

ECONOMIC DIPLOMACY – THE CASE OF SLOVENIA

Dejan ROMIH¹

Abstract: *This paper deals with economic diplomacy, which is the activity of managing economic relationships between countries, in the case of Slovenia. Additionally, it also deals with economic promotion (especially trade and investment promotion), which is one of the main tasks of economic diplomacy, in the same case. Nowadays, economic diplomacy plays a very important role in restoring economic stability, which is, in addition to political stability, essential for peace and prosperity, both in Slovenia and elsewhere in the world.*

Key words: *economic diplomacy, economic promotion, foreign investment, foreign trade, Slovenia.*

1. Introduction

Diplomacy is the activity of managing relationships between countries (see, e.g., [1], [2]). There are several types of diplomacy. One is economic diplomacy, which is the activity of managing economic relationships between countries (see, e.g., [3], [4]). Economic diplomacy plays an increasingly important role both in Slovenia and some other countries, due to several reasons. One is the growing need for economic cooperation between countries as a result of their growing economic interdependence and certain other factors, such as the effects of the current financial and economic crisis on their economies and the consequent need for joint action [5, 6]. Increasing the effectiveness and efficiency of Slovenia's economic diplomacy is therefore essential to accelerate Slovenia's economic growth and development, which are crucial for

improving Slovenia's economic and social situation.

Slovenia's economic and social situation is anything but good. One of the reasons for this is the current financial and economic crisis, which continues to affect its economy. Slovenia is thus facing certain economic and social problems. Foremost among them is increased unemployment (see figure 1). Additional measures are therefore needed to promote employment and social inclusion of unemployed people. These measures are also needed to prevent the migration of people from Slovenia to other countries (mainly in Europe and North America), which will help in overcoming the current financial and economic crisis. However, these measures and also some others may not eliminate all the negative consequences of economic mismanagement in Slovenia.

¹ University of Maribor, Faculty of Economics and Business, Department of International Economics and Business, Slovenia.

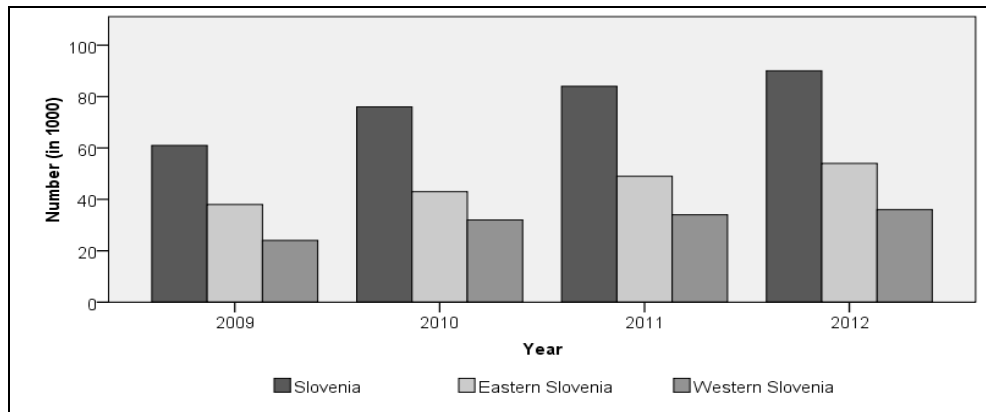


Fig. 1. *Number of unemployed people in Slovenia and its cohesion regions*

Source: [7].

2. Economic promotion

Economic promotion is the activity of promoting an economy. It is very important for Slovenia [8, p. 135] and certain other countries (regardless of their size). There are several reasons for this. One is the contribution of a country's economic promotion to the country's economic performance (in terms of achieving certain economic goals such as reducing unemployment (especially among young people), which is a big challenge for Slovenia and certain other countries (see, e.g., [9]). However, economic promotion is not a panacea for economic mismanagement, which is one of the main reasons for the current financial and economic crisis in Slovenia and elsewhere. Generally, economic promotion may contribute to:

- an increase in foreign trade (i.e. exports and imports of goods and services),
- an increase in the number of trading goods and services,
- an increase in the number of exporters and importers,
- an increase in the number of trading partners,
- an increase in foreign investment,
- an increase in the number of foreign investors,

- an increase in economic growth,
- an increase in economic security,
- an increase in employment and competitiveness.

Economic promotion is thus a matter of national interest. This is particularly the case with Slovenia, whose economy has been in recession for some time. One of the reasons for this was the failure to address the financial and economic crisis. However, the situation has improved.

