

ECONOMIC PROMOTION OF A SMALL COUNTRY – THE CASE OF SLOVENIA

Dejan ROMIH¹, Urban ŠEBJAN²

¹ University of Maribor, Faculty of Economics and Business, Department of International Economics and Business, Maribor, Slovenia, dejan.romih@uni-mb.si.

² University of Maribor, Faculty of Economics and Business, Department of Quantitative Economic Analysis, Maribor, Slovenia, urban.sebjan@uni-mb.si.

***Abstract:** This paper examines the economic promotion of a small country in the case of Slovenia, which is facing certain economic and social problems. One reason for this is the current financial and economic crisis, which is continuing to affect the country's economy. Economic promotion is therefore very important for Slovenia and its economic performance in both the short and long run.*

***Key words:** economic diplomacy, economic promotion, financial and economic crisis, foreign investment, foreign trade, migration, tourism, Slovenia.*

JEL Classification Codes: F13, F21, F23, F43, F50.

1. INTRODUCTION

Diplomacy is the activity of managing relationships between countries (see, e.g., Freeman, 1997; Berridge & James, 2001; Rana, 2002; Jönsson & Hall, 2005; Barston, 2006; Bolewski, 2007; Jazbec, 2009; Berridge, 2010; Pigman, 2010; Siracusa, 2010; Hamilton & Langhorne, 2011; Bjola & Kornprobst, 2013; Cooper, Heine & Thakur, 2013). There are several types of diplomacy, some of which are more important than others. One is economic diplomacy, which is the activity of managing economic relationships between countries (see, e.g., Bergeijk, 2009; Veenstra, Yakop & Bergeijk, 2010; Bayne & Woolcock, 2011a; Bayne & Woolcock, 2011b; Bergeijk, Okano-Heijmans & Melissen, 2011; Larson, 2011; Verhagen & Bleker, 2011; Romih, 2013a; Romih, 2013b; Woolcock & Bayne, 2013). Economic diplomacy is becoming increasingly important for Slovenia (Jaklič, 2010; Samec & Romih, 2010; Žbogar, 2010; Gasparič, 2011; Sovič, 2012; Erjavec, 2013, 2014). There are several reasons for this. One is the current financial and economic crisis, which is continuing to affect the country's economy. Slovenia is thus facing certain economic and social problems. Foremost among these is increased unemployment. Additional measures are therefore needed to promote employment and the 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. In 2012, 14,378 people emigrated from Slovenia, which is an increase of 19.6 per cent over the previous year; nearly three quarters of emigrants were aged 25–64 (Statistical Office of the Republic of Slovenia, 2013). Among these, 59.9 per cent were employed prior to emigration; 91.5 per cent of them emigrated to a European country – mainly Austria, Germany, Croatia and Bosnia and Herzegovina.

¹ Assistant and Researcher.

² Assistant and Researcher.

2. ECONOMIC PROMOTION

Economic promotion is the activity of promoting an economy. This is very important for Slovenia (Romih & Logožar, 2011a, p. 135; A. Cantarutti, personal communication, 7 January 2014) and other countries (regardless of their size) for several reasons. One is the contribution that a country's economic promotion makes to the country's economic performance in terms of achieving certain economic goals, such as reducing unemployment (especially among young people), which is a major challenge for Slovenia and certain other countries (see, e.g., International Labour Organization, 2014). 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 a failure to address the financial and economic crisis. However, the situation has now improved.

Economic promotion is one of the main tasks of economic diplomacy (Pigman, 2010, p. 69; Rana & Chatterjee, 2011, pp. 6–9). Such promotion can assist in the achievement of goals such as the increase of exports. Economic diplomacy is, therefore, becoming increasingly important for countries whose economic growth is driven by exports, as is the case with Slovenia. Increasing exports is therefore very important in improving economic performance. Other measures are also needed, such as the promotion of cooperation between companies (especially small and medium-sized ones) in entering foreign markets (Cantarutti, 2012).

There are several types of economic promotion, such as trade and investment promotion (see, e.g., United Nations, 2009; Naray, 2011; Mills, 2013). Trade and investment promotion is essential for a country to accelerate its foreign trade and investment. This is one of the reasons why trade and investment promotion is becoming increasingly important for countries affected by the current financial and economic crisis.

