more communication going on. Also the respondent of TFHC mentioned the subsidies for trade missions were drying up. The respondent thought that on the short term this presented difficulties, since participating firms now have to pay double or triple the costs they were used to pay to participate, while the quality and content of the trade mission stays the same. The respondent thinks however that for firms truly interested in doing business with companies at the visited destination this should not prove too much of a problem. And on the long term the respondent of TFHC hoped the decreased subsidies will put an end to the vast growth of consultants over recent years which had entered the market with a purely opportunistic view. Some of the trade missions in recent years had proven quite useless due to faulty preparation and low quality, but nevertheless the consultants had made a lot of money. Now there is a chance that the planning of trade missions will go back to be solely focused on the needs of its participants and real opportunities that can be found. To add to this point; embassies used to deal primarily with the macro part of the trade mission but recently they have started to increasingly act like a consultant, also providing help at the micro level. One of the examples in this is the Netherlands embassy in Kuwait and its chief commercial affairs Cees Kieft in particular. The FME-CWM sees this as a positive trend.

SUMMARY AND ANSWER TO SUBQUESTION FIVE

The primary goal of a trade mission is to generate new insights into a market and generate contacts for the participants. Seldom are deals concluded in the course of the trade mission. The trade missions coming to Kuwait in May 2011 were planned by the FME-CWM as part of the program Dutch Energy Solutions and the other by the Task Force Health Care. I asked respondent how the initiative for a trade mission was taken and both said this was the result of signals from the members of the two programs. Choosing the destination country of the trade mission was done after consulting four sources. The most prominent two were an annual survey done amongst members and the more informal approach of noting down countries mentioned during business meetings. Other sources consulted include external contacts such as embassy staff, consultants, NGO's and the consulting of journals, business monitors and reports.

After the destination has been chosen the setting up the schedule for a trade mission usually is done by a consultant firm, hired for their specific knowledge about the local market and their contacts. The consultant usually works in cooperation with the Netherlands embassy in the country. The FME-CWM remains responsible for the schedule however. Ideally a trade mission includes both macro and micro level activities, meaning both meetings with policymakers and leader firms as well as meetings with potential business partners. When setting up the program macro level activities are planned first normally and except for the network event at the Netherlands embassy the other micro level activities are then woven into the remaining holes in the schedule.

When it comes to finding participants for a trade mission for example the TFHC sends invitations to about 2000 companies. But both respondents mention it is unusual to eventually have more than 20 interested firms. Normally no selection is done beforehand, but intake meetings are done.

Trade missions are evaluated at the last day of the mission and also with an online survey done within two weeks after return. These evaluations mainly focus on the practical side of the mission since real business effects are hard to measure in the first place and usually appear after some time has passed.

Both respondents of the interviews noted that they saw changes coming or already present due to the new coalition government's approach on international trade. The subsidies for trade missions will dry up which will create some difficulties in the short term since the costs for participating firms will double or triple while quality and content of the mission stay the same. However, for truly motivated firms this should not present too much of a problem. The new policy might also mean better cooperation with embassies which are taking on a role in organizing more micro-level activities. The need for an expensive consultant may thus decrease.

5.6 THE VIEWS OF DUTCH PARTICIPANTS OF THE TRADE MISSIONS IN 2010/2011

In this paragraph an answer for subquestion six will be provided: 'Subquestion 6: What are the experiences of Dutch companies that participated in recent trade missions to Kuwait?' The data for this paragraph were gathered using a survey, as is described in the chapter Methodology (paragraph Qualitative research) in more detail. Eventually 19 respondents started the survey, of which 16 completed all questions. The other 3 only partially filled in the questionnaire but wherever possible these answers are also taken into account.

FIRM CHARACTERISTICS

Like the earlier described survey in paragraph 5.3 this survey also started by establishing within which category one could place each respondent's firm. The following table shows which characteristics of their firm the respondents filled in.

Table 5.6.1a & b: Respondents firm characteristics

Number of employees	*10 or less (Micro)*	*11 till 50 (Small)*	*51 till 250 (Medium)*	*251 till 1000 (Large)*	*More than 1000*
	41,2% (7)	29,4% (5)	23,5% (4)	0,0%	5,9% (1)

Annual turnover	*Less than € 2 mln. (Micro)*	*€ 2 mln. till € 10 mln. (Small)*	*€ 10 mln. till € 50 mln. (Medium)*	*€ 50 mln. till € 100 mln.(Large)*	*More than € 100 mln.*
	42,9% (6)	14,3% (2)	35,7% (5)	0,0%	7,1% (1)

Immediately the difference between this survey and the survey 'Business visa' is clearly visible. The majority of respondents place their firm in the category of micro-size firms. This is true for both number of employees and annual turnover. The second biggest group, when measured in number of employees, is the group small sized firms, followed by medium sized firms. There is only one (very) large sized firm amongst the respondents. In the survey 'Business visa' I divided the firms into 3 different groups with which statistic tests were done. Unfortunately this was not possible in this survey, due to the smallness of the dataset. Wherever relevant though I will try to signal the differences between micro, small and medium sized firms.

The respondents were also asked about the number of countries their firm traded with. The general average was 28.81 countries.

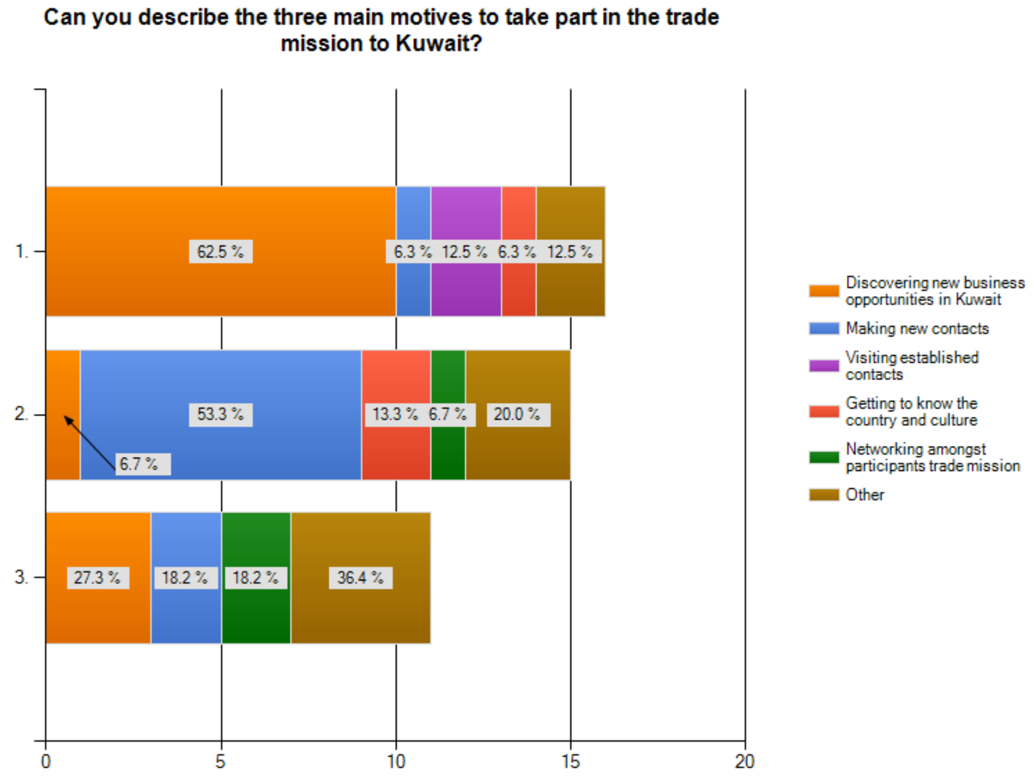
The last question in the section about firm characteristics covered the focus respondents´ firms placed on several regions and on Kuwait. Just like the respondents of the earlier survey, also the respondents in this survey focused for the major part on European countries with an average percentage of 50,8%. The second region on which was focused on was (South) East-Asia with an average percentage of 16,8%. Third in line was Middle East region with 14,4%. Focus on Kuwait was small with only an average of 5,6%, but that could be expected given their participation in the trade mission.

VIEWS ON THE TRADE MISSION TO KUWAIT

In the first question of this part respondents were asked whether they had done business with Kuwaiti firms before participating in the trade mission. Fourteen respondents (73,7%) indicated not having done business with Kuwaiti firms before, the other five (26,3%) did do business. Those five were then asked for how long they had done business with Kuwaiti firms. Three had done business with Kuwaiti firms for more than 10 years, one had done business with Kuwaiti partners for 5 to 10 years and another one 2 to 5 years.

In the following question all respondents to the survey were asked what their three main motives were to join the trade mission to Kuwait. This question was an open question, so coding followed later. The answers given by the respondents can be viewed in figure 5.6.1.

