

The Importance Of Economic Diplomacy For A Small Open Economy – The Case Of Slovenia

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Abstract: This paper discusses the importance of economic diplomacy for a small open economy in the case of Slovenia. Additionally, it also discusses the importance of foreign trade and foreign-trade promotion for growth and development of a small open economy, 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.

Keywords: economic crisis, economic diplomacy, economic power, economic promotion, economic security, foreign trade, foreign-trade promotion, small open economy, Slovenia.

1 INTRODUCTION

Economic diplomacy is the management of economic relationships between (two or more) countries. It plays an increasingly important role worldwide (including in Slovenia) due to various reasons. One of them is the need to take an action on the current economic crisis, nationally and internationally. This need is due to the changing characteristics of economic and other crises that have become more common, partly because of the growing number of intractable economic and other problems such as the unequal distribution of income or wealth [1]. The current economic crisis is an important factor of Slovenia's economic diplomacy. One of the reasons for this is the need for more effective and efficient economic diplomacy as a result of changing economic and other conditions at home and abroad. 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 situation (particularly in terms of reducing the number of unemployed). However, economic diplomacy is not a panacea for all economic problems [2].

2 FOREIGN TRADE

Foreign trade is very important for Slovenia, contributing to its economic growth and development, which are the main goals of Slovenia's economic policies [3]. Foreign-trade promotion (which is a subtype of economic promotion) is therefore essential to achieve these goals, especially in times of economic crisis like the current one. This is one of the reasons that foreign-trade promotion has become one of the main tasks of Slovenia's diplomatic and consular representatives, especially of those representing Slovenia in non-European countries. Foreign-trade diversification (particularly in terms of increasing the number of countries with which Slovenia trades) is 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 the 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 with each other, making them less effective and efficient, which is one of the reasons that Slovenia is less competitive in comparison to some other European countries. Estonia, for example, ranks 32nd out of 148 countries, according to the Global Competitiveness Index 2013–2014, which is 30 ranks higher than Slovenia [4]. In order to become more competitive, Slovenia needs to carry out some economic reforms which should be consistent with each other, making them more effective and efficient. This is essential to increase public confidence in these reforms (especially during the current economic crisis) and to create an environment conducive to economic reforms which are necessary to adapt to changing economic conditions at home and abroad. Additionally, this is essential to accelerate Slovenia's foreign trade, which is crucial to improve labour market conditions in Slovenia and stop the 'brain drain' to more competitive countries, such as Australia and Canada. This is another reason for Slovenia to accelerate its foreign-trade promotion.

3 FOREIGN-TRADE PROMOTION

Foreign trade is crucial for a large number of Slovenian enterprises. Removing foreign-trade barriers is therefore essential for their continued survival, especially in the times to come. Economic diplomacy, which can help in entering foreign markets, is becoming increasingly important for Slovenia's economy, which is heavily dependent on trade with a small number of European countries, namely Austria, Croatia, France, Germany and Italy. Foreign trade is therefore an important factor in Slovenia's economic relationships with other countries (mainly the aforementioned). Additionally, it is also an important factor of Slovenia's economic security, the provision of which is essential to accelerate Slovenia's economic growth and development. For a small country like Slovenia, economic diplomacy is particularly important because its economy is heavily dependent on other economies, which are larger and stronger, and this makes it more difficult for Slovenia to defend its economic interests abroad. Making alliances is therefore very important for it, although it can be a double-edged sword, especially when used as a device to 'beggar thy neighbour'.

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4 ECONOMIC POWER AND SECURITY

Foreign trade is affected by the current economic crisis, and has, among other things, a very important impact on the distribution of economic power between countries, which has changed over time due to various reasons, such as the rapid economic development of some countries, particularly in Africa, America and Asia. Economic power, which is closely linked to economic security, plays a similar role to other types of power and is very important in national and international politics, which are influenced by national and international interests. These are often in conflict with each other and can, therefore, cause conflicts between countries that need to be solved by diplomacy as soon as possible. Unsolved conflicts between countries can have a negative impact on their relationships and, consequently, on their security. They can also have a negative impact on their brand, which plays an increasingly important role in foreign trade, as it can affect the decision-making of foreign-trade participants. Slovenia, for example, ranks 63rd out of 118 countries, according to the Country Brand Index 2012–2013 [5], which is neither good nor bad, considering the factors that affect the ranking. A country's brand is affected by various factors such as the current economic crisis. This factor is particularly important for countries which are heavily affected by the aforementioned crisis, like Slovenia (which is still in recession (see table 1)), as it has a highly negative impact on their reputation abroad. Slovenia is no exception, and this can negatively affect its economic relationships with other countries, particularly in the field of foreign trade and foreign-trade promotion. A country's reputation abroad is also a very important factor in attracting foreign people and enterprises (foreign investment). This is especially important for Slovenia, as it can accelerate its foreign trade and, consequently, its economic growth and development, which are essential for Slovenia's future. This is one of the reasons that Slovenia, whose reputation abroad is worsening, should become more attractive to foreign people and enterprises, especially those from developing countries such as Brazil and Chile. Economic diplomacy can be very helpful in this task.

5 CONCLUSION

Economic diplomacy is very important for a small open economy like Slovenia. One of the reasons for this is the importance of foreign trade for its growth and development (especially nowadays). Economic diplomacy, which can help promote foreign trade, is therefore essential to improve the economic situation in Slovenia and other small open economies, especially those affected by the current economic crisis.

TABLE 1
GROSS DOMESTIC PRODUCT

Year	Quarter	Percentage change compared with the same quarter of the previous year calculated from non-seasonally adjusted data	Percentage change compared with the previous quarter calculated from seasonally adjusted data
2013	Q3	-0,6	0
	Q2	-1,5	-0,1
	Q1	-4,6	-0,3
2012	Q4	-3,3	-0,8
	Q3	-3	-0,6
	Q2	-3,5	-1,3
	Q1	-0,2	-0,4
2011	Q4	-2	-0,5
	Q3	0,6	-0,3
	Q2	1,5	0,3
	Q1	2,8	0

Source: [6].

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