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ECONOMIC DIPLOMACY AND INTERNATIONALISATION

Practice and theory



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ECONOMIC DIPLOMACY AND INTERNATIONALISATION Practice and theory

Proceedings of the international conference on Economic Diplomacy
and Internationalisation, 17-18 June 2013, Ljubljana, Slovenia

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FOREWORD

Janez Podobnik*

Dear readers,

It is my great pleasure to invite you to study the special issue of our Public Enterprise Journal on the second international two-day conference “Economic Diplomacy and Internationalisation” which we organised in June 2013, together with the Ministry of Foreign Affairs of the Republic of Slovenia and Ministry of Economic Development and Technology, in partnership with the Chamber of Commerce and Industry of Slovenia.

The conference was the updating and continuation of the first international conference which ICPE organised together with the Ministry of Foreign Affairs of the Republic of Slovenia back in 2009, focused on commercial diplomacy.

As the conditions of the global economy have significantly changed since then, with deep impacts of the global financial and economic crisis, there was a need for a second conference. The high attendance at the conference proved that international events like this are very useful and necessary for all. Participants came from numerous countries; from governmental and non-governmental institutions active in economic diplomacy; ministries of foreign affairs, economy and trade; export and FDIs agencies, chambers of commerce and industry, diplomatic-consular missions, honorary consuls, academic institutions, financial institutions, international organisations, and companies in private and public ownership.

National economies on the macro level and companies on the micro need to internationalise and diversify, in particular to the fast growing emerging economies such as the BRICS countries (Brazil, Russia, India, China, South Africa), Turkey, some Asian, Latin American and Arabic countries, etc.

Internationalisation supported by economic diplomacy is very important to all companies, but in particular to the small and medium sized ones (SMEs) which, in general, do not have their own networks abroad.

The programme of the conference was divided into two days:

- the first day was dedicated to economic diplomacy and its crucial role nowadays going hand in hand with the business and other worlds (academia, etc.) and the presentation of several models of economic diplomacy

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- the second day was dedicated to the internationalisation of national economies, the way in which national and international institutions help them, again with the presentation of some models of internationalisation, some successful cases of Slovenian companies in foreign markets, plus a successful case of the Slovenian science and technology internationalisation.

The general assessment of the conference was absolutely positive as it has reached its goal and even overreached it. There were not only very high quality presentations of different models of economic diplomacy and internationalisation, but also very dynamic discussions and very good practical cases with concrete proposals, critical remarks and suggestions which were of added value.

I would like to thank once again all co-organisers and partners of the conference for their excellent work. The coordination of this project has shown that we can cooperate if there are common goals and interests which is, in Slovenia, not often enough the case. In economic diplomacy and internationalisation it is extremely important that, besides the European countries, we have seen the opening up of the others, in particular countries from Asia, Latin America and Africa.

Special thanks go also to all speakers and moderators and the ICPE team who have done an excellent job.

The present volume also includes two theoretical articles focused on economic diplomacy and internationalisation written by two distinguished authors, Dr. Marjan Svetličič and Dr. Boštjan Udovič.

We decided to include these two contributions in order to theoretically complement the basic topic of the international conference which was based on the practical aspects regarding the functioning of economic diplomacy and the implementation of proactive models of national economies internationalisation.

ICPE will continue with its activities in the field of economic diplomacy and internationalisation as one of its programme priorities in various countries, ICPE member states, candidate states, partner states and others in cooperation with important international organisations and their agencies (e.g. UNIDO, UNCTAD, International Telecommunication Union, etc.).

The 3rd conference on economic diplomacy will therefore be organised already in 2014. Welcome again!

KEYNOTE ADDRESS

Karl Erjavec*

Dear Mr. Podobnik, Dear Mr. Vratuša¹, Dear Mr. Samo Hribar Milič, and Dear State Secretary of Government of India, Mr. Rawat²,

Excellencies, ladies and gentlemen,

On behalf of the Ministry of Foreign Affairs and myself I would like to welcome you all to Slovenia and to the 2nd International Conference on Economic Diplomacy. The ministry joined the ICPE initiative to organise this conference as a result of the positive response to the first such conference and the importance attached to the economic diplomacy. It is also important that partners in this event are also the Slovenian Chamber of Commerce and the Ministry for Economic Development and Technology.

Economic diplomacy covers a wide field of promotional and supporting activities. These activities are carried out through diplomacy and the diplomatic network. Economic diplomacy has become an important activity in almost every country. Globalisation and the economic and financial crisis have had a great impact on international trade flows. That is what makes economic diplomacy a priority. At the global level we are witnessing the economisation of international politics. Foreign trade and investments are rapidly becoming political issues. I agree with those who say we have to turn contacts into contracts. As such the promotion of domestic companies abroad must be one of the main goals of foreign policy. Economic diplomacy takes many forms, however let us be honest, the most important thing is that it must be efficient, but it should not cost too much.

A few years ago, Slovenia also became aware of the need that reconsidered economic diplomacy, adapted to given situations, is essential for our economy. The foreign ministry made economic diplomacy a priority of the diplomatic activity in 2009. It has been through some changes and at the end we decided on something closer to Scandinavian models. In this model, the foreign ministry is the main coordinator of all activities, including all stakeholders, it operates in foreign markets through a single network of diplomatic missions and consular posts. The diplomatic network has also integrated the separate network of economic representations of the public

* Minister of Foreign Affairs of the Republic of Slovenia

¹ Acad. Dr. Anton Vratuša, Honorary President of the ICPE Council

² O. P. Rawat, Secretary, Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises, India, and President of the ICPE Council

agency, now called Spirit, which basically implements policies of the Ministry of Economy. These organisational changes are deducted by the need to use public funds and human resources more efficiently. In the modern economic diplomacy we can see the synergy facts of the economic, tourism, cultural and general promotion.