Figure 5.6.1: Three main motives to join trade mission to Kuwait



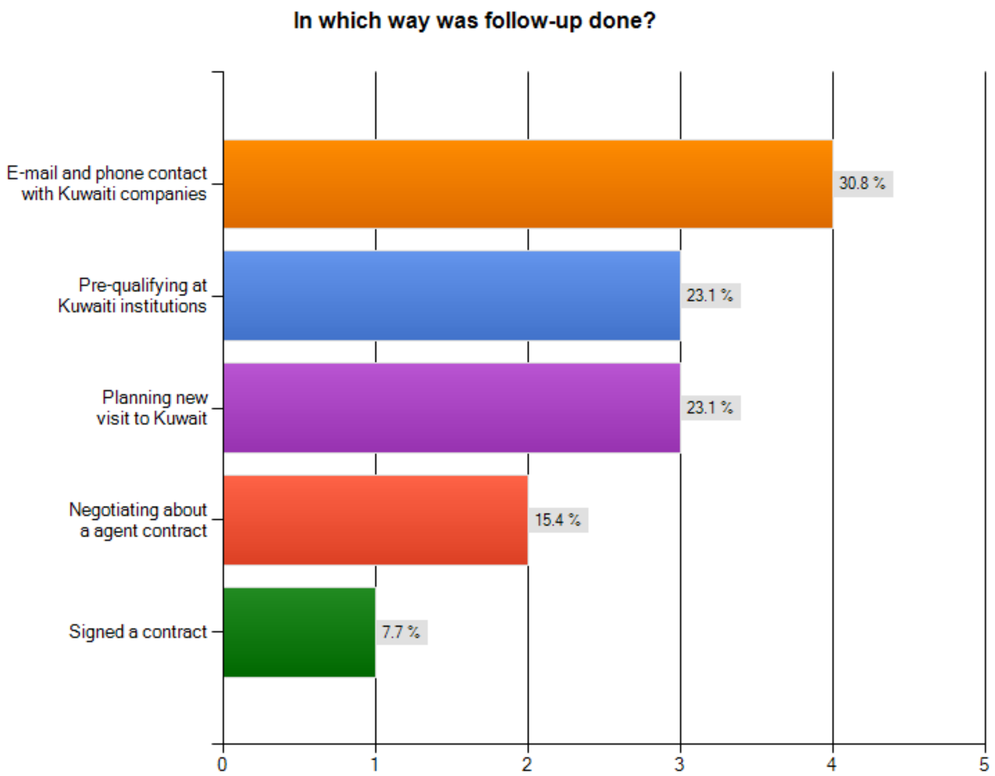
As can be viewed, the primary reason to join the trade mission is for most respondents 'Discovering new business opportunities in Kuwait' with 62.5% of all responses given in this category. The second most important reason to join is for most respondents 'Making new contacts' (53.3%). The category 'Other' included answers like 'building our brand name', 'building up training-facilities' and 'part of revising company strategy'. Another interesting reason mentioned here for the first time is 'networking amongst participants of the trade mission'. This motive was also mentioned in the article of Heuts & Poels (2011) on the effects of trade missions.

In question 9 I asked respondents in what way they prepared themselves for participating in the trade mission. Firstly a distinction can be made between those respondents that did prepare and those that did not. About 25% of respondents indicated having done no preparation beforehand while 75% of respondents did prepare themselves. The ways in which respondents prepared for the mission varied a great deal. Here are some of the answers given by them: 'Visiting a seminar of FME-CWM and informing through established contacts', 'Reading all materials provided by the organizing programme', 'Meetings with others experienced in this market'. One respondent said that he booked flights and hotels himself, thereby saving 50% of costs.

Question 10 was again an open question which was coded afterwards. It asked the respondents which three activities/aspects of the trade mission they valued highest. The answers to this category varied widely. Among the activities mentioned in first place 'meeting with local policy makers' (3) and 'meeting leader companies in Kuwait' (3) were the most mentioned ones. In second place the most mentioned activity was the ´network event at the Netherlands embassy' (4) and 'Individual meetings with Kuwaiti companies' (4). Also a lot of answers fell in the category 'other' amongst which were; 'networking with other Dutch participants' (mentioned three times), 'discovering the market yourself' and 'renewing already established contacts'.

In question 11 respondents were asked whether they or someone else from their company had done any follow-up on the contacts acquired during the meeting. While three respondents indicated having done no follow-up, 13 did. Those that did were then asked what kind of follow-up happened, which is displayed in figure 5.6.2.

Figure 5.6.2: Ways in which follow up was done by respondents' firms

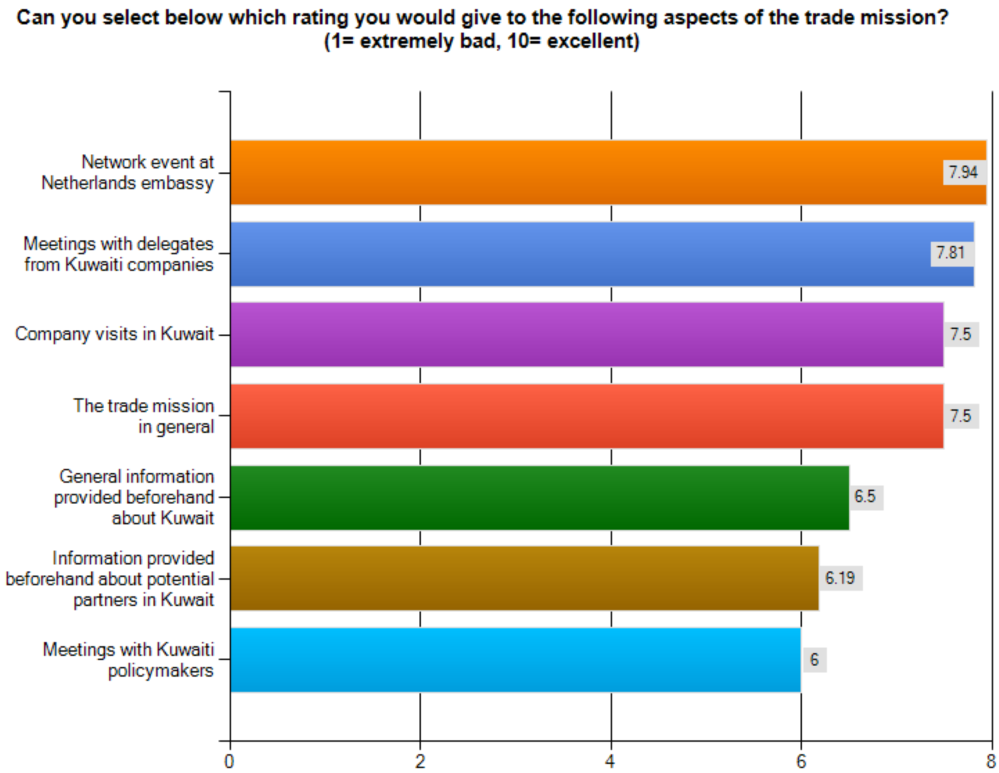


Most respondents indicated having had further e-mail contact or phone contact with the contacts they made. Three respondents were planning a new visit to Kuwait in the near future, another three respondents said their firm was registering at Kuwaiti institutions. Two were negotiating a contract and only one already signed a contract with an agent.

In the next question respondents were asked to which extent their predetermined goals had been achieved since the trade mission. Two respondents said this was insufficiently, seven were neutral and another seven said it was sufficiently. Only one respondent said the goals were achieved brilliantly. Given the use of the Likert scale in this question the means per firm size group could be compared. This led to the conclusion that medium-sized firms had been most positive about the way in which goals were achieved, followed by micro-sized firms.

This question formed the introduction to another question, in which respondents were asked to mention which goals had been achieved. Five respondents answered that they had learned about business opportunities in Kuwait, and another five respondents had found new contacts. Two respondents renewed friendly contact with already established partners and another two mentioned that what they gained from the trade mission was a better understanding of the Kuwaiti business culture. The results of this question were compared with those of the previous one. The two respondents that had said their goals were insufficiently achieved by the trade mission were the same ones indicating that (at least) they had got an impression of the Kuwaiti business culture. The respondent that had stated that their goals were brilliantly achieved indicated in the following question that he had found new contacts.

Figure 5.6.3: Grades per aspect of the trade mission



At the closing of all questions involving the trade mission itself the respondents were asked to give grades to a few topics. The average grades can be found above in figure 5.6.3. The highest average grade, a 7.94, was reserved for the ‘Network event at the Netherlands embassy in Kuwait’. The second best, a 7.81 was given to the ‘Meetings with delegates from Kuwaiti companies’. The lowest average grade, a 6 was given to ‘Meetings with Kuwaiti policymakers’. The trade mission in general received an average grade of 7.5. It may come as no surprise that respondents that previously indicated that their goals had not been achieved gave the lowest average grade to every aspect and to the mission in general. Those that answered that their goals were met sufficiently or brilliantly gave the highest average grades. As an exception in this survey I tested this relation with a kendall´s tau correlation coefficient, and found this observation to be statistically significant for all aspects except ´general information provided beforehand´ and ´meetings with Kuwaiti policymakers´. Company size did not seem to affect the average grades given.

CURRENT BUSINESS WITH KUWAITI COMPANIES

After the questions on the trade mission specifically I asked the respondents about their current business with Kuwaiti firms. Eleven respondents´ firms were not doing business with Kuwaiti companies, six were. Among those six were four that answered in a previous question to have done business with Kuwaiti firms prior to the trade mission. Two were newcomers to the business with Kuwait, having started business after the trade mission.

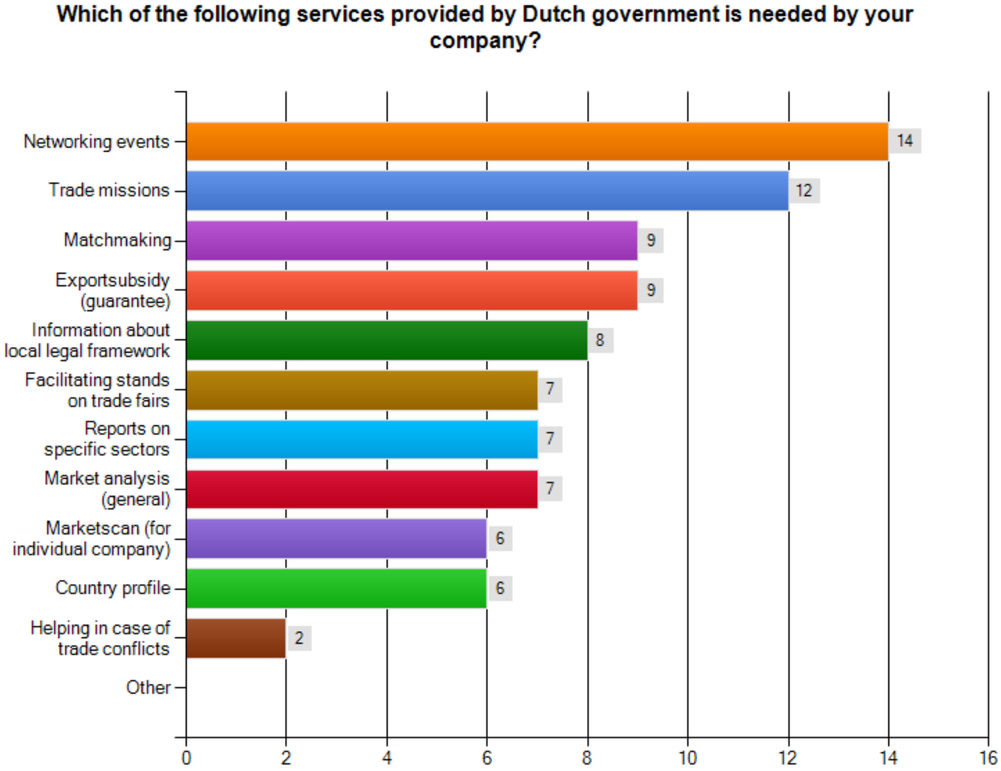
Those six respondents were then asked which activities took place in the dealings with Kuwaiti companies. Four times mentioned was the ´sale of products´ and both once mentioned were ´sale of services´ and ´joint development of a product´.