3. TRADE 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, i.e., the main goals of its economic policies (Romih, 2013b, p. 95; Cantarutti, 2014). Trade promotion, which is the activity of promoting foreign trade, is essential to achieving these goals; this is one of the reasons trade promotion has become one of the main tasks of Slovenia's diplomatic and consular representatives, especially in non-European countries.

Slovenia is heavily dependent on trade with other European countries (see Figure 1), especially Austria, Italy and Germany (see Figure 2). Foreign trade diversification is thus essential to accelerate Slovenia's foreign trade. It is also essential to accelerate Slovenia's economic growth and development in order to restore economic stability (which, in addition to political stability, is essential for peace and prosperity). Removing trade barriers is crucial for achieving these goals. However, policies directed to these goals are fairly inconsistent, making them ineffective and inefficient, leaving Slovenia less competitive in comparison to some other countries. Estonia, for example, ranks 32nd out of 148 countries according to the Global Competitiveness Index 2013–2014, which is 30 rankings higher than Slovenia (Schwab, 2013, p. 15). This requires immediate action at all levels of governance (Romih, 2013c). In order to become more competitive, Slovenia needs to carry out economic reforms, which should be consistent in order to be effective and efficient (Romih & Samec, 2010; Romih, 2013a, p. 101). This is integral to increasing public confidence in these reforms (especially during the current financial and economic crisis) and to creating an environment conducive to the economic reforms that are necessary if the country is to adapt to changing economic conditions, both at home and abroad.

Furthermore, it is vital to accelerate Slovenia’s foreign trade in order to improve labour market conditions and stop the ‘brain drain’ to more competitive countries (e.g., Austria, Germany and Switzerland). This is another reason for Slovenia to accelerate its trade promotion.

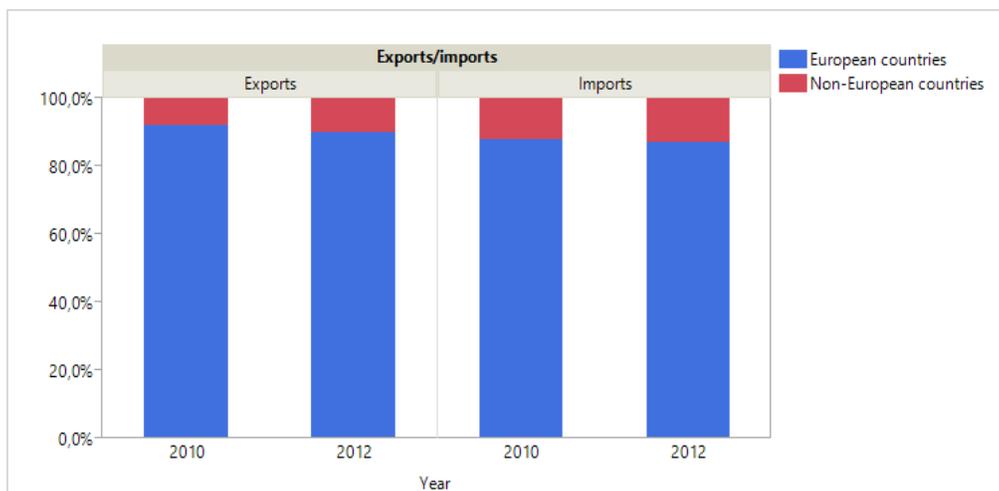


Figure 1: Slovenia’s exports and imports of goods by country groups, 2010 and 2012

Source of data: Statistical Office of the Republic of Slovenia (2013, 398–402).