Economic promotion is one of the main tasks of economic diplomacy [10, p. 6–9]. There are several reasons for this. One is the contribution of a country's economic diplomacy to the achievement of certain economic goals, such as increasing exports. This is one of the reasons why economic diplomacy is becoming increasingly important for countries whose economic growth is driven by exports, as is the case with Slovenia. Increasing exports is therefore very important to improve economic performance. Additional measures are also needed, such as the promotion of cooperation between companies in entering foreign markets [11].

There are several subtypes of economic promotion, such as trade and investment promotion (see, e.g., [12], [13]). Trade promotion is the activity of promoting

foreign trade, which is very important for a country or part of it. This is especially the case for countries that are heavily dependent on trade with other countries (see, e.g., [14]). Investment promotion, which is the activity of promoting foreign investment, is as important as trade promotion, especially in times of financial and economic crisis.

3. Trade promotion as a subtype of economic promotion

Foreign trade is the activity of trading goods and services with other countries. It is very important for Slovenia, contributing to its economic growth and development, which are the main goals of Slovenia's economic policies [15, p. 95]. Trade promotion, which is a subtype of economic promotion, is therefore essential to achieve these goals, especially in times of financial and economic crisis. This is one of the reasons why trade promotion has become one of the main tasks of Slovenia's diplomatic and consular representatives.

Slovenia is heavily dependent on trade with other European countries (e.g., Austria, Italy and Germany) (see figures 2 and 3). Foreign trade diversification is thus essential to accelerate Slovenia's foreign trade. Additionally, it is also essential to accelerate Slovenia's economic growth and development, which are needed to restore economic stability (which is, in addition to political stability, essential for peace and prosperity) in Slovenia. Removing foreign trade barriers is therefore essential to achieve some of the main goals of Slovenia's economic policies. These are more or less inconsistent, making them less effective and efficient, which is one of the reasons why Slovenia is less competitive in comparison to some other countries. Chile,

for example, ranks 34th out of 148 countries, according to the Global Competitiveness Index 2013–2014, which is 28 rankings higher than Slovenia [16, p. 15]. This requires immediate action at all levels of governance [17]. In order to become more competitive, Slovenia needs to carry out some economic reforms, which should be consistent, making them more effective and efficient [18, p. 101]. It is essential to increase public confidence in these reforms (especially during the current financial and economic crisis) and to create an environment conducive to economic reforms, which are necessary to adapt to changing economic conditions both at home and abroad. Additionally, it is also essential to accelerate Slovenia's foreign trade, which is crucial in order to improve labour market conditions in Slovenia and stop the 'brain drain' to more competitive countries. This is another reason for Slovenia to accelerate its trade promotion. In doing so, it should follow the example of Chile (particularly ProChile – see <http://www.prochile.gob.cl/>) or some other countries (e.g. Austria and Finland) [11]. Foreign trade is crucial for a large number of Slovenian companies (regardless of their size) [19, p. 113–114]. Removing foreign trade barriers is therefore essential for these companies' continued survival, especially in the times to come. Economic diplomacy, which can help in entering foreign markets [20–23], is becoming increasingly important for Slovenia, whose economy is heavily dependent on other economies that are more powerful, making it more difficult for Slovenia to enforce its economic interests abroad. Making alliances is therefore very important [24], although these can be a double-edged sword, especially when used as a device to 'beggar thy neighbour'.

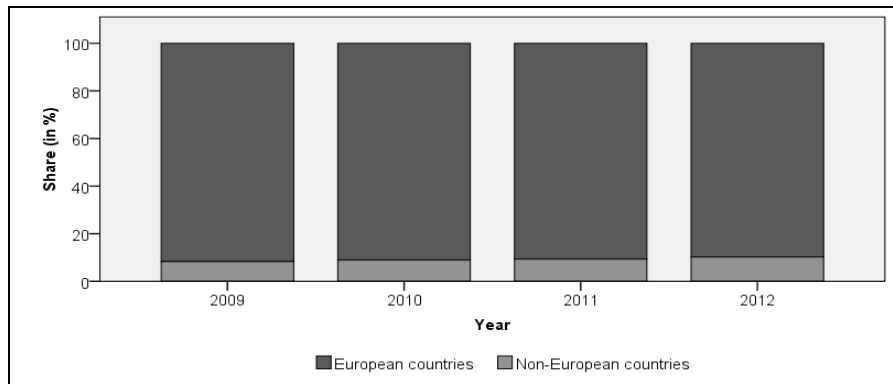


Fig. 2. *Slovenia's exports of goods by groups of countries*

Source: [25, p. 398–402].