When asked to describe the current status of cooperation the six respondents all described the relation as being stable and/or as very good. One respondent mentioned that relations stayed good, providing that one invests in the relationship and visits on a regular basis.

NEED FOR COMMERCIAL DIPLOMACY BY PARTICIPANTS

Obviously all respondents had already made use of one of the tools of commercial diplomacy services since they had all participated in a trade mission. Therefore a question was posed whether they wanted to see further support from the government. The majority of respondents (7) indicated having only a small desire for further support. Among those respondents were all respondents whose firm was currently doing business with Kuwaiti companies. Six respondents answered that they had a medium desire for further governmental support and three respondents indicated having a big desire for further governmental support. Comparison with the size of the respondents firm resulted in the following observations: Especially micro sized firms had a higher average of respondents indicating medium or big need for further governmental support. The average was lower for small and medium sized firms.

Figure 5.6.4: Services which respondents indicated as desired



In figure 5.6.4 can be seen what respondents filled in on which services they would like to see from the government. 'Networking events' were selected most often (14 times), followed by 'trade missions (12 times) and 'matchmaking' (9 times)/ 'Exportsubsidy' (9 times). 'Helping in case of trade conflicts' was selected least (2 times).

Respondents were also asked whether they believed the commercial diplomacy services provided by the government matched the needs of their company. Nine respondents felt neutral about this while seven indicated there was a partial match. The following question required the respondents to select whether they thought the need for governmental support was different for Kuwait than for other countries. Seven respondents answered there was no difference, six answered there was a small difference and only one respondent said there was a big difference. When asked for further explanation respondents said there was a difference with other regions of the world due to the language and culture, but the differences within the Gulf region were small.

SUMMARY AND ANSWER TO SUBQUESTION SIX

First to describe the firms; most respondents were of micro-sized firms according to the EU definitions of SMEs. They do business with an average 29 countries and the focus of their international business still mainly lies on Europe. Most respondents to the survey had not done business with Kuwaiti companies before. Among those that did the majority had done business for more than 10 years.

The primary reason for most firms to join the trade mission to Kuwait had been ‘discovering new business opportunities’, the second was ‘finding new business contacts’. One of the more surprising reasons to join was to network with other Dutch participants. Most of the participants had prepared themselves for the trade mission and had done so in a variety of ways amongst which ‘seminar visits’ and ‘reading material on Kuwait’ were most mentioned. The activities during the trade mission valued highest by participants also varied a great deal. Most mentioned in first place were ‘meetings with Kuwaiti policymakers’ and ‘meeting leader firms’. The careful reader might note that both activities are of macro-level. In second place most mentioned were ‘the network events at the Netherlands embassy’ and ‘Individual meetings with Kuwaiti companies’. Both are micro-level activities. The outcomes of this question seem therefore to confirm the approach taken when setting up the schedule of a trade mission; that is to first put emphasis on macro-level activities before micro level.

Follow-up on acquired contacts was done by most of the participants, mostly in the form of staying in contact over e-mail or phone. Others were registering when required at Kuwaiti institutions. Only one respondent had signed a contract since the mission. The respondents were mostly neutral to positive about the way in which their predetermined goals had been met by the trade mission. Among the goals met most mentioned were ‘learned about business opportunities in Kuwait’ and ‘found new contacts’. Respondents were also asked to give grades to various aspects of the trade mission. The highest average grade was 7.93, for the network event at the Netherlands embassy, the lowest average grade was a 5.93 for the meetings with Kuwaiti policymakers. The average grade for the trade mission as a whole was 7.47.

Then the respondents were asked whether they were currently doing business with Kuwaiti firms. About six did, four of them had already done business with Kuwaiti firms before the trade mission so only two were new. Like in the earlier survey, most prominent activity in the relations with Kuwaiti firms was the sale of products and services. The respondents described relations as being good at the moment.

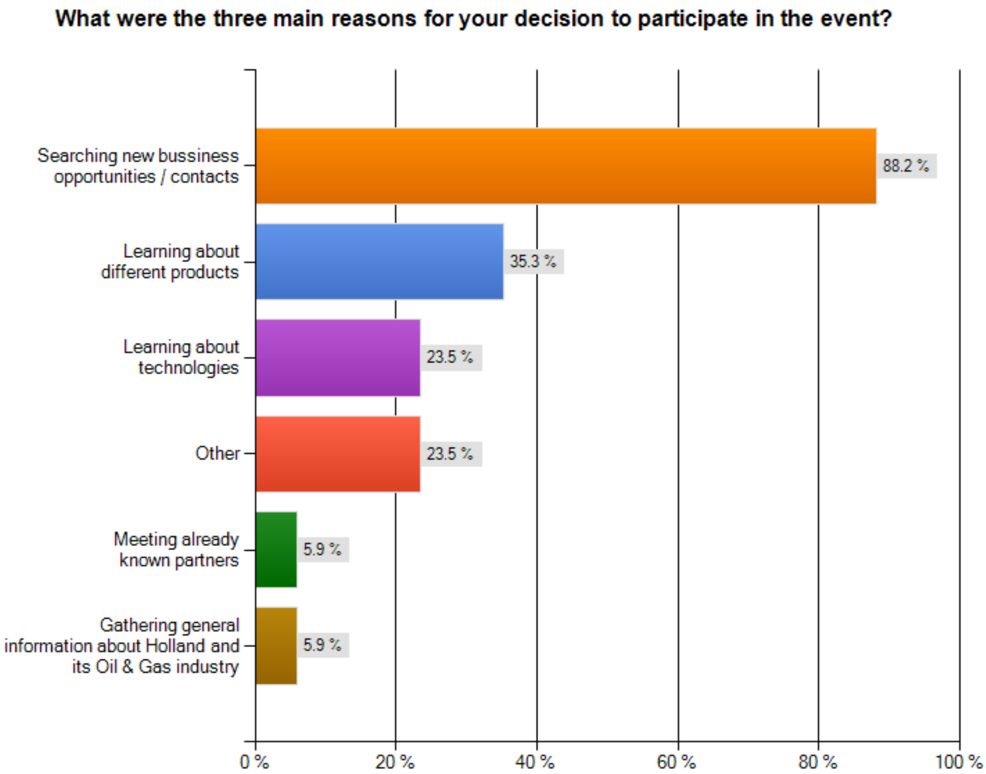
In the last part of the survey the respondents were asked a few questions about the further need for governmental support. The majority indicated having only a small desire for more support. It seems especially the micro sized firms had a higher desire for support on average. When asked which services were needed most the ‘network events’ were mentioned many times, as well as other ‘trade missions’, ‘matchmaking’ and ‘exportsubsidy’. These outcomes correspond with the outcomes of the earlier survey. To the regard in which the respondents thought Kuwait presented a difference in needed governmental support services the views were divided equally between ‘no difference’ and ‘small difference’ or ‘big difference’.

5.7 THE VIEWS OF KUWAITI PARTICIPANTS OF NETWORK EVENT DURING THE OIL&GAS TRADE MISSION IN MAY 2011

In this paragraph an answer to subquestion seven will be provided:'Which experiences did the Kuwaiti participants to a network event at the Netherlands embassy have?' The data for this paragraph comes from the survey done amongst Kuwaiti participants of the network event.

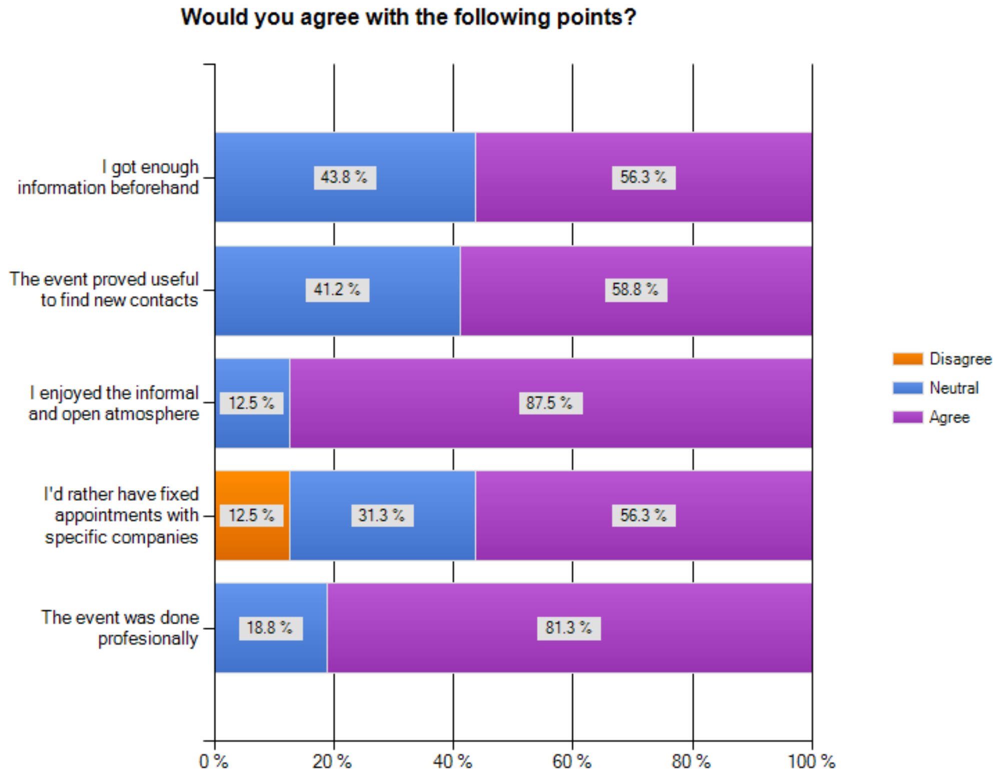
On Sunday the 8th of May 2011 a network event was held at the Netherlands embassy of Kuwait as part of the FME Oil & Gas trade mission to Kuwait and Abu Dhabi. The Netherlands embassy in Kuwait wanted to do an evaluation of this event and therefore an online questionnaire was made. As explained in the chapter Methodology some of the questions of this survey bear little relevance to the research done for this thesis. Therefore, only the questions and results that are relevant will be discussed here.