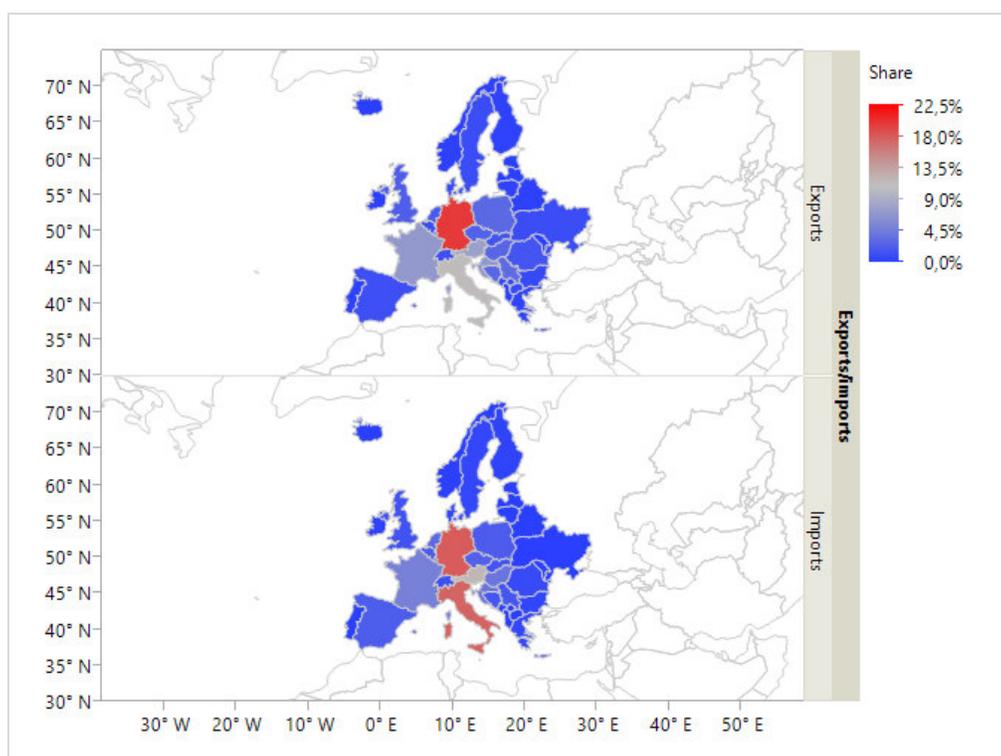


Figure 2: Slovenia’s exports and imports of goods by European countries, 2012

Source of data: Statistical Office of the Republic of Slovenia (2013, 398–402).

Foreign trade is crucial for a large number of Slovenian companies (regardless of their size) (Romih & Logožar, 2011a, pp. 113–114). Removing trade barriers is therefore crucial for these companies’ continued survival, especially in the times to come. Economic diplomacy,

which can help in entering foreign markets (Gasparič, 2011; Romih & Logožar, 2011b; Sovič, 2012; Erjavec, 2013), 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 (Romih, 2013c), although these can be a double-edged sword, especially when used as a device to ‘beggar thy neighbour’.

In 2012, Slovenia’s exports of goods to European countries amounted to 18.9 billion euros (Statistical Office of the Republic of Slovenia, 2013, p. 398), which is a decrease of 0.7 per cent from the previous year. In the same year, Slovenia’s exports of goods to non-European countries amounted to 2.2 billion euros, an increase of 9.5 per cent from the previous year. Major importers of goods from Slovenia among non-European countries were Algeria, Turkey and the United States of America.

Also in 2012, Slovenia’s imports of goods from European countries amounted to 19.1 billion euros (ibid. p. 398), which is a decrease of 2.5 per cent from the previous year, while its imports of goods from non-European countries amounted to 3 billion euros, an increase of 0.7 per cent from the previous year. China, the Republic of Korea and the United States of America were the major exporters of goods to Slovenia among non-European countries.

The average annual growth rate of Slovenia’s exports of goods to European countries over the period from 2009 to 2012 was 8.4 per cent (see Figure 3, which shows the average annual growth rate of Slovenia’s exports of goods over the period from 2009 to 2012 by country group).