This promotion is organised and implemented by many actors or stakeholders in addition to the activities within the classic or political diplomacy. As already mentioned, different economic diplomacy models are being applied, it depends on whether the principal role is attributed to the foreign ministry or the ministry of economy. However, every country is free to select its own model, but it always has to be stable, coherent and predictable. When I took over the duties of foreign minister in 2012, I therefore insisted on not changing our approach. I believe that economic diplomacy should remain within the responsibility of the foreign ministry. In the context of the current model the foreign ministry is trying to make its activities effective. We are pleased to note that every day companies are more and more satisfied with the services we offer, entering foreign markets and expanding their business abroad.

Ladies and gentlemen, the conference programme includes a good presentation of activities and different tools of economic diplomacy by colleagues from the foreign ministry. We and a lot of Slovenian companies think that they are well suited to Slovenia. But we also believe that everything can be improved. That is why we would like to further develop both, our experience and model with one goal, and that is to be more effective on the basis of a useful experience and models developed by countries that are our partners in economic and general terms. I am convinced that the conference will provide useful exchange of views for participants with our partner countries, especially from ICPE member states. Allow me to wish you a successful conference and a pleasant stay in Slovenia.

Thank you for your attention!

I.
ECONOMIC DIPLOMACY

EFFECTIVE ECONOMIC DIPLOMACY – THE CASE OF SLOVENIA

Dr. Stanislav Raščan *

1. Introduction

Economic diplomacy is an integral and essential part of modern diplomacy. Together with business people, we – the diplomats – aspire to seek new opportunities in foreign markets, protect interests of the domestic economy abroad, and attract to our country as many foreign direct investments as possible. Economic diplomacy has always been part of our diplomatic work. However, it has become one of the main priorities of the Ministry of Foreign Affairs of Slovenia only a couple of years ago.

In the past decade, the two-tier system of Slovenian economic diplomacy caused considerable difficulties, as diplomats had been accountable to different government agencies. For example, the economic counsellors had been accountable to the Ministry of the Economy, while the heads of diplomatic and consular missions had been accountable to the Ministry of Foreign Affairs. Furthermore, the Public Agency for Entrepreneurship and Foreign Investments (JAPTI) headed and administered a separate network of representative offices abroad.

Realising the inefficiencies of this system, in particular for such a small country as Slovenia, the Slovenian Government transferred the economic and commercial diplomacy from the Ministry of the Economy to the Ministry of Foreign Affairs, including the JAPTI offices abroad. The Ministry of Foreign Affairs has established the Directorate for Economic Diplomacy, its primary tasks being: 1) a more effective guidance and coordination of Slovenian economic diplomacy through the network of diplomatic and consular missions and economic advisers, and 2) providing a stronger and better organised support to the Slovenian companies doing business abroad and foreign companies considering investing in Slovenia.

2. Activities of the Economic Diplomacy

The core of the Slovenian economic diplomacy consists of the Directorate for Economic Diplomacy and our network of 51 diplomatic and consular representations where 27 economic counsellors are employed. In opening new representations we strictly follow the interests of the business community. Thus, in the last couple of

* Ambassador, Director General, Directorate for Economic Diplomacy, Ministry of Foreign Affairs of the Republic of Slovenia

years we opened new embassies in Albania and Brazil. We assigned new economic counsellors to the embassies in Montenegro and India and added an additional economic counsellor to the Embassy in Moscow.

Slovenia is a small country and our resources are limited; therefore, we are complementing our network of diplomatic and consular missions with honorary consuls. With their excellent knowledge of the local situation, honorary consuls bring added value to the work of economic diplomacy, which, in turn, facilitates faster breakthroughs by Slovenian companies in a specific market. In addition, Slovenians living abroad may also contribute significantly to economic diplomacy. Being basically free of charge, honorary consuls and Slovenians living abroad are a very efficient complement to our rather small diplomatic and consular network.

The Directorate for Economic Diplomacy focuses primarily on the following three areas:

- 1) providing support to Slovenian exporters and help them seek new opportunities in foreign markets – traditional and new ones
- 2) protecting and promoting Slovenian economy and business by close cooperation with foreign governments
- 3) developing Slovenia's multilateral economic cooperation within the European Union (EU) and the OECD (Organisation for Economic Cooperation and Development).

The effectiveness of the Slovenian economic diplomacy is essentially based on:

- 1) the central role of the Ministry of Foreign Affairs in providing guidance to diplomatic and consular missions
- 2) one single network of state-financed representative offices abroad
- 3) close cooperation of the Ministry of Foreign Affairs with:
 - a. other government agencies and institutions
 - b. Slovenian and foreign companies and business associations, and
 - c. foreign governments and their institutions.

In order to be effective, it is crucial that all the above activities are being performed and coordinated by one single institution while closely coordinated with other stakeholders. For this purpose, the Ministry of Foreign Affairs and Ministry of Economy decided last year to establish the *Strategic Council for Foreign Economic*

Cooperation. The council's purpose is to achieve a better coordination of the Slovenian institutions that work in the field of foreign economic relations. The composition and functions of this council will be described more thoroughly by Ambassador Jožef Drofenik.

3. Target Markets and Sectors

One of the main **strategic objectives** with regard to the internationalisation of the Slovenian economy is to increase exports and to diversify our export markets. The latter is necessary because Slovenian economy is too focused on the markets in our neighbourhood while neglecting the emerging markets in other parts of the world. In the Ministry of Foreign Affairs we are convinced that economic diplomacy may provide urgently needed assistance for companies seeking new markets or new opportunities in the existing markets.

Our activities in the field of internationalisation are based on the Programme to promote the internationalisation of companies for the period 2010-2014, which was approved by the Government of Slovenia in 2010. The action plan for 2013 titled "Partnership to promote the international business of Slovenian companies" (MI2013) defines the target markets in which the activities of the institutions dealing with internationalisation should be focused. These are the traditional markets (EU and South-Eastern Europe) and emerging markets (Azerbaijan, India, Kazakhstan, China, Russia and Turkey). The document also refers to the priority sectors which are: life sciences and biotechnology, energy and environmental technology, advanced material and technology, nanotechnology, information and communication technology, wood processing industry, automotive industry, transport and logistics, metal-processing industry.