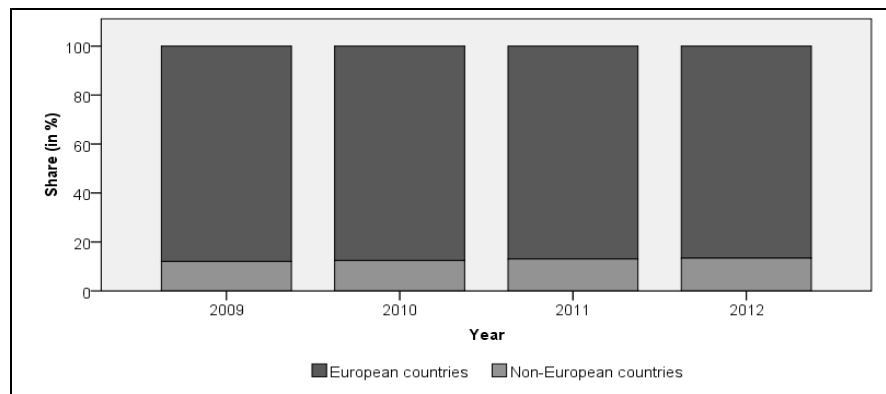


Fig. 3. *Slovenia's imports of goods by groups of countries*

Source: [26, p. 398–402].

4. Investment promotion as a subtype of economic promotion

Investment promotion is a subtype of economic promotion. It is very important for a country or part of it. One of the reasons for this is the impact of foreign investment on economic growth and development.

For Slovenia, foreign investment is particularly important because the country lacks domestic investment [27]. One of the reasons for this is the financial and economic crisis, which has had a negative impact on Slovenia's economy. Investment promotion is therefore very important.

There are certain barriers to foreign investment in Slovenia. One is Slovenia's 'national interest', favouring domestic over foreign investors (see, e.g., [28]). Further privatization (for details, see [29, p. 13–14]) is therefore a great opportunity to rethink Slovenia's 'national interest'.

5. Recommendations to the Slovenian government

My recommendations to the Slovenian government are:

- further coordination of Slovenia's economic and other policies in order to increase their effectiveness and efficiency,

- further modernization of Slovenia's economic and other policies in order to adapt to the change of economic and other conditions both at home and abroad,
- further implementation of economic and other reforms in order to improve Slovenia's financial and economic environment,
- further implementation of other measures in order to accelerate Slovenia's economic growth and development,
- further development of Slovenia's economic relationships with other countries (mainly outside Europe) in order to improve Slovenia's economic and social situation,
- further development of Slovenia's economic diplomacy in order to improve the enforcement of Slovenia's economic interests abroad, and
- further improvement of Slovenia's economic promotion.

5. Conclusion

Economic diplomacy is very important for Slovenia. One of the reasons for this is the importance of foreign trade and investment for Slovenia's economic growth and development. Economic diplomacy, which can help promote foreign trade and investment, is therefore essential to improve Slovenia's economic and social situation in the short and long term.

Acknowledgements

The author expresses gratitude to Aleš Cantarutti (Chamber of Commerce and Industry of Slovenia), Klavdij Logožar (University of Maribor, Faculty of Economics and Business), Tomáš Siviček (Jan Evangelista Purkyně University in Ústí nad Labem, Faculty of Social and Economic Studies) and Janez Šumrada (Ministry of Foreign Affairs of the Republic of Slovenia, Directorate for Economic Diplomacy) for their views on economic diplomacy.