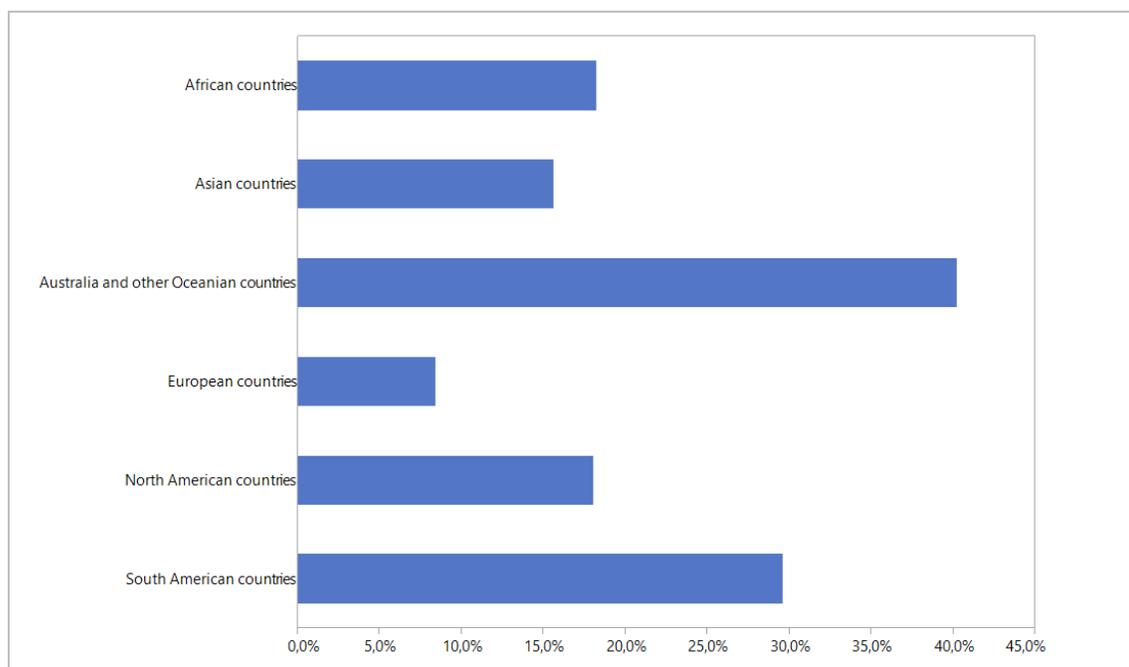


Figure 3: The average annual growth rate of Slovenia’s exports of goods over the period from 2009 to 2012 by country group

Source of data: Statistical Office of the Republic of Slovenia (2013, 398–402).

Figure 3 shows that non-European countries are becoming increasingly important export markets for Slovenian goods.

4. INVESTMENT PROMOTION

Investment promotion, which is the activity of promoting foreign investment, is a type of economic promotion. It is very important for a country for several reasons. One is the impact of foreign investment on a country's economic growth and development. For Slovenia, foreign investment is particularly important because the country lacks domestic investment (Romih, 2013a). This is to some extent a result of the current financial and economic crisis, which is continuing to have a negative impact on Slovenia's investment climate. There are also some other investment barriers in Slovenia, for example economic nationalism, which does not benefit Slovenia's economy (S. Dajčman, personal communication, 29 March 2014).

In 2012, the stock of inward foreign direct investment in Slovenia amounted to 15.5 billion US dollars at current prices and current exchange rates (United Nations Conference on Trade and Development, 2014), which is an increase of 4.4 per cent from the previous year. In the same year, the stock of outward foreign direct investment in Slovenia amounted to 7.8 billion US dollars at current prices and current exchange rates (*ibid.*), a decrease of 0.1 per cent from the previous year.

5. TOURISM PROMOTION

Tourism promotion is also very important for a country. There are several reasons for this, for example the impact of tourism on a country's foreign trade and investment (see, e.g., Pigman, 2010, p. 93). For Slovenia, tourism is particularly important because it is one of those economic activities which are least affected by the current financial and economic crisis. In 2012, 2.2 million arrivals of foreign tourists were registered in tourist accommodation in Slovenia (Statistical Office of the Republic of Slovenia, 2013, p. 423), which is an increase of 5.8 per cent from the previous year. In the same year, 5.8 million overnight stays were registered in tourist accommodation in Slovenia (*ibid.* p. 423), an increase of 5.7 per cent from the previous year. Most foreign tourists in Slovenia were from Austria, Italy and Germany.

6. CONCLUSION

Economic promotion is more important than ever. There are several reasons for this. One is its impact on a country's economic performance. This is particularly the case with Slovenia, whose economy is still affected by the current financial and economic crisis. Additional measures are therefore needed, such as:

- 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 changing 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.

ACKNOWLEDGEMENTS

The authors express gratitude to Viktor Baraga (Consulate of Australia), Aleš Cantarutti (Chamber of Commerce and Industry of Slovenia, Centre for International Business), Klavdij Logožar (University of Maribor, Faculty of Economics and Business, Department of International Economics and Business), Arne Mislej (Consulate of the Republic of Indonesia), Žan Jan Oplotnik (University of Maribor, Faculty of Economics and Business, Department of Finance), Tomáš Siviček (Jan Evangelista Purkyně University in Ústí nad Labem, Faculty of Social and Economic Studies, Department of Economics), and Janez Šumrada (Ministry of Foreign Affairs of the Republic of Slovenia, Directorate for Economic Diplomacy) for their views on economic diplomacy and economic promotion. The authors also express gratitude to Polona Tominc (University of Maribor, Faculty of Economics and Business, Department of Quantitative Economic Analysis) for her comments on certain parts of this paper.