Figure 5.7.1: What were the three main reasons for your decision to participate in the event



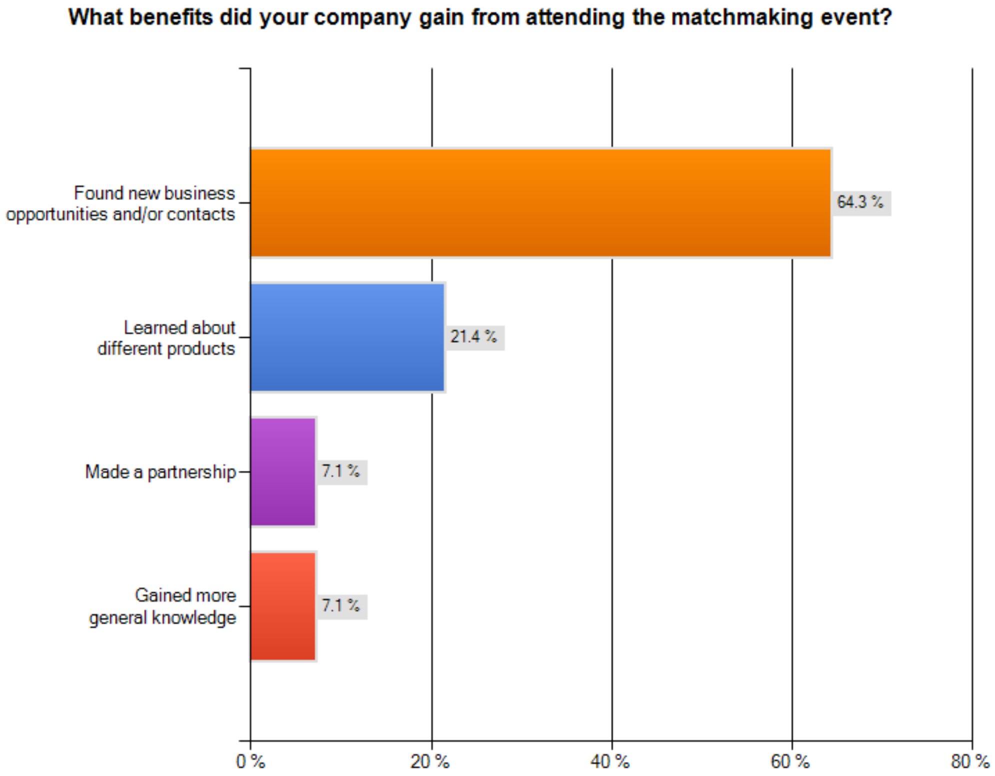
Since this question was open and split in 3 lines, respondents mentioned a wide variety of reasons for participation. In general, five categories could be made to encompass most answers. The most important reason for companies to participate in the matchmaking event was, not surprisingly, 'to find new business contacts' with a percentage of 88,2%. The second reason to participate is 'to learn about new products', mentioned by 35,3%. Somewhat related to this were also the answers 'to learn about technologies', mentioned by 23,5%.

Figure 5.7.2: Agreement with the statements posed in the survey



In this question the respondents were asked about various aspects of the networking event and the extent to which they agreed with the statements in the survey. As can be seen in figure respondents agreed with the majority of statements. There was one "trick" question in this list, partly put in there to test whether I was getting only the socially desirable answers. For the statement 'I'd rather have fixed appointments with specific companies' I would have expected more people to disagree, since they enjoyed the evening as it was and the overwhelming majority answered a statement earlier that they had enjoyed the informal and open atmostphere. Either respondents did not read the statements fully, did not understand which answer they should give if they liked the event, or they preferred to in a way please us by agreeing with all statements.

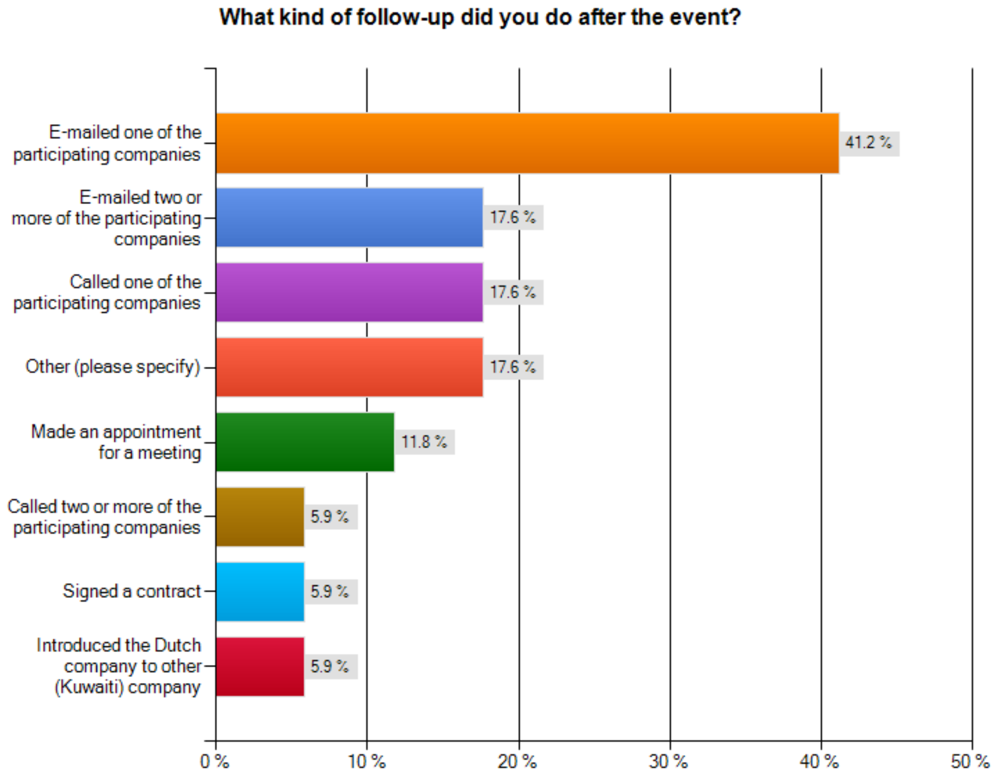
Figure 5.7.3: Benefits gained from participating in the matchmaking event



Most respondents mention they benefited by getting new contacts and having the opportunity to discuss possible future cooperation. Others highlighted their increased knowledge about what Dutch companies have to offer. There was also one company, Al Zahem Intl Group, that mentioned they had already signed a partnership agreement with Dhatec Line Pipe Logistic Solutions since the matchmaking event.

In figure 5.7.4 one sees the answers given about which kind of follow-up was done after the event. Most of the respondents (41,2%) indicated having emailed with one contact they made during the network event. A smaller group of respondents emailed two or more contacts or called one of the contacts. The answers given as ‘other’ were mostly indicating that the respondent had passed on information about Dutch products to other departments of the company.

Figure 5.7.4: Kind of follow-up done after the matchmaking event



Lastly there were some additional comments made by the respondents. Most comments were congratulating on the matchmaking event. Here are some of the most interesting comments left by the respondents. Al Muntaser Trading & Contracting Company WLL; 'I suggest that similar match making to be categorised as 1) SUPPLY and 2). SERVICES for easy identification.' ESME- Energy Services Middle East; 'I would like to see more variety of Dutch companies in the next event' BAF Valves Kuwait; 'Event such as this surely beneficial to Dutch and local companies operating in Kuwait. Suggest to hold this event at least 2 to 3 times or more every year.' CANAR Trading & Contracting Co; 'Usually, the feedback from Dutch companies is slow.'

SUMMARY AND ANSWER TO SUBQUESTION SEVEN

For the Kuwaiti firms that participated in the network event at the Netherlands embassy on Sunday 8th of May 2011 the first and foremost reason to join the event was 'to find new business contacts'. A second reason was 'to learn about new products'. The respondents were generally neutral to positive about the information received beforehand, the open and informal atmosphere and the professionalism with which the event was organized. The benefits they gained from participating were mostly that they had found new business contacts and secondary reason being that they had learned about various products offered.

6. CONCLUSION / DISCUSSION

The aim of this research is to describe private sector's business relations with Kuwait and the way in which the Dutch government could stimulate these exports. It was the intention described by the Dutch new coalition government to put more focus on Dutch trade interests that triggered me to question what the Dutch firms actually doing the international business, think about this renewed policy. To study this topic more closely the relations with the tiny oil rich nation of Kuwait were studied for reasons explained earlier in the introduction and methodology. Using a mixed methods approach to describe this case study yielded some interesting results. The most important findings are discussed below while answering the main research question:

'WHICH PATTERNS CAN BE DISTINGUISHED IN THE BUSINESS RELATIONS OF DUTCH COMPANIES WITH KUWAITI COMPANIES AND IN WHICH WAYS CAN THE DUTCH GOVERNMENT STIMULATE MORE EXPORT?'

Following from the findings of this thesis the main pattern visible in the relations between Dutch firms and Kuwaiti firms is a pattern in which Kuwaiti firms function as agents for Dutch firms. This means the Dutch firms sell products or services on the Kuwaiti market through a Kuwaiti business partner. Such an approach helps the Dutch firms to overcome barriers to trade such as insufficient knowledge on the market.