References

1. Bergeijk, P.A.G. van, Okano-Heijmans, M., Melissen, J. (Eds.): *Economic diplomacy: economic and political perspectives*. Leiden, The Netherlands. Martinus Nijhoff Publishers, 2011.
2. Bjola, C., Kornprobst, M.: *Understanding international diplomacy: theory, practice and ethics*. Oxon, United Kingdom of Great Britain and Northern Ireland. Routledge, 2013.
3. Cantarutti, A.: *Mednarodno poslovanje slovenskih podjetij v času finančne in gospodarske krize (International business of Slovenian companies during the financial and economic crisis)*. In: The Seminar on Economic Diplomacy, Maribor, Slovenia. 2 March 2012.
4. Cooper, A. F., Heine, J., Thakur, R. (Eds.): *The Oxford handbook of modern diplomacy*. Oxford, United Kingdom of Great Britain and Northern Ireland. Oxford University Press, 2013.
5. Erjavec, K.V.: *Keynote address*. Keynote address presented at the 2nd International 2-day Conference on Economic Diplomacy and Internationalisation, Ljubljana, Slovenia. 17 June 2013.
6. Gasparič, V.: *Gospodarska diplomacija in razvojno sodelovanje (Economic diplomacy and development cooperation)*. In: The Seminar on Economic Diplomacy. Maribor, Slovenia. 16 March 2011.
7. Haddad, M., Lim, J., Munro, L., Saborowski, C., Shepherd, B.: *Volatility, export diversification, and policy*. In: *Managing openness: trade and outward-oriented growth after the crisis*, M. Haddad & B. Shepherd (Eds.). Washington, United States of America. The World Bank, 2011, p. 135–144.

8. Korez-Vide, R.: *Trgovinska geografija (Trade geography)*. In: The Winter School on Economic Geography, Maribor, Slovenia. 20 December 2013.
9. Mills, G.: *Trade and investment promotion*. In: *The Oxford handbook of modern diplomacy*, E. F. Cooper, J. Heine & R. Thakur (Eds.). Oxford, United Kingdom of Great Britain and Northern Ireland. Oxford University Press, 2013, p. 402-418.
10. Rana, S., Chatterjee, B.: *Introduction: the role of embassies*. In: *Economic diplomacy: India's experience*, K.S. Rana & B. Chatterjee (Eds.). Jaipur, India. CUTS International, 2011, p. 3-25.
11. Rojec, M., Šušteršič, J.: *Cena nacionalnega interesa (Price of national interest)*. Ljubljana, Slovenia. Fakulteta za družbene vede, 2010.
12. Romih, D., Logožar, K.: *Pomen gospodarske diplomacije za izhod iz krize in nadaljnji razvoj slovenskega gospodarstva (The importance of economic diplomacy for the exit from the economic crisis and the further development of Slovenian economy)*. In: *LeXonomica*, **3**(1), 2011, p. 113-115.
13. Romih, D., Logožar, K.: *Vloga častnih konzulov v gospodarske diplomacije (The role of honorary consuls in economic diplomacy)*. In: The Seminar on Economic Diplomacy. Maribor, Slovenia. 2 April 2011.
14. Romih, D.: *Gospodarska diplomacija in varnost v času krize (Economic diplomacy and security in times of crisis)*. In: *LeXonomica*, **5**(1), 2013, p. 100-102.
15. Romih, D.: *Gospodarska geografija (Economic geography)*. Speech presented at the Winter School on Economic Geography. Maribor, Slovenia. 20 December 2013.
16. Romih, D.: *The role that economic diplomacy and security play in a time of crisis – the case of Slovenia*. In: *International Journal of Scientific Research*, **2**(8), 2013, p. 95-96.
17. Sovič, B.: *Gospodarska diplomacija (Economic diplomacy)*. Speech presented at the Seminar on Economic Diplomacy. Maribor, Slovenia. 2 March 2012.
18. Woolcock, S., Bayne, N.: *Economic diplomacy*. In: *The Oxford handbook of modern diplomacy*, E. F. Cooper, J. Heine & R. Thakur (Eds.). Oxford, United Kingdom of Great Britain and Northern Ireland. Oxford University Press, 2013, p. 385-401.
19. *** European Commission: *Slovenia – review of progress on policy measures relevant for the correction of macroeconomic imbalances*. Brussels, Belgium. 2014.
20. *** International Labour Organization: *Global employment trends*. Geneva. ILO, 2014.
21. *** Statistical Office of the Republic of Slovenia: *Statistical yearbook of the Republic of Slovenia 2013*. Ljubljana, Slovenia. 2013.
22. *** Statistical Office of the Republic of Slovenia: *Unemployed by duration of unemployment, sex and cohesion regions, Slovenia, annually*. Ljubljana, Slovenia. Retrieved from: http://pxweb.stat.si/pxweb/Dialog/varval.asp?ma=0762111E&ti=&path=../Database/Demographics/07_labour_force/02_07008_active_pop_ADS/02_07621_active_pop_ADS_yearly/&lang=1. Accessed: 17 March 2014.
23. *** *The global competitiveness report 2013-2014*. In: Schwab, K. (Ed.). Geneva. World Economic Forum, 2013.
24. *** United Nations: *Promoting investment and trade: practices and issues*. New York, United States of America. 2009.