4. Main Activities of the Economic Diplomacy

The main activities of the Directorate for Economic Diplomacy are the following:

1.1. Business delegations

The Directorate for Economic Diplomacy organises incoming and outgoing business delegations that accompany high-level representatives of Slovenia on their trips abroad or high-level representatives of foreign countries on their trips to Slovenia. Usually, business conferences and B2B meetings are organised during these visits.

Since the beginning of this year, we have organised business delegations that accompanied President Borut Pahor on his visit to Japan and Germany and Minister

of Foreign Affairs Karl Erjavec to Kazakhstan. Until the end of the year we are planning to organise a business delegation that will accompany minister Erjavec on his visit to Serbia. This year, we have also organised visits of incoming business delegations from Philippines and Sri Lanka.

1.2. Joint commission sessions

The organisation of joint commission sessions for economic cooperation with foreign governments is aimed at finding new, practical opportunities for economic cooperation with foreign countries, addressing outstanding issues, exchanging information on business environments, opportunities and anti-crisis measures and at identifying activities for future collaboration. Frequently, business conferences are organised as side events of these sessions.

Since the beginning of this year, we have organised joint commission sessions with Serbia and Kazakhstan. Until the end of the year we are planning to have joint commission sessions with: Croatia, Bulgaria, Romania, Montenegro, Macedonia, China, India, Russia, Ukraine and Belarus.

1.3. Offering direct help and support to Slovenian companies

The Ministry of Foreign Affairs offers active help and support to companies in finding potential foreign investors and in the promotion of their products or services abroad. Our diplomatic and consular representations offer information about the business opportunities for Slovenian companies and help companies find potential business partners. To those who are already present in foreign markets, the Ministry tries to assert and protect their interests in these markets.

1.4. Promotion of Slovenian industrial design

The Directorate for Economic Diplomacy has been the main driving force behind the project of the exhibition »Silent Revolutions: Contemporary Design in Slovenia«. The exhibition promotes Slovenian industrial design and the Slovenian brand abroad. So far, the exhibition has been hosted in Milan, Belgrade, Helsinki and Vienna. Until the end of this year the exhibition will travel to Moscow and Wrocław. The project is also a good practice of successful cooperation of three different ministries and the Museum of Architecture and Design.

1.5. Promotion of bilateral technological cooperation

The Ministry of Foreign Affairs has been actively involved in and contributed to the establishment of the technological cooperation with Japan. The result of our

activities in this regard was the signing of the cooperation agreement between the Slovenian technology Agency and Japanese New Energy and Industrial Technology Development Organization (NEDO). Cooperation on the government level has spurred activities also on the business level. Namely, technological companies from both countries have organised a meeting based on this new initiative.

5. The Results of Economic Diplomacy

Activities of Slovenian economic diplomacy have resulted in a number of newly established contacts between Slovenian and foreign businessmen, a number of business contracts and agreements have been signed, several problems of Slovenian companies abroad have been solved, we have achieved level playing field for several Slovenian companies in foreign markets and attracted many potential foreign investors to Slovenia.

Unfortunately, it is difficult to financially evaluate our activities. Diplomats do not sign contracts, but only help companies at different stages on the way to signing a contract. Some companies ask for our help already when looking for business partners, others just before signing the contract and yet others only when they encounter business problems. Even if economic diplomacy can sometimes be decisive in reaching a business deal, it would probably be unfair if it took credit for the business success a company. But even if we wanted to evaluate our contribution, we should not forget that companies are usually reluctant to inform us about the value of the business deals. It would probably be easier to measure our success if our services were payable, but we are currently far from considering this option.

Therefore, it is not easy to measure the effectiveness of our work. In evaluating our efforts, we mainly rely on the feedback from the business community and on measuring the quality and quantity of our services in order to follow our progress over time. After creating a one-tier system of economic diplomacy in Slovenia, established the Directorate for Economic Diplomacy and made the economic diplomacy a priority of the Ministry of Foreign Affairs, it was not difficult to see both: satisfaction of the business community and significant increase in the quantity and quality of our services. We are working hard every day in order to make further progress in all these fields.

6. Conclusion

Allow me to conclude by saying that successful development of economic diplomacy certainly requires enhanced cooperation between diplomacy and the business community. This cooperation requires the active engagement of both

sides. Business must regard diplomacy as an outpost which it may rely on when undertaking activities in foreign markets, whereas diplomacy must be aware of its responsibility to the business community and the economy as a whole. The welfare of citizens – the final objective of any state activity – today largely depends on the power of economy. This is the reason why economic diplomacy must be at the core of modern diplomacy.

MAKING ECONOMIC DIPLOMACY A PRIORITY – ACTION PLAN FOR THE QUAI D'ORSAY¹

Vincent Jacob*

Economic recovery is France's top priority and the solution lies in international development. As the deck of economic cards is reshuffled in a globalised world, power largely goes hand in hand with economic strength. France must come to terms with economic diplomacy as a key factor for influence and growth. The French Ministry of Foreign Affairs has a decisive contribution to make here. Economic diplomacy is therefore to become a key priority for the Quai d'Orsay.

Our economic diplomacy, which is also ecological, will pursue two complementary aims: supporting our businesses on international markets, and attracting foreign investment that will create jobs in France.

Promoting the nation's economic interests is one of the MAE's² missions already, at both central government level and through our network of embassies. The readiness of those embassies and their services to respond when called upon is universally recognised. Caught up as it is in traditional concerns and a succession of crises, however, France's diplomacy has not always been able to tailor its aims, resources and organisation to make economic issues a priority. As yet, the "economic reflex" is not sufficiently established. Our export support system is still too fragmented, too complex for businesses to read – especially SMEs and intermediate-sized enterprises (ETIs) – and not always efficient enough.