Other patterns visible are that the majority of firms currently doing business with Kuwait have done so for more than 5 or more than 10 years. Small firms have significantly done business for a shorter while than large firms. Firms come and came in contact with each other through visits to trade fairs and conferences or participation in trade missions. The final pattern found during the research is that while large firms are generally positive about their Kuwaiti business partners, medium sized firms and especially small firms are on average more negative. However, it is especially those firms which are most interested in increasing business with Kuwait.

POLICY IMPLICATIONS

Having established which patterns exist in the relations between Dutch firms and Kuwaiti firms, the second part of the research question can be discussed. So, in which ways can the Dutch government stimulate more export to Kuwait and countries like it?

Veenstra et al. (2010) already stated in their article on economic diplomacy that government support is most beneficial in developing markets (like Kuwait) given the relatively higher barriers to trade in such countries. To overcome many of these barriers the firms doing business with Kuwait rely on a local Kuwaiti firm since they already have knowledge and experience in the local market. Reliability, commitment and trustworthiness of the Kuwaiti business partner is therefore paramount. The research has shown that most Dutch firms of small size which had entered the Kuwaiti market less than two years ago were more often negative about the relations with those Kuwaiti firms than were large firms and those that had been in business for a longer time. While the research did not cover the 'survival' rates of business with Kuwait given its snapshot character, it seems likely that those firms unsatisfied with their Kuwaiti business partners eventually decide to abort their dealings with Kuwait as one Dutch respondent already mentioned. This is especially true since the exclusivity of agents in Kuwait makes switching to another Kuwaiti business partner hard. The cessation of business with Kuwait means a decrease in export to Kuwait and indirectly endangers the policy of the government to secure future energy supplies to the Netherlands by means of promoting business relations based on more diversified trade (besides oil that is).

For the Dutch government to stimulate increasing exports to Kuwait it would therefore be recommended to focus on this group of small sized new entrants. Finding the right business partner is essential as is often pointed out by both Kuwaiti and Dutch respondents. These small sized new entrants generally lack the capital, manpower and knowledge to properly assess the quality of various potential business partners. However, the research also showed that it is especially those small firms that were most interested in starting and expanding business with Kuwait. Likewise it is the small firms which are involved in 'knowledge intensive cooperation' and 'joint development of products and services'. This leaves open a clear role for Dutch commercial diplomacy, which through its long term and non-commercial commitment to markets do build up valuable knowledge on the market, as is pointed out by many authors such as Harris & Li (2005). There is also still much room for improvement as 28 out of 32 Dutch respondents mentioned having little to no support from the Dutch government when setting up business with Kuwaiti partners.

While the advice to focus on small firms entering a new market is nothing new, one might wonder whether its implications have been fully assessed. The research shows that the commercial diplomacy services currently provided by the Dutch government cater best to the needs of large firms and those that have been in business for more than five or ten years. The services they desire are primarily found on a macro level, that is; general information on the country and sectors, information on legal framework, etc. The target group of small sized firms however desires more micro level services such as trade missions, network events, matchmaking, etc. This is also how Kuwaiti and Dutch respondents (both from large and small firms) mentioned they had met their business partners initially. The interviews with FME-CWM business development managers have shown that at least when it comes to trade missions these findings are confirmed. The trade missions are best when a mixture of both macro and micro level activities forms part of it, respondents indicated both as a goal when deciding to participate. Without macro level activities participants do not know what is going on in the market, without micro level activities the mission itself might be interesting but no business is generated as contacts are not found.

The lowering or disappearance of subsidies will initially put pressure on exactly those commercial diplomacy services needed most by small firms, the identified target group. The challenge therefore is for Dutch embassies and consulates to step up to this role of also providing the micro-level services desired by small sized firms. Many respondents in the research mentioned that the success with which the embassies and consulates take on this responsibility for the moment still relies too much on the efforts, commitment and motivation of individuals. This was true for the Dutch embassies as mentioned by the FME-CWM respondents, as well as for those of other nations as mentioned by the Kuwaiti respondents. While other nations might also face difficulty in sustaining a high level of micro-level services for SMEs, this should not be an excuse for not looking to implement a more structural approach to ensure high quality services globally and continuously.

Some other policy advice which is specifically related to Kuwait as a case study:

- Kuwaiti firms mostly describe the Kuwaiti market as being overcrowded. Therefore they are especially interested in "unique' products to service niche markets. Provide Kuwaiti firms with information about Dutch industries, containing information on individual firms, their key products and contacts. Many Kuwaiti respondents described the desire to do business with Dutch firms, for whom they have high regards. Main barrier for Kuwaiti firms was their lack of knowledge on how to find and contact Dutch firms.

- One Kuwaiti respondent mentioned the benefits the Holland branding strategy has for business. The Holland branding promotes a so-called 'made-in image' (Naray, 2008), like German cars or Italian design, that radiates a positive image of the Netherlands and it products, subsequently boosting sales.

- Coming back to Holland branding and its implications; at the moment Kuwaiti's have a strong positive image of Dutch products like flowers, dairy products and vegetables. This has lead to quite a substantial number of Dutch products on sale in Kuwaiti supermarkets. This fits rather well in the objective to secure future energy supplies by means of promoting diversified trade: while the Netherlands rely partly on Kuwaiti oil to keep the economy running, Kuwait relies partly on Dutch products to provide for their basic necessities (food).

- Dutch technical firms cannot beat Asian competitors on price. It can however compete on top-end quality, uniqueness of the product and reliability. These ingredients are key to gaining market share. Once again, the Holland branding strategy can be used, this time to promote innovative Dutch products.

- Organize regular network meetings at the Netherlands embassy. Kuwaiti firms are sensitive to prestige, meaning that invitations for events at the embassy are well received. It was also the best rated aspect of the three most recent trade missions to Kuwait.

- Streamline visa application procedures, as for some Kuwaiti respondents the transparency of visa application procedures influences their views on a country a great deal. Also one Dutch respondent mentioned being quite unhappy with continued trouble over failure to extend visa to his business partners.

- The largest firms in Kuwait are either owned by the state, or by influential families. One Kuwaiti respondent mentioned that it might be a good idea to specifically target those influential families to promote Dutch industries.

- Kuwait's economy is largely government controlled. To enter the market there are a lot of rather bureaucratic procedures. Respondents suggested the Dutch government could take action to streamline regulations for Dutch firms, having high ranking politicians visit (the region) on a regular basis would help a great deal. For the time being the Dutch government could provide assistance to Dutch firms in the process of applying at various Kuwaiti institutions.

REFLECTION ON THE THESIS

During the start-up phase of the research the newspaper articles (like Volkskrant, 2010) written on the new policy for foreign affairs provided plenty of inspiration. However, translating this into a workable research framework proved quite a challenge. One soon realizes the limitations one has as a single researcher when trying to design a solid research framework. Some of the problems encountered were already mentioned in the chapter Methodology. One of the major problems in doing research in this field was to identify the stakeholders involved. No database capturing the business exchanges between companies from the Netherlands and from Kuwait existed. Therefore, when I started the research it was still a black box, even for embassy staff involved in commercial diplomacy. Most information about which companies had which contacts had to be gathered from business visa which of course has the disadvantage of missing contacts. The main reasons for not capturing all the contacts are given below.

Dutch nationals are not required to apply for visa to enter Kuwait and neither are they required to register with the Dutch embassy. Therefore, there was no way of getting substantial and exhaustive information on which employees from Dutch companies came to Kuwait in 2010 for business purposes. This meant that the contacts found for the survey were mainly one-way; Kuwaiti companies that actively sought cooperation with Dutch companies. The survey thus included mostly Dutch companies that sold goods or services to or through Kuwaiti companies, but not vice-versa. The statistics provided by CBS Statistics Netherlands (2011) showed however that the amount of goods and services imported from Kuwait besides oil is negligible. Still, groups that have been missed in a sense are those firms that (1) buy goods/services from Kuwait, (2) do construction work in Kuwait or (3) have a business development manager in Kuwait who is mainly responsible for Kuwaiti contacts.

Another problem might have influenced the qualitative data. Since I was doing an internship at the Netherlands embassy in Kuwait, especially the Kuwaiti respondents saw me as a representative of the embassy and less as an objective researcher. Despite having mentioned this in every interview, I sensed that respondents still viewed me as an embassy staff-member. While this view was probably beneficial for getting appointments for interviews in the first place, it may well have influenced the answers they gave.

FUTURE RESEARCH

There are plenty of opportunities to conduct further research on the topic of commercial diplomacy. As this research project was a case study of one country, it is hard to generalize the findings. It is not clear if the conclusions I found for Kuwait would also apply to for instance Jordan or Oman, let alone different parts of the world. Future research on this topic could therefore try to take a more comprehensive approach on firms doing international business. I would recommend the development of a database in which business relations of firms are recorded. This database would then give a more complete picture and make it possible to do survey's among a bigger population. Given good response rates this would then enable further statistical testing than was possible in this research project.

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8. APPENDICES

APPENDIX 1: SURVEY 'BUSINESS VISA'; DUTCH BUSINESS RELATIONS WITH KUWAITI COMPANIES

Please note that since the respondents answered the questions in this survey online, the layout for the respondents was different than it is presented here. For those of you that want to see the survey as it was online, please use the following link: https://www.surveymonkey.com/s/onderzoek-koeweit

Page 1: Personalia

1. What is the name of your company?
2. What is your name?
3. What is your position in the company?

Page 2: Company profile

4. Can you select below what is applicable to your company?

Number of employees	10 or less	11 till 50	51 till 250	251 till 1000	More than 1000
Annual turnover	Less than € 2 mln.	€ 2 mln. till € 10 mln.	€ 10 mln. till € 50 mln.	€ 50 mln. till € 100 mln.	More than € 100 mln.