REFERENCES

1. Barston, R. P. (2006). *Modern diplomacy*, 3rd ed. Harlow: Pearson/Longman.
2. Bayne, N. & Woolcock, S. (2011a). The future of economic diplomacy. In N. Bayne & S. Woolcock (eds.), *The new economic diplomacy: decision-making and negotiating in international economic relations*, 3rd ed. Farnham: Ashgate Publishing, pp. 359–378.
3. Bayne, N. & Woolcock, S. (2011b). What is economic diplomacy? In N. Bayne & S. Woolcock (eds.), *The new economic diplomacy: decision-making and negotiating in international economic relations*, 3rd ed. Farnham: Ashgate Publishing, pp. 1–15.
4. Bergeijk, P. A. G. van, Okano-Heijmans, M. & Melissen, J. (eds.). (2011). *Economic diplomacy: economic and political perspectives*. Leiden: Martinus Nijhoff Publishers.
5. Bergeijk, P. A. G. van. (2009). *Economic diplomacy and the geography of international trade*. Cheltenham: Edward Elgar Publishing.
6. Berridge, G. R. & James, A. (2001). *A dictionary of diplomacy*. Basingstoke: Palgrave Macmillan.
7. Berridge, G. R. (2010). *Diplomacy: theory and practice*, 4th ed. Basingstoke: Palgrave Macmillan.
8. Bjola, C. & Kornprobst, M. (2013). *Understanding international diplomacy: theory, practice and ethics*. Oxford: Routledge.
9. Bolewski, W. (2007). *Diplomacy and international law in globalized relations*. New York: Springer.
10. Cantarutti, A. (2012). *Mednarodno poslovanje slovenskih podjetij v času finančne in gospodarske krize*. Speech given at the Seminar on Economic Diplomacy, Maribor, Slovenia, 2nd March 2012.
11. Cantarutti, A. (2014). *Mednarodno poslovanje slovenskih podjetij v času finančne in gospodarske krize*. Lecture held at the University of Maribor, Faculty of Economics and Business, Maribor, Slovenia, 7th January 2014.
12. Cooper, A. F., Heine, J. & Thakur, R. (eds.). (2013). *The Oxford handbook of modern diplomacy*. Oxford: Oxford University Press.
13. Erjavec, K. V. (2013). Keynote address. Keynote address delivered at the 2nd International 2-day Conference on Economic Diplomacy and Internationalisation, Ljubljana, Slovenia, 17th June 2013.
14. Erjavec, K. V. (2014). Keynote address. Keynote address delivered at the 18th Consultations of Slovenian diplomats. Brdo pri Kranju, Slovenia, 6th January 2014.