It is also frequently the case that greater attention is paid to major contracts than to less high-profile affairs of trade, and more support is provided to big business than to SMEs and ETIs – although these will benefit, starting next year, from international initiatives by the Public Investment Bank (BPI). Regional initiatives lack sufficient coordination. The central issue of the links between maintaining and even developing the domestic base of French businesses and their presence abroad has yet to be clearly identified. Finally, the importance of foreign investment to the domestic economy is sometimes underestimated and, at European level, the principle of reciprocity of trade between the EU and the rest of the world is still not sufficiently upheld.

¹ The French Ministry of Foreign Affairs

* Head of Directorate for Global Economy and Development Strategies, Ministry of Foreign Affairs of the French Republic

² Ministère des Affaires Étrangères (French) = Ministry of Foreign Affairs

Given the scale and the urgency of the need to pursue economic recovery, however, and in particular to redress our trade balance, a specific action plan for the Quai d'Orsay, in liaison with the other government departments concerned, is essential.

Economic diplomacy is definitely the political Government's priority with an ambitious, concrete action plan that means suitable culture and governance, shared economic reflex as a change in the cultural background and impacts on economic negotiations and on our exports. Currently, the idea is to transform the diplomatic network into a comparative example for French companies aiming to promote foreign investments, support exports, take corporate interests into account in the international regulation, and support cooperation in innovation and R&D (research and development). For the development of these four major objectives, the inter-ministerial action plan by country is implemented mobilising the whole network, not only big companies but also SMEs. Sectors and competitiveness clusters are supported, the number of sectors that are closely followed with a view to reflect the diversity of the French offer (health care, food business, information technology, renewable energy) is being extended, the international negotiations are being discussed with companies upstream while the network is supported in its dialogue with international investors.

Moreover, two new tools have been developed, namely, Special Representatives of the Minister for seven key countries, mainly in emerging countries, in order to develop bilateral relationships, and Ambassadors for the French regions. Since the network has changed, transversal support to businesses gains more importance. Facing a constrained public system due to deficit control, the network of trade and business departments has been reduced although still present in 100 countries, whereas economic networks are constantly reducing. UbiFrance is also present in 60 countries, yet knowledge about French fields of supply is being lost by the French authorities, the »Pact SME international« still has less impact than expected when developed in 2011 to push the big companies to support SMEs, while the Lead of French fields of excellence has been decreasing over the last 10 years.

Nevertheless, France is present in 160 countries through embassies and that represents a big responsibility, so to produce more with less a better coordinated approach is required. A better-coordinated approach presupposes a unified and simplified action plan which was launched in December 2012 with four main changes in the drafting of embassy economic action plans:

1. Inter-ministerial planning as a single inter-ministerial process for embassies' economic action planning, initiated by the geographical directorate, the DEEI (Business and Global Economy Directorate) and the economic service, wherever it exists.

2. Regular inter-ministerial follow-up in the form of an annual evaluation as ambassadors have to talk over their plan with different ministries; from 2013 it is a homogeneous approach, with generic sections and harmonised indicators to ensure comprehensive follow-up.
3. Annual dialogue – annual performance dialogue between the Ambassador, head of SE/SER, geographical directorate, DEEI and DG Treasury, economic actors consulted for the 360° evaluations. For this purpose, a new economic council gathering the ambassadors was established.
4. A specific role for consulates that are involved in the country action plan or having a specific action plan if necessary, specific economic development targets for Consulates-General.

At this point, there are 42 indicators and we are covering different fields such governance, bilateral relations, access to market issues, exports, support for French business abroad, investment, etc. for a better effectiveness and better coordination.

Moreover, better organised opportunity analysis by diplomatic posts and systematic assessment of export opportunities is delivered in liaison with French agencies (UbiFrance, CCI – French Chamber of Commerce and Industry, CCEF – French Foreign Trade Advisers, etc.) through structural analysis of French positions, demand and supply approach and personalities of international stature to support our economic diplomacy in certain key countries, including Mr. Chevènement in Russia, Mr. Raffarin in Algeria and Mr. Sellal in the United Arab Emirates. In Slovenia in this regard the French Ministry of Foreign Affairs attempts having a sector country approach (targeting approach). What is more important, regular dialogue with businesses and stronger support for diplomatic posts and businesses assist in identifying economic actors, businesses and financial institutions likely to invest in France through the Invest in France Agency as a spearhead wherever present.

The DEEI functions as an entry point and a support centre for businesses and agencies within the Ministry and as a support for geographical directorates and diplomatic posts in implementing their country action plans. DEEI is part of the DG for Global Affairs and its structure is comprised of the Business and International Economy Directorate which includes the Business Support Department, Strategic Sector Support Department focusing on different sectors and International Economic Affairs Department.

Finally, a segmented approach involves collecting contacts with 150 businesses already in its database, beyond the CAC 40³. Also, it targets the expanded SBF120⁴ as a priority, i.e. businesses with proven export capacity, without the currently necessary state support, and it consults businesses alongside multilateral negotiations regarding economic issues (G20, G8, WTO, etc.). For economic diplomacy the networking with agencies is central, among institutions like the Quai d'Orsay's correspondent for services and agencies for business support and economic negotiations by DG Treasury, Public Investment Bank, DG International Cooperation and Development, CCI, UbiFrance, Oséo, competitiveness clusters (between French and foreign competitive clusters to develop new partnerships), regions, etc. as well as with diplomatic contact points within the Ministry for certain regions which so request, in order to ensure the coordination between the local economic fabric and our network.

³ Cotation Assistée en Continue, benchmark Frenchstock market index

⁴ Société des Bourses Françaises 120 Index

ECONOMIC DIPLOMACY IN THE FOREIGN POLICY OF BOSNIA AND HERZEGOVINA

Mirza Pašić*

The latest acceleration of globalisation and increased competition as a result of trade liberalisation has put economic diplomacy into focus. If a state nowadays does not have an efficient concept of economic diplomacy, it might lose a proactive role in international relations and become an object of economic diplomacies of other countries.

After the war in Bosnia and Herzegovina, there was a period of aid-funded reconstruction of the country and in the recent period we started building an efficient concept of economic diplomacy which has become the highest ranked priority of Bosnia and Herzegovina's foreign policy. The trade deficit and the need for stable and growing inflows of foreign direct investments are reasons for building an efficient concept of economic diplomacy in Bosnia and Herzegovina.