5. With how many countries does your company have contacts?

With a total of ….. countries

6. On which countries lies the focus for your company?

….. % Kuwait
….. % Other Middle East / North African countries
….. % Europe
….. % North-America
….. % (South)East-Asia
….. % Other countries

Page 3: Business relations with Kuwait

7. Which activities take place within the business relation with Kuwaiti companies? (Multiple answers possible)

Sale of products	Knowledge intensive cooperation
Purchase of products	Participating in (sub)contracts of construction works
Sale of services	Opening a branch office / franchise
Purchase of services	Other (please specify)
Joint development of product(s)	
Joint development of service(s)	

8. Can you tell me what the most important reasons were to start business with Kuwaiti companies? (Multiple answers possible)

Import from Kuwait	Participation in construction projects
Market opportunities in Kuwait	Lower (production)costs
Using Kuwait as a regional HQ for the Gulf region	Tax free environment
	Other (please specify)

9. How long has your company been in business with Kuwait? (one answer)
    i. Less than half a year
    ii. 0,5 till 1 year
    iii. 1 till 2 years
    iv. 2 till 5 years
    v. 5 till 10 years
    vi. Longer than 10 years

10. Which steps were taken in setting up business relations in Kuwait?

11. Was there any support in this process by the Dutch government? If so, what kind of support was given?

12. Can you describe the current cooperation with Kuwaiti firms/agents and any problems that may have risen?

13. To what extent is your company interested in expanding business in Kuwait? (one answer)
    i. Very Uninterested
    ii. Uninterested
    iii. Neutral
    iv. Interested
    v. Very interested
  b. Can you describe the reason for this?

Page 4: Government support when doing international business

14. To which extent is there a desire for support by the Dutch government in doing business with Kuwait?
    i. No desire for support by the Dutch government
    ii. Small desire for support by the Dutch government
    iii. Desire for support by the Dutch government
    iv. Big desire for support by the Dutch government

15. Which of the following services provided by Dutch government is needed by your company?

Market access	Provision of information
Trade missions	Country profile
Networking events	Reports on specific sectors
Helping in case of trade conflicts	Market analysis (general)
Marketscan (for individual company)	Information about local legal framework
Matchmaking	Other (please specify)
Facilitating stands on trade fairs	
Exportsubsidy (guarantee)	

16. To which extent matches what the Dutch government can offer in support with what your company actually needs?
    i. Does not match at all
    ii. Does not match
    iii. Neutral
    iv. Matches well
    v. Perfect match

    b. If the support doesn't match, can you describe which services your company would like to see?

17. To what extent is there a difference in the governmental support needed when doing business with Kuwait, as compared to other countries?
    i. No difference
    ii. Small difference
    iii. Big difference

18. With which of the of following organisations that provide (export)support for Dutch companies are you familiar with?

Ministery of Economic Affairs	Netherlands Council for trade promotion
AgentschapNL (EVD)	Holland Gulf Chamber of Commerce
Dutch Embassies and consulates	BuVoHa
Chamber of Commerce	FENEDEX
FME-CWM (Cleantech Holland, Taskforce EK 2012, Task Force Health Care, Dutch Energy Solutions)	MKB-Nederland
VNO-NCW	Other (please specify)

19. To what extent are you satisfied with

	Dissatisfied	Neutral	Satisfied	N/A
The current offer of supporting organizations				
The current structure of				

supporting organizations	
The online information provided for export	

Page 5: Closing

20. Do you have any additional comments/remarks regarding this research?

21. Can I mention your name in the final report?
    i. Yes, both my own name and the company name
    ii. Only my company position and company name
    iii. Only company name
    iv. Neither

22. Are you available for an interview (phone)?
    i. Yes, my phonenumber is …..
    ii. No

APPENDIX 2: EXAMPLE OF THE INVITATION SEND FOR SURVEY 'BUSINESS VISA' (IN DUTCH)

Geachte ,

Bij deze zou ik u willen vragen deel te nemen aan een onderzoek naar de Nederlandse handelsrelaties met Koeweit. Koeweit biedt grote kansen voor het Nederlandse bedrijfsleven en verschijnt hierom de laatste jaren in toenemende mate op de kaart. Het blijft echter ook een land waarin de zakencultuur aanmerkelijk verschilt van de Nederlandse en die dus een andere aanpak en aanpassingsvermogen vergt. In dit onderzoek, een afstudeerproject aan de Universiteit Utrecht en met medewerking van de Nederlandse ambassade in Koeweit, zou ik graag dieper ingaan op hoe de relatie met Koeweitse bedrijven is voor uw bedrijf. Vragen hierbij zijn o.a.: Hoe is deze relatie tot stand gekomen? Wat zijn uw ervaringen tot nu toe in de relatie met Koeweit? En zou uw bedrijf de relatie met Koeweit verder willen uitbouwen en zo ja, op welke wijze?

Daarnaast is er de afgelopen tijd veel aandacht geweest in de media voor een hernieuwde focus van het kabinet op het verbeteren van de buitenlandse betrekkingen op economisch gebied. In het onderzoek zou ik graag willen kijken in hoeverre uw bedrijf een rol ziet voor de Nederlandse overheid, specifiek in ondersteuning bij het zakendoen met een land als Koeweit.

Ik zou u willen vragen of u de vragen in de online enquête wil beantwoorden, hetgeen naar verwachting ongeveer 10 tot 12 minuten van uw tijd zal vragen. De enquête is te vinden onder de volgende link:

https://www.surveymonkey.com/s/onderzoek-koeweit

Bijvoorbaat dank voor uw moeite.

Met vriendelijke groet,

Thomas Thasing
Economic officer

Embassy of the Netherlands in Kuwait
Phone: +965 2531 2650 ext. 204
Mobile: +965 99283767
E-mail: thomas.thasing@minbuza.nl
www.netherlandsembassy.gov.kw

APPENDIX 3: LIST OF RESPONDENTS SURVEY 'BUSINESS VISA'

The following persons have filled in the questionnaire. Some of the respondents will not be mentioned by name upon their request.

Company name	Respondents name	Respondents position	Date respons
SMIT International	Loek Kullberg	Managing Director Harbor Towage and Terminals	22-07-2011
Anonymous	*Anonymous*	*Anonymous*	16-06-2011
Anonymous	*Anonymous*	*Anonymous*	15-06-2011
United Arab Shipping Company	Ron Vink	Managing Director	14-06-2011
Lummus technology Heat Transfer b.v.	*Anonymous*	*Anonymous*	14-06-2011
Anonymous	*Anonymous*	*Anonymous*	14-06-2011
Anonymous	*Anonymous*	*Anonymous*	14-06-2011
HSB International	Henrik Stevens	Directeur	14-06-2011
Equip Medikey BV	*Anonymous*	*Anonymous*	14-06-2011
Anonymous	*Anonymous*	*Anonymous*	14-06-2011
Anonymous	*Anonymous*	*Anonymous*	11-06-2011
Astellas Pharma International BV	*Anonymous*	*Anonymous*	08-06-2011
BAF Valves BV	*Anonymous*	*Anonymous*	08-06-2011
Smit Terminals	Aart van der Wal	General Manager Commercial	07-06-2011
Anonymous	*Anonymous*	*Anonymous*	07-06-2011
RAVO Holding BV	K.A. Goedkoop	Managing Director	07-06-2011
BE Fresh Produce BV	Ard Bergwerff	Commercieel directeur	07-06-2011
Anonymous	*Anonymous*	*Anonymous*	07-06-2011
Sakura Finetek Europe BV	C.J. Guijt	Area Sales Manager	06-06-2011
Hendra Trade B.V.	Ton Janszen	Eigenaar/Directeur	03-06-2011
BERG Toys	Pim van Hamersveld	Area Sales Manager	01-06-2011
Damen Shipyards Group	*Anonymous*	*Anonymous*	01-06-2011
Anonymous	*Anonymous*	*Anonymous*	01-06-2011
Yokogawa Europe B.V.	*Anonymous*	*Anonymous*	01-06-2011
Wouter Witzel EuroValve BV	Marcel Schothorst	Division Manager Sales - Oil&Gas	01-06-2011
Europe trust nederland	Yassin Elforkani	Directeur	31-05-2011
Provimi BV	Guillaume Smeets	Area Sales Manager Middle East and Africa	31-05-2011
BTSS	Roelof Bouwman	Directeur	31-05-2011

Company name	Respondents name	Respondents position	Date respons
Honeywell Safety Management Systems	Kees Kemps	Director Sales	31-05-2011
Anonymous	*Anonymous*	*Anonymous*	31-05-2011
Saybolt International BV	*Anonymous*	Directeur	31-05-2011
Maubis Trading BV	Maurice Evers	DGA	31-05-2011
Anonymous	*Anonymous*	*Anonymous*	31-05-2011
BSS Holland BV	Erik van der Veer	Partner	31-05-2011

APPENDIX 4: CODING FRAME FOR SURVEY 'BUSINESS VISA'

Question number	Description	Variable	Code
	Respondent number	Rnumber	1-42
4a	Size of company (based on number of employees)	Csize-emp	1= small (<=50) 2= medium sized (51-250) 3= large (251=>)
4b	Size of company (based on annual turnover)	Csize-ato	1= small (<€10 mln.) 2= medium sized (€10 mln. - €50 mln.) 3= large (€50 mln.>)
5	Number of countries dealing with	Countries	
6	Focus company	FocusKuw FocusMENA FocusEU FocusNA FocusEA FocusRW	%
7	Activities taking place in business relationship with Kuwait	Activities1 Activities2	1=Sale of products 2=Sale of services 3=Joint development of services 4= Knowledge intensive cooperation 5= Other
8	Reasons to start business with Kuwait	Reasons1 Reasons2	1= Market opportunities in Kuwait 2= Using Kuwait as a regional HQ 3= Import from Kuwait 4= Other
9	Duration of business with Kuwait	Kyears	1= Less than half a year 2= 0,5 till 1 year 3= 1 till 2 years 4= 2 till 5 years 5= 5 till 10 years 6= Longer than 10 years
10	Setting up of relations	Settup	1= Through local agent 2= Though fair/conference 3= Through various contacts 4= Invitation by email/fax 5= By doing own market research 6= Other
11	Support received from Dutch government	SupInit	1= No support 2= Barely support 3= Supported
12	The status of current cooperation	CurCoop	1= Bad 2= Neutral 3= Good/perfect