15. Freeman, C. W. (1997). *Arts of power: statecraft and diplomacy*. New York: United States Institute of Peace.
16. Gasparič, V. (2011). *Gospodarska diplomacija in razvojno sodelovanje*. Speech given at the Seminar on Economic Diplomacy. Maribor, Slovenia, 16th March 2011.
17. Hamilton, K. & Langhorne, R. (2011). *The practice of diplomacy: its evolution, theory and administration*, 2nd ed. London: Routledge.
18. International Labour Organization. (2014). *Global employment trends*. Geneva: Author.
19. Jaklič, A. (2010). *Challenges of economic diplomacy in a time of crisis*. Speech given at the 21st Slovenian Political Science Conference. Portorož, Slovenia, 27th May 2010.
20. Jazbec, M. (2009). *Osnove diplomacije*. Ljubljana: Fakulteta za družbene vede.
21. Jönsson, C. & Hall, M. (2005). *Essence of diplomacy*. Basingstoke: Palgrave Macmillan.
22. Korez-Vide, R. (2013). *Trgovinska geografija*. Speech given at the Winter School on Economic Geography, Maribor, Slovenia, 20th December 2013.
23. Larson, A. (2011). U.S. economic diplomacy: the next 50 years. *Foreign Service Journal*, 88(2), pp. 17–24.
24. Mills, G. (2013). Trade and investment promotion. In E. F. Cooper, J. Heine & R. Thakur (eds.), *The Oxford handbook of modern diplomacy*. Oxford: Oxford University Press, 2013, pp. 402–418.
25. Naray, O. (2011). Commercial diplomats in the context of international business. In P. A. G. van Bergeijk, M. Okano-Heijmans & J. Melissen (eds.), *Economic diplomacy: economic and political perspectives*. Leiden: Martinus Nijhoff Publishers, pp. 121–148.
26. Pigman, G. A. (2010). *Contemporary diplomacy: representation and communication in a globalized world*. Oxford: Polity Press.
27. Rana, K. S. (2002). *Bilateral diplomacy*. Geneva: DiploHandbooks.
28. Rana, S. & Chatterjee, B. (2011). Introduction: the role of embassies. In K. S. Rana & B. Chatterjee (eds.), *Economic diplomacy: India's experience*. Jaipur: CUTS International, pp. 3–25.
29. Romih, D. & Logožar, K. (2011a). Pomen gospodarske diplomacije za izhod iz krize in nadaljnji razvoj slovenskega gospodarstva. *Lexonomica*, 3(1), pp. 113–115.
30. Romih, D. & Logožar, K. (2011b). Vloga častnih konzulov v gospodarske diplomacije. Speech given at the Seminar on Economic Diplomacy. Maribor, Slovenia, 2nd April 2011.
31. Romih, D. & Samec, N. 2010. Transition and transition related labour market changes in the new EU Member States and the Western Balkans in the light of the world financial and economic crisis: economic and legal perspective. Speech given at the 29th International Conference on Organizational Science Development. Portorož, Slovenia, 26th March 2010.
32. Romih, D. (2013a). *Gospodarska diplomacija in varnost v času krize*. *Lexonomica*, 5(1), pp. 100–102.
33. Romih, D. (2013b). The role that economic diplomacy and security play in a time of crisis – the case of Slovenia. *International Journal of Scientific Research*, 2(8), pp. 95–96.
34. Romih, D. (2013c). *Gospodarska geografija*. Speech given at the Winter School on Economic Geography. Maribor, Slovenia, 20th December 2013.
35. Samec, N. & Romih, D. (2010). *Economic diplomacy in the light of the world financial and economic crisis*. Speech given at the 21st Slovenian Political Science Conference. Portorož, Slovenia, 27th May 2010.
36. Schwab, K. (Ed.). (2013). *The global competitiveness report 2013–2014*. Geneva: World Economic Forum.
37. Siracusa, J. M. (2010). *Diplomacy: a very short introduction*. Oxford: Oxford University Press.

38. Sovič, B. (2012). Gospodarska diplomacija. Speech given at the Seminar on Economic Diplomacy. Maribor, Slovenia, 2nd March 2012.
39. Statistical Office of the Republic of Slovenia. (2013). Socioeconomic characteristics of international migrants, Slovenia, 2012 – final data. Retrieved from: http://www.stat.si/eng/novica_prikazi.aspx?id=5956. Accessed: 28th March 2013.
40. Statistical Office of the Republic of Slovenia. (2013). Statistical yearbook of the Republic of Slovenia 2013. Ljubljana: Author.
41. United Nations Conference on Trade and Development. (2014). Inward and outward foreign direct investment stock, annual, 1980-2012. Retrieved from: <http://unctadstat.unctad.org/TableViewer/tableView.aspx?ReportId=89>. Accessed: 30th March 2013.
42. United Nations. (2009). Promoting investment and trade: practices and issues. New York: Author.
43. Veenstra, M.-L. E. H. van, Yakop, M. & Bergeijk, P. A. G. van. (2010). Economic diplomacy, the level of development and trade. Clingendael Discussion Papers in Diplomacy, no. 119. Clingendael: Netherlands Institute of International Relations.
44. Verhagen, M. & Bleker, H. (2011). Economic diplomacy in a changing world. In P. A. G. van Bergeijk, M. Okano-Heijmans & J. Melissen (eds.), *Economic diplomacy: economic and political perspectives*. Leiden: Martinus Nijhoff Publishers, pp. 171–186.
45. Woolcock, S. & Bayne, N. (2013). Economic diplomacy. In E. F. Cooper, J. Heine & R. Thakur (eds.), *The Oxford handbook of modern diplomacy*. Oxford: Oxford University Press, pp. 385–401.
46. Žbogar, S. (2010). Keynote address. Keynote address delivered at the 21st Slovenian Political Science Conference. Portorož, Slovenia, 27th May 2010.