Economic diplomacy of Bosnia and Herzegovina needs a redesign, which is partly in progress. In this sense, the Economic Diplomacy Department of the Ministry of Foreign Affairs has initiated strategic alliances with key Bosnia and Herzegovina institutions with the intention to create a competitive synergy of these institutions and to build closer ties with the business sector. The organisation of economic diplomacy abroad should be made by using a systematic approach with precisely defined activities.

The main activity of the effective economic diplomacy abroad is the organisation of business forums where businesses from Bosnia and Herzegovina can come into direct contact with the businesses of the receiving state. To make Bosnia and Herzegovina more attractive for potential foreign investors and other businessmen a legal framework that includes the signing of bilateral agreements on economic cooperation, agreements on avoidance of double taxation, agreements on the promotion and protection of investments, free trade agreements and other arrangements which are essential for developing economic cooperation is being build.

Due to the fact that we are facing globalisation and rising competition, the government wants to build a responsive concept of economic diplomacy. Therefore, the vision of the Economic Diplomacy Department is the economic stability of Bosnia and Herzegovina which is expressed and determined by the:

* Economic Counsellor, Department of Economic Diplomacy, Ministry of Foreign Affairs, Bosnia and Herzegovina

- macroeconomic stability and further economic development of the country
- reduction of unemployment and level of poverty
- contribution to a better standard of Bosnia and Herzegovina's citizens, and
- further economic development of Bosnia and Herzegovina.

The mission of the department is aimed to achieve the following objectives through effective diplomatic engagement, namely, attract direct foreign investments (FDI) and increase the foreign trade of Bosnia and Herzegovina.

For the new economic diplomacy in a very complicated structure a structural answer is needed. Hence, our department has an alliance with an informal group of representatives for the purpose of increasing efficiency, especially to speed up the exchange of information. This, accordingly, involves the Ministry of Foreign Affairs of Bosnia and Herzegovina, Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina, Foreign Investment Promotion Agency of Bosnia and Herzegovina, and Foreign Trade Chamber of Bosnia and Herzegovina.

Moreover, particularly on economic diplomacy issues, there are a number of divisions and departments engaged, namely:

- the **Economic Diplomacy Department as part of the Bilateral Relations Division** is in charge of bilateral economic relations. Eight diplomats within the department through combined regional and functional approaches monitor, analyse and promote the development of bilateral economic relations between Bosnia and Herzegovina and other countries; promote Bosnia and Herzegovina and its economic potentials in other countries; cooperate with the diplomatic and consular missions of Bosnia and Herzegovina and coordinate through initiation of their activities, prepare diplomats for work in diplomatic and consular missions.
- the **Department for Multilateral Economic Relations and Reconstruction**, also in charge of ICPE matters, as part of the Department for the EU within the Multilateral Relations Division, addresses the issues within multilateral financial organisations such as the World Bank, International Monetary Fund, European Investment Bank, European Bank for Reconstruction and Development, etc.; international organisations and specialised agencies such as the World Trade Organization (WTO), UN Economic Commission for Europe (UNECE), United Nations Conference on Trade and Development (UNCTAD), the Economic Commission of the European Union (EU EC) and others; economic forums - Crans Montana Forum, Monaco World Summit, etc. as well as the activities to mobilise donors and coordination of international aid and assistance for the reconstruction of Bosnia and Herzegovina, as well as memorandums on development, technical assistance and other forms of cooperation.

- 46 diplomatic missions of Bosnia and Herzegovina abroad focus on the activities of attracting investment, business lobbying and networking, search for the markets for products from Bosnia and Herzegovina, presentation of information on the potentials, business opportunities and opportunities for investment in Bosnia and Herzegovina (B&H), preparation and support for the organisation of business forums, investment conferences, assisting B&H home companies to make and/or participate in exhibitions abroad, protection of interests as well as cooperation with the diaspora in the economic field. Additionally, an important role in these matters is played by the Business Club in order to connect businessmen, honorary consuls for business lobbying and networking and the Office of Foreign Trade Chamber of B&H.

The business forum can be considered as one of the most important activities since it provides the synergy of political and economic aspects, i.e. in any visit we have a two-part delegation, one represented by businesses and the other by the Foreign Trade Chamber of Bosnia and Herzegovina. Usually, the business forum firstly takes place in B&H and then in the receiving state. The forums include an opening speech, introduction speeches, presentations of bilateral trade exchange, presentation of investments opportunities, B2B contacts which are the *driving force of the economic diplomacy as businessmen who want to reach the market abroad* can have discussions by sectors, attend workshops, round tables and receptions.

Last but not least, the legal framework to attract and work with other countries is always based on contracts and agreements. B&H is part of the Central European Free Trade Agreement (CEFTA), the Preferential Trade Agreement with EU, the Preferential export regimes with USA, Australia, New Zealand, Switzerland, Norway, Russia, Japan, and Canada, as well as of agreements on avoidance of double taxation with 37 countries, agreements on promotion and protection of investments with 39 states and agreements on economic cooperation with 10 countries.

THE BRAZILIAN MODEL OF ECONOMIC DIPLOMACY

Gilberto Fonseca Guimarães de Moura*

The Brazilian Macro-economic and Foreign Investment Context

Regarding the macroeconomic policy and social development, Brazil¹'s Public Debt has been reduced and now amounts to 35.1 per cent of the GDP. The Government has been able to secure the goals of its anti-inflation policy which gave results as in 2011 inflation was 6.5 per cent while in 2012 this number declined to 5.8 per cent and external reserves amount to US\$ 377.2 billion. Macroeconomic fundamentals, combined with adequate prudential policies and strong bank supervision, resulted in the capacity to absorb internal and external shocks, macroeconomic and financial stability, sustainable economic growth, credit and capital market development. Macroeconomic and social inclusion policies have led to a marked improvement in living conditions. Internal market: the Brazilian consumer market will be the fifth largest in the world in 2020.