Question number	Description	Variable	Code
13	Interested in expansion of dealings with Kuwait	ExpansInt	1= Very uninterested 2= Uninterested 3= Neutral 4= Interested 5= Very interested
14	Desire for support from Dutch government	DesSup	1= No desire for support by the Dutch government 2= Small desire for support by the Dutch government 3= Desire for support by the Dutch government 4= Big desire for support by the Dutch government
15	Services desired from Dutch government	NdMission NdNetwork NdConflict NdScani NdMatch NdFair NdExsub NdProfile NdSector NdAnalysis NdLegal	0= No need for this service 1= Need for this service
16	Match between what government can offer and what is actually needed	Match	1= Does not match at all 2= Does not match 3= Neutral 4= Matches well 5= Perfect match
17	Difference between Kuwait & other countries in the need for support	Difference	1= No difference 2= Small difference 3= Big difference
19a	Satisfaction current structure supporting organizations	SatStruc	1= Dissatisfied 2= Neutral 3= Satisfied 4= N/A
19b	Satisfaction current offer of supporting services	SatOffer	1= Dissatisfied 2= Neutral 3= Satisfied 4= N/A
19c	Satisfaction with online information	SatOnline	1= Dissatisfied 2= Neutral 3= Satisfied 4= N/A

APPENDIX 5: INTERVIEW GUIDE FOR SEMI-STRUCTURED INTERVIEW WITH REPRESENTATIVES OF KUWAITI COMPANIES

1. According to our records your company is representative of various Dutch firms such as ….. Can you quickly mention if this is correct and whether there are other ones?
2. What is the kind of relation your company has with those Dutch companies?
3. Can you describe how your company came in contact with those Dutch companies?
4. How are the relations at the moment?
5. Do you foresee more in-depth cooperation in the near future?
6. Are there any barriers/problems in the cooperation with Dutch companies especially?
7. In your opinion, which role can governments (like the Dutch and Kuwaiti) play in stimulating international business cooperation?

APPENDIX 6: LIST OF RESPONDENTS OF SEMI-STRUCTURED INTERVIEW WITH REPRESENTATIVES OF KUWAITI COMPANIES

Table 8.6.1: List of respondents semi-structured interview

Company name	Respondents name	Respondents position	Date
Palms Agro Production Co.	Faisal Al Faris	Chairman	05-06-2011
Rezayat Trading Co	Jamal Al Fares	General Manager	26-5-2011
Advanced Technology Company	George Breidy Samih Abdul Baki	Vice President Director Laboratory Dep.	25-05-2011 25-05-2011
Yiaco Medical Co.	Walid Abo Zaid	Chief Financial Officer	06-06-2011
Al Mojil Drug company	Faisal al Mojil	Director	25-05-2011
Warba Medical supplies	Alaa Omar	Laboratory Products Specialist	01-06-2011
Bin Nisf Trading & Contracting	Yousef Mohammed Al-Nisf	President	14-06-2011
White stores Company	Faris Aoun	General Manager	30-05-2011

Table 8.6.2: List of respondents partial interview

Company name	Respondents name	Respondents position	Date
Al-Mailem Oil fields & Industrial Equipment Co.	Akhlaq Malik	Sales Manager	06-04-2011
Canar Trading	Omar Asad & Ahmad Abou Zahr	Managing Director & Sales, marketing manager	05-04-2011
Fawares Petroleum	Abdulrahman Almathkour	General Manager	12-04-2011
Gulf Group Co	Nedal Al-Zubaydi	Business Development Manager	07-04-2011
Mushrif trading & contracting co.	Augusto Morais	Business Development Manager	14-04-2011
Petrolink Holding Co.	Mohammed Sultan	Managing Director	11-04-2011
Projacs	Sameer Abu Shanab	Vice President	11-04-2011
Safwan Company	Adnan Kharboutly		04-04-2011
United Oil Projects	Abdullah Fuad Bu-Qurais		06-04-2011
Kuwait Proteins Co.	Fadi Karam Jebran	General Manager	27-2-2011

APPENDIX 7: SURVEY 'TRADE MISSIONS': VIEWS OF DUTCH COMPANIES HAVING BEEN ON MISSION TO KUWAIT

Please note that, like the survey 'business visa', the respondents answered the questions in this survey online. Therefore, the layout for the respondents saw was different than it is presented here. For those of you that want to see the survey as it was online, please use the following link: [*https://www.surveymonkey.com/s/handelsmissie-koeweit*](https://www.surveymonkey.com/s/handelsmissie-koeweit)

Page 1: Personalia

1. What is the name of your company?

2. What is your name?

Page 2: Company profile

3. Can you select below what is applicable to your company?

Number of employees	10 or less	11 till 50	51 till 250	251 till 1000	More than 1000
Annual turnover	Less than € 2 mln.	€ 2 mln. till € 10 mln.	€ 10 mln. till € 50 mln.	€ 50 mln. till € 100 mln.	More than € 100 mln.

4. With how many countries does your company have contacts?

With a total of ….. countries

5. On which countries lies the focus for your company?

….. % Kuwait
….. % Other Middle East / North African countries
….. % Europe
….. % North-America
….. % (South)East-Asia
….. % Other countries

Page 3: Trade mission to Kuwait

6. Was your company already doing business with Kuwaiti companies before the trade mission?
   i. Yes
   ii. No (Respondent skips question 8)

Page 4: Trade mission to Kuwait

7. How long has your company been in business with Kuwait? (one answer)
   i. Less than half a year
   ii. 0,5 till 1 year
   iii. 1 till 2 years
   iv. 2 till 5 years

v. 5 till 10 years
vi. Longer than 10 years

8. Can you describe the three main motives to take part in the trade mission to Kuwait?

9. How did you prepare yourself for participating in the trade mission?

10. Can you enter below which three activities during the mission you thought were most beneficial to your company?

11. Did you or someone else in your company do any follow-up on the contacts acquired in Kuwait?

Yes
No (Respondent skips question 12)

12. In which way was follow-up done?

13. To which extent were the goals set before the trade mission achieved?
    i. Were not achieved (Respondent skips question 14)
    ii. Insufficiently
    iii. Neutral
    iv. Sufficiently
    v. Brilliantly achieved

14. Can you describe which goals were achieved?

15. Can you select below which rating you would give to the following aspects of the trade mission? (1= extremely bad, 10= excellent)
    a. General information provided beforehand about Kuwait
    b. Information provided beforehand about potential partners in Kuwait
    c. Meetings with delegates from Kuwaiti companies
    d. Meetings with Kuwaiti policymakers
    e. Company visits in Kuwait
    f. Network event at the Netherlands embassy in Kuwait
    g. The trade mission in general

Page 5: Business relations with Kuwait

16. Is your company doing business with Kuwaiti companies at the moment?
    i. Yes
    ii. No (Respondent skips question 17 and 18)

17. Which activities take place within the business relation with Kuwaiti companies? (Multiple answers possible)

Sale of products	Knowledge intensive cooperation

Purchase of products	Participating in (sub)contracts of construction works
Sale of services	Opening a branch office / franchise
Purchase of services	Other (please specify)
Joint development of product(s)	
Joint development of service(s)	

18. Can you describe the current cooperation with Kuwaiti firms/agents and any problems that may have risen?

Page 6: Government support when doing international business

19. To which extent is there further desire for further support by the Dutch government in doing business with Kuwait?
    i. No desire for further support by the Dutch government
    ii. Small desire for further support by the Dutch government
    iii. Desire for further support by the Dutch government
    iv. Big desire for further support by the Dutch government

20. Which of the following services provided by Dutch government is needed by your company?

Market access	Provision of information
Trade missions	Country profile
Networking events	Reports on specific sectors
Helping in case of trade conflicts	Market analysis (general)
Marketscan (for individual company)	Information about local legal framework
Matchmaking	Other (please specify)
Facilitating stands on trade fairs	
Exportsubsidy (guarantee)	

21. To which extent matches what the Dutch government can offer in further support with what your company actually needs?
    i. Does not match at all
    ii. Does not match
    iii. Neutral
    iv. Matches well
    v. Perfect match

    b. If the support doesn't match, can you describe which services your company would like to see?

22. To what extent is there a difference in the governmental support needed when doing business with Kuwait, as compared to other countries?
    i. No difference
    ii. Small difference
    iii. Big difference

Page 7: Closing

23. Do you have any additional comments/remarks regarding this research?

24. Can I mention your name in the final report?
    i. Yes, both my own name and the company name
    ii. Only company name
    iii. Neither

1. Do you want to be informed about the results of this survey?
    i. Yes
    ii. No

APPENDIX 8: EXAMPLE OF THE INVITATION SEND FOR SURVEY 'TRADE MISSIONS' (IN DUTCH)

Geachte heer ...,

In de periode februari t/m juni 2011 liep ik stage bij de Nederlandse ambassade in Koeweit en was ik betrokken bij de voorbereidingen van handelsmissies waaronder de .... in mei 2011 waaraan u deelnam. Het kan zijn dat wij elkaar gesproken hebben bij het netwerkevent van de ambassade op .... mei 2011. Ik maakte wellicht toen al melding van mijn afstudeer-onderzoek naar de Nederlandse handelsrelaties met Koeweit en de vraag naar commerciële diplomatie.

In het kader van dit onderzoek heb ik een enquête opgesteld met vragen naar uw ervaringen met de handelsmissie, het zaken doen met Koeweitse bedrijven en de behoefte aan ondersteuning door de Nederlandse overheid. Ik zou het zeer op prijs stellen als u aan deze enquête wilt deelnemen.

De enquêtevragen zijn eenvoudig online te beantwoorden, hetgeen naar verwachting ongeveer 10 tot 12 minuten van uw tijd zal vergen. U kunt de enquête vinden door op onderstaande link te klikken:

https://www.surveymonkey.com/s/handelsmissies-koeweit

Uiteraard informeer ik u, als u dat wilt, over de resultaten van de enquête.