However, the main challenge for the continuous growth of the Brazilian economy is the international crisis which demands a strong policy from the Brazilian Government, namely, more incentives for investments, boosting Brazilian productivity and competitiveness, the reduction of costs and taxes which is a major provocation, reshaping the infrastructure such as highway, railway, ports. It is noteworthy that the largest infrastructure and concession programme in recent decades will, in the coming years, inject US\$ 235 billion in the economy. Also, the Brazilian trade flow is increasing since 1995, in US\$ 465.7 billion in 2012.

In so far as the foreign investment in Brazil is concerned, this is being built on confidence, security for investment through clear rules, contract binding, a reliable legal and institutional framework, profitability, as Brazil is one of the few countries that do not tax dividends and profit remittance, and the infrastructure programme providing a return of at least 10 per cent in real terms for an investor. Foreign investments, currently substantially expanding in the country, have been diversified including sectors such as financial services, beverages, telecommunications, oil and natural gas extraction.

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¹ Key facts about Brazil:

- Surface: 8.5 million km²
- Population: 194 million (2012)
- GDP 2012: US\$ 2.367 Trillion (0.9% growth over 2011)
- Average annual GDP growth 2007-2012 is 3.7

Since the mid-2000, Brazilian companies from diverse sectors and sizes have passed through a process of major internationalisation. Enterprises from the segments of oil or civil construction, among others, have turned global, reflecting the new degree of specialisation and competitiveness of the Brazilian economy.

The Institutional Structure of the Brazilian Economic Diplomacy

The main actors of Brazilian Economic Diplomacy within the Federal Government are the Ministry of External Relations and the Brazilian Agency for the Promotion of Exports and Investments, linked to the Ministry of Development, Industry and External Trade. Brazil has fully completed and changed the institutional structure of its Economic Diplomacy.

Apex-Brazil promotes Brazilian products and services abroad and attracts foreign investments to strategic sectors of the Brazilian economy (it has also already been in Slovenia). The Agency organises diversified trade promotion actions, including inter alia business platforms like trade and prospective missions, business rounds, support to the participation of Brazilian companies in major international trade fairs, organisation of technical visits of foreign buyers and opinion makers with the aim of introducing them to the Brazilian productive structure and other selected initiatives designed to strengthen Brazil's brand. Apex-Brasil holds offices in Africa (Luanda), Asia (Beijing), Central America and the Caribbean (Havana), Europe (Brussels and Moscow), Middle East (Dubai), and North America (Miami).

The Department of Trade Promotion and Investments (DPR) linked to the Under-Secretariat for Cooperation and Trade Promotion is the unity responsible, in the Ministry of External Relations, for the planning, coordination and execution of the Brazilian trade promotion and foreign investments attraction policies, as well as the promotion of Brazil's tourism potential. In recent years, it has also assisted Small and Medium Companies in their internationalisation process. DPR is responsible for coordinating the "Trade Promotion Sectors" of the Brazilian embassies and consulates abroad, as well as maintaining the Brazil Global Net.

In addition, there are other actors of Brazilian economic diplomacy in the Federal Government responsible for the promotion of Brazilian touristic destinations abroad.

Brazilian Economic Diplomacy in Slovenia

Brazilian exports mainly consist of coffee (around 30% of exports) and soya beans for kettle feed (around 70% of exports). There are no Brazilian companies in Slovenia, although some strong enterprises from Slovenia are present in Brazil such as Gorenje, Iskra Avto Elektriika and Kolektor.

In 2010, Apex-Brasil organised a mission to Slovenia that was led by its president, Alessandro Teixeira. The focus of the visit was the Port of Koper and its strategic use by Brazilian companies which export to Central and Eastern Europe. The possible use of the Port of Koper and Slovenia as an entry point to the markets of the Western Balkans and Central and Eastern Europe is being followed by the Trade Sector of the Embassy.

In 2012, the then Slovenian Minister of Economic Development and Technology, Radovan Žerjav, led an important economic delegation to São Paulo, during the Rio+20 Conference. Representatives from various companies of the innovation sector and of research centres were received by FIESP and FAPESP (Foundation for Research of the State of São Paulo). Very innovative companies from Slovenia, from the pharmaceutical or the IT area, have shown interest in Brazil where they could enhance their scale of production. In counterpart, Brazil is interested in receiving new technologies from these companies.

In 2012, a business delegation of young entrepreneurs of the State of Ceará came to Slovenia in search of partners. Ceará, one of the faster growing states of Brazil, attracts a lot of attention from the Slovenian business community.

Every year, since 2011, Brazil has participated in the AGRA fair and, in 2013, it will also participate in the MOS Fair in Celje.

Brazil and Global Financial and Economic Governance

Brazil is strongly committed to the reform and strengthening of global governance, especially financial and economic global governance. The recent election (in September 2012) of Ambassador Roberto Azevêdo to head the World Trade Organization (WTO) shows the recognition of the commitment of Brazil with the enhancement of the role of the WTO.

In the Financial G-20 Brazil strives for the reform of the international financial and economic system, through the wider participation of developing countries in the decisions concerning the global economy.

In March 2013, during the 5th BRICS Summit in Durban, the leaders of the five countries have agreed to the establishment of a New Development Bank and the contingent reserve arrangement (CRA) with an initial size of US\$100 billion. The CRA would help BRICS countries forestall short-term liquidity pressures and further strengthen financial stability.

THE PRIORITIES AND TOOLS OF ECONOMIC DIPLOMACY IN THE NETHERLANDS

Paul van Oostveen*

Trade and investment have always been of significant importance for the Netherlands. Therefore, economic diplomacy is an integral part of the work of our embassies and consulates and is also integrated within our MFA (Ministry of Foreign Affairs) focusing on 'emerging markets', however the biggest volume of trade is with our neighbours. Economic diplomacy targets mainly Dutch companies through instruments such as for example trade requests, mediation, trade missions, credit insurance, and Holland promotion. We are in the process of modernising these instruments.

The Netherlands has a long history as in the XVIIth century the country was the biggest trading country in the world. Although the trends have changed, the priority for trading, exporting and importing still remains in our genes. In numbers, thirty-three per cent of our income is generated from abroad and twenty-five per cent comes from foreign – owned companies. In the world ranking, the Netherlands has the 64th largest population in the world but, at the same time, the Netherlands is the 17th largest global economy, the 7th largest global importer, the 5th largest global exporter, the 7th largest global investor and the 8th largest receiver of foreign investments with 41 per cent re-export from import. Industry exports at present 34 per cent while trade's share is 6 per cent.

For whom are we doing it? Especially for Dutch companies that are willing to export and to attract foreign investments to the Netherlands. Slovenian companies are directed to the Embassy of the Netherlands. We especially focus on a few top sectors, particularly energy, the creative industry, life sciences, logistics, horticulture and propagation materials, high tech, water, agri-food and chemicals. The embassies' role as governmental institutions is to make the first step, meaning the services are free of charge and they do not compete with the business or the advising sector.

Where? The most important partner countries for exports are Germany (25 per cent), other EU countries (19 per cent), the rest of the world (16 per cent), Belgium and France 12 per cent and 9 per cent respectively. The fastest growing exports are to BRIC countries although at the moment they comprise only 4 per cent of the Dutch exports.

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The effective use of economic diplomacy permits the constant grow of exports and imports as well. This mainly consists of customisation both business and government driven according to the principle ‘pick your fights’. Also, various classifications are being used:

- the classification on the basis of AGNL service provision covers 67 countries without mission or economic services, 9 countries with basic service provision, and 57 countries with a wide spectre of economic services of which 26 are focus countries
- the classification on the basis of policy implementation presents missions with a general policy framework, missions with the task specialisation “Developing Countries” (OS-landen), missions with the task specialisation “Economy and 15 MIB-countries”
- the classification by size covers small missions (a maximum of 2 detached BZ, sometimes attaché(s)) and some other missions.

The major four types of tools used in economic diplomacy are:

- first of all, DG for Foreign Economic Relations that moved from the Ministry of Economic Affairs to the Ministry of Foreign Affairs and also there is an agency, Agentschap NL, for more practical issues helping in organising trade missions
- secondly, the networks of embassies and consulates that are engaged in trade requests, trade conflicts which cannot be easily solved, trade missions that are linked to official visits, and opportunities and market scans
- in certain places the Netherlands has a special Agricultural attaché, particularly in agriculture-wise important countries, especially for flowers
- NFIA – the Netherlands Foreign Investment Agency (in the USA, China, Japan, etc.) deals with export credit insurance – Atradius (there are no subsidies anymore) and Holland promotion as part of public diplomacy.

Last but not least, the Netherlands is looking for modernisation in the field of economic diplomacy through social media networks like Facebook, Twitter, and LinkedIn.

ELEMENTS OF THE SLOVENIAN MODEL OF ECONOMIC DIPLOMACY

Jožef Drofenik*

It is a bit tricky to discuss the Slovenian model of economic diplomacy after both my minister and my director Ambassador Raščan already explained some elements of our activities. That is why I have chosen to put all those elements which have already been presented into some kind of order or system. But let us start at the beginning with the definition.

1. Definition of Economic Diplomacy

The definition of economic diplomacy - it has already been said that there is no uniform definition which would be widely used or acknowledged by everybody. Usually the activities that are covered include two groups of activities: 1) the negotiation of trade agreements and WTO issues, handling relations with international multilateral economic institutions, including the World Bank, the IMF, regional banks and the OECD to some extent; and 2) foreign trade promotion and management, including the mobilisation of foreign investments in all their variants; projecting the country's image and managing the country's brand, especially from the economic perspective. For this second group of diplomatic activities some scholars use the term commercial diplomacy. However in Slovenia the term "economic diplomacy" is used to describe all the above activities. My presentation of the Slovenian model will focus primarily on this set of activities.

2. Successful Model of Economic Diplomacy

The title of this session relates to the question "what is a successful model of economic diplomacy?". We are aware that the only successful model of economic diplomacy is an effective one. Effectiveness could be measured by new market entries, with the expansion of existing businesses and with the overall increase of volume of trade and investments – ideally, when contacts turn into contracts. We have heard this a few times, but we should be careful. Diplomats and any other institutional agents are not really concluding the business contracts; they just provide a different kind of service to companies. From this perspective the effectiveness of economic diplomacy should be measured with the satisfaction of companies to whom services are provided. Proper, useful and satisfactory services should be provided by using

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resources, both budgetary and human, in a cost-effective way. The new information communication technology has also forced the diplomat abroad to justify his posting by value-added over a home-based official, armed with a laptop and Internet. So, a network of diplomatic missions, the staff there, should add something that we cannot do from the home office.

3. Elements in Designing a Model of Economic Diplomacy – size of country/ economy and available resources require economising and effectiveness

Then, let us see which are, especially in the Slovenian case, the elements of choosing a model of economic diplomacy. We were asking ourselves a few years ago whether the size of the economy, country and available resources request economising and effectiveness or whether this counts in choosing the right model.

Considering the effects of globalisation and the information society, coupled with reduced public spending, devising a model is no longer merely a question of responsibility for implementing and coordinating economic diplomacy, but above all, of cost and efficiency.

There are a few essentials for a country to practise an effective economic diplomacy. In order to be effective, economic diplomacy needs – first and foremost – an adequate institutional infrastructure of a complex system of trade and investments promotion, with a continuous dialogue between the business sector and the state inscribed in its mission. This includes selecting a government body to handle foreign trade and investment promotion work, and the manner in which the actions of the different actors involved, being governmental or non-governmental, are harmonised. This is a matter of diplomatic engagement and management, i.e. the way in which institutions might ideally work in concert, plus the optimisation of the Foreign Ministry's work and its embassy network; their connections with other domestic actors, the utilisation of human and financial resources, and the diplomacy crafts methods.