Bijvoorbaat dank voor uw moeite.

Met vriendelijke groet,

Thomas Thasing
Student Business Geography aan de Universiteit Utrecht
Mobiel telefoonnummer: 06-42263594
E-mail: t.n.thasing@students.uu.nl

APPENDIX 9: LIST OF RESPONDENTS SURVEY 'TRADE MISSIONS'

Company name	Respondents name	Date respons
Anonymous	*Anonymous*	21-9-2011
Anonymous	*Anonymous*	18-9-2011
NAMCO	Rene Drost	14-9-2011
Dutch health architecture	*Anonymous*	13-9-2011
Ergocare Vennik	*Anonymous*	13-9-2011
Skilledin	Bareld Bruining	12-9-2011
Transocean Coatings	Kees Zaal	12-9-2011
Anonymous	*Anonymous*	12-9-2011
Anonymous	*Anonymous*	12-9-2011
Amarcon	J.J. Stoker	12-9-2011
Anonymous	*Anonymous*	12-9-2011
Ship's Equipment Centre Groningen B.V.	Martijn Beunk	5-9-2011
FIB Industries	Peter Scholten	2-9-2011
KEMA Gas Consulting & Services	*Anonymous*	1-9-2011
Redwise Maritime Services Bv	W.J. Hamers	1-9-2011
Dhatec	Fred Das	1-9-2011
Thordon Bearings Inc Netherlands Office	Maarten Jansen	1-9-2011
European teleradiology	P R Algra	1-9-2011
Tradinco Instruments	Richard Derksen	1-9-2011

APPENDIX 10: CODING FRAME FOR SURVEY 'TRADE MISSIONS'

Question number	Description	Variable	Code
	Respondent number	Rnumber	1-42
3a	Size of company (based on number of employees)	Csize-emp	1= micro (<=10) 2= small (11-50) 3= medium sized (51-250) 4= large (251-1000) 5= very large (1001=>)
3b	Size of company (based on annual turnover)	Csize-ato	1= micro (<=€2 mln.) 2= small (€2 mln. - €10 mln.) 3= medium sized (€10 mln. - €50 mln.) 4= large (€50 mln. - €100 mln.) 5= very large (€100 mln>)
4	Number of countries dealing with	Countries	
5	Focus company	FocusKuw FocusMENA FocusEU FocusNA FocusEA FocusRW	%
6	Business with Kuwait before trade mission	PreBuss	1= Yes 2= No
8	Reasons to participate in trade mission	Reason1 Reason2 Reason3	1= Discovering new business opportunities in Kuwait 2= Making new contacts 3= Visiting established contacts 4= Getting to know the country and culture 5= Networking amongst other participants 6= Other
9	Preparation for trade mission	Preparation	1= No preparation 2= Preparation in various ways
10	Trade mission activities valued as most beneficial	TdMsAct1 TdMsAct2 TdMsAct3	1= Meeting local policy makers 2= Visits at various companies 3= Meeting leader companies (KOC, KNPC, etc.) 4= Network event at Netherlands embassy 5= Individual meetings with Kuwaiti companies 6= Other
11	Follow up done on Kuwaiti contacts	Followup	1= Yes

			2= No
12	Kind of follow up done	FollowupK	1= E-mail and phone contact with Kuwaiti companies 2= Pre-qualifying at Kuwaiti institutions 3= Negotiating about a agent contract 4= Signed a contract 5= Planning new visit to Kuwait
13	Extent to which predetermined goals for trade mission were achieved	ExtAchGoal	1= Were not achieved 2= Insufficiently 3= Neutral 4= Sufficiently 5= Brilliantly achieved
14	Goals that were achieved	AchGoals	1= Learned about market opportunities in Kuwait 2= Found new contacts 3= Affirmed established contacts 4= Learned about Kuwaiti business culture
15a	Grade General information provided beforehand	GrGenInf	1-10
15b	Grade Information about potential partners in Kuwait	GrInfPart	1-10
15c	Meetings with delegates	GrDeleg	1-10
15d	Meetings with policy makers	GrPolicy	1-10
15e	Company visits	GrCompVis	1-10
15f	Networking event	GrNetEvent	1-10
15g	Trade mission in general	GrGeneral	1-10
16	Currently doing business with Kuwait	CurrentBiz	1= Yes 2= No
19	Desire for support from Dutch government	DesSup	1= No desire for support by the Dutch government 2= Small desire for support by the Dutch government 3= Desire for support by the Dutch government 4= Big desire for support by the Dutch government
20	Services desired from Dutch government	NdMission NdNetwork NdConflict NdScani NdMatch NdFair NdExsub NdProfile NdSector NdAnalysis NdLegal	0= No need for this service 1= Need for this service

21	Match between what government can offer and what is actually needed	Match	1= Does not match at all 2= Does not match 3= Neutral 4= Matches well 5= Perfect match
22	Difference between Kuwait & other countries in the need for support	Difference	1= No difference 2= Small difference 3= Big difference

APPENDIX 11: SURVEY AMONGST KUWAITI PARTICIPANTS OF NETWORK EVENT ON MAY THE 8TH, 2011

Please note that, like the survey 'business visa' and the survey 'trade missions' the respondents answered the questions in this survey online. Therefore, the layout for the respondents saw was different than it is presented here. For those of you that want to see the survey as it was online, please use the following link: https://www.surveymonkey.com/s/XJ82H9G

1. What is the name of your company?

2. What were the 3 main reasons for your decision to participate in the event?

3. Would you agree with the following points?

	Disagree	Neutral	Agree
I got enough information beforehand			
The event proved useful to find new contacts			
I enjoyed the informal and open atmosphere			
I'd rather have fixed appointments with specific companies			
The event was done profesionally			

4. What is your opinion on the starting time of the event?
    i. Too early
    ii. Too late
    iii. Just the right time

5. Which companies did you meet during the network event?
    a. GEMCO and M&I labtech
    b. Dovianus BV
    c. Dhatec Line Pipe Logistic Solutions
    d. FIB Industries
    e. Cirmac International BV
    f. Bayards Aluminium Constructies BV
    g. Seaway Heavy Lifting
    h. Stork Technical services
    i. Tradinco Instruments
    j. KEMA International BV
    k. Onstream/ASC Group
    l. Certeq
    m. SkilledIn
    n. NMi Certin BV
    o. TNO

6. What benefits did your company gain from attending the matchmaking event?

7. What kind of follow-up did you do after the event?
    i. E-mailed one of the participating companies
    ii. E-mailed two or more of the participating companies
    iii. Called one of the participating companies
    iv. Called two or more of the participating companies
    v. Made an appointment for a meeting
    vi. Signed a contract
    vii. Introduced the Dutch company to other (Kuwaiti) company
    viii. Other (please specify)

8. Would you want to participate in a similar matchmaking event at the Embassy of the Netherlands in the future?
    i. Yes
    ii. No
    iii. Maybe

9. Do you have any additional comments/remarks?

APPENDIX 12: EXAMPLE OF THE INVITATION SEND FOR SURVEY AMONG KUWAITI PARTICIPANTS OF THE NETWORK EVENT ON MAY THE 8TH, 2011

Dear Mr. ,

Thank you for visiting the matchmaking event of the Netherlands Embassy on Sunday 8th of May 2011. We hope you found the event to be beneficial for your company. We sent you this email because we would like to hear your opinion on the event since we are looking at ways to further improve our service. I therefore would like to ask you to help us by filling out the online questionnaire. The questionnaire will take only 5 minutes and can be found under the following link:

https://www.surveymonkey.com/s/KS2572W

Best regards,

APPENDIX 13: LIST OF RESPONDENTS SURVEY 'KUWAITI PARTICIPANTS NETWORK EVENT'

Company name	Date respons
Al-Sawahil Al-Masiya Int'l Trading & Constructing Co.	08-06-2011
Abdulaziz Abdulmohsin Al Rashed Sons Co WLL	08-06-2011
Soluforce	08-06-2011
Julaiah Petroleum Services Co.	08-06-2011
Al Muntaser Trading & Contracting Company WLL	08-06-2011
Al Zahem Intl Group	08-06-2011
Almeer Technical Services Company	06-06-2011
ESME- Energy Services Middle East	03-06-2011
Warba National Contracting Company	02-06-2011
Alkout Industrial Projects	01-06-2011
BAF Valves Kuwait	01-06-2011
Bader Al Mulla & Brothers Co. W.L.L.	01-06-2011
Safwan Trading & Contracting Company	01-06-2011
Al Samood Petroleum Supplies Company W.L.L.	01-06-2011
Gulf Group	01-06-2011
CANAR Trading & Contracting Co	01-06-2011
Nouri Industrial Est. Co.	01-06-2011

APPENDIX 14: INTERVIEW GUIDE FOR INTERVIEWS WITH RUBEN DUBELAAR & PETER POST OF FME-CWM (IN DUTCH)

Voorbereiding
Hoe komt het plan voor een handelsmissie tot stand?
Hoe wordt bepaald welke bedrijven worden uitgenodigd voor deelname?
Is er een voorafgaande screening en zo ja, hoe wordt vervolgens de selectie gedaan?

Keuze bestemming?
Op welke wijze wordt gekozen voor de bestemming (land) van de missie, welke processen liggen hier aan de grondslag?

Programma missie
Wat is volgens u de meest optimale opzet van de handelsmissie?
Hoe schat u de waarde van de netwerkborrel in?

Staatsbezoeken?
Indien meerdere missies bijgewoond; Heeft u eerder deelgenomen aan een missie bij een staatsbezoek? Zijn deze missies over het algemeen succesvoller dan andere?

Evaluatie
Wordt het effect van de handelsmissie gemeten? Zo ja, op welke wijze wordt dit gedaan?
Wanneer is voor uw organisatie de missie geslaagd?

Nieuw beleid kabinet
Wat merkt u tot nu toe van het nieuwe beleid van het ministerie van Economische zaken, welke
gezegd hebben dat topsectoren met gefocuste missies zal worden ondersteund?

Zal de eigen bijdrage van bedrijven voor deelname aan toekomstige missies ook stijgen?