The modalities for decision-making are important, providing guidance or line in command. There should also be established a proper assessment and measurement of the usefulness and results of the activities with the necessary follow-up. All these elements were a kind of orientation for choosing the Slovenian model.

4. The Slovenian Model

In the case of Slovenia, economic development, or the economy as such, is highly dependent on foreign trade and internationalisation. Foreign direct investments and the internationalisation of companies are considered important sources of the

future innovativeness and competitiveness of the Slovenian economy. On the other hand, as in other countries, Slovenian companies and investors increasingly require support from public institutions and government officials in order to be able to take off, in practical terms, on foreign markets. These are the main challenges facing the Slovenian economic diplomacy.

We also face cuts in budgetary resources earmarked for institutional support in the internationalisation of companies, as well as budget cuts in the state administration. Budgetary pressures dictate that the challenges of diplomacy must be met with ever fewer resources, which means always to do more with increasingly less. This is why efficient economic diplomacy is a legitimate and self-evident requirement.

As already mentioned by Foreign Minister Erjavec and Director-General Raščan, in 2009 Slovenia opted for a model closer to those used in Scandinavia, particularly Denmark. In this model, the Foreign Ministry is the principal coordinator of all economic diplomacy activities and stakeholders, and operates in foreign markets through a single network – the network of diplomatic missions and consular posts. The latter is the second most important element of the model. This organisational structure is also known as “single tier” economic diplomacy. A country like Slovenia simply cannot afford a multi-institutional network abroad.

Economic diplomacy involves complex inter-ministerial partnerships. On the domestic podium it is clear that the Ministry for Economic Development and Technology is responsible for trade policy by drafting and executing policy documents on internationalisation, including different tools for promotion of the Slovenian economy abroad. On the other side the Ministry for Foreign Affairs with its network of embassies and consulates is the main “performer” of economic diplomacy activities. We are talking about Slovenian economic diplomacy engagements and management.

5. Slovenian Economic Diplomacy Engagements and Management

The main elements of the Slovenian diplomacy engagements and management are:

- a) The activities of economic diplomacy are compulsory and a priority of all bilateral diplomatic and consular missions, even if they have no diplomat for economic affairs. The heads of mission (Ambassador, Consul-General) are obliged to engage in, and personally participate in activities of economic diplomacy. They are required to draft reports to the Minister every six months on their activities in this field. Our French colleague discussed the changing of the culture of diplomacy. This is just about that.

- b) The Directorate for Economic Diplomacy at the Ministry of Foreign Affairs is responsible for providing guidance and the coordination of Slovenian economic diplomacy carried out through the diplomatic network, especially for guiding the work of economic advisers assigned to embassies. The Directorate drafted and issued obligatory operational guidelines for work, for reporting on and evaluating the activities of a particular bilateral diplomatic and consular mission in the field of economic diplomacy. This may appear like a bureaucratic approach. But we can find the same approach in business – the companies also have a plan, periodical reports on the fulfilment of plans and assessment of their realisation. Our experience is that the activity of the whole diplomatic network has really increased and become more efficient.
- c) These guidelines are basically standardised, but are also tailored to the requirements and conditions of each mission. This means that they take into account the specifics of the mission, the interests of Slovenian companies in that market, as well as prospects and business opportunities for developing trade or investments in that market. Priority economic sectors in which activities would be intensified are also enumerated, along with openness to market niches. Some autonomy and responsibility is left to, and expected from each mission staff that has to assess whether there are or are not real opportunities for Slovenian business. Guidelines for missions that have an economic adviser are rather more detailed, and reports must be made quarterly.

The above-mentioned guidelines define the content of reporting, with a wide range of concrete actions and the work of the economic adviser, as well as the diplomatic mission as such. The missions have to identify business opportunities, organise events to promote and support companies when entering the market or expanding their business. The core elements of those actions are initiative and networking. The activities of economic diplomacy must be proactive. Some of our colleagues, for instance the French colleague, explained that they have also some kind of benchmarks or criteria.

- d) An embassy or a consulate needs to get its officials out of their offices, to places where they can make a wide range of contacts which should be used for a certain purpose and according to a plan. This also entails moving out of the capital city, visiting different regions, and pursuing opportunities as they arise. Meeting heads and executives of business enterprises, regional industries and business associations, cultivating contacts with economic journalists, visiting business scholars and cultivating regional and provincial administrations are all part of the toolkit. It is again about what the French colleague remarked, about the culture of work which has to change in relation to the pattern in the past diplomacy.

e) Diplomatic missions or economic diplomats usually need certain financial resources to conduct these activities, for the purposes of renting meeting rooms, conference rooms, or audio-visual equipment for a promotional event, to host a working lunch or dinner, etc. For such purposes, the Ministry of Foreign Affairs established the internal “Economic Diplomacy Project Fund” for one fiscal year which is dedicated to the activities of diplomatic missions abroad. Before, when the ministry, the central office, started to press on our diplomatic missions abroad to do more, to do something useful for companies, they replied “oh, we would, but we don’t have any money.” So we established this fund whose use is very rigorously limited only to these economic activities.

One part of the fund is assigned in advance to all bilateral missions to cover smaller events or costs up to 300 Eur per event. These resources may be used only for the purposes of economic diplomacy. The second part of the fund remains unassigned in the ministry, and individual diplomatic missions can apply for it with well-prepared projects worth more than 300 Eur. The funds are granted by the Directorate leadership which decides on the basis of project assessment. The criteria are set out in an internal regulation issued by the Minister. Just to mention a few of these criteria: the event or project needs to have potential benefits for Slovenian companies; the event or project should be basically open to at least a group or segment of Slovenian companies and usually a financial participation is envisaged on behalf of the “clients” – meaning by Slovenian companies.

f) As already mentioned, the Foreign Ministry has established or is trying to establish the evaluation of the diplomats’ work in economic diplomacy. In this respect, much remains to be done. The second important element for upgrading the guidance and, finally, the efficiency of economic diplomacy is compulsory reporting. The purpose of that has already been mentioned.

g) The next important element is the introduction of the practice to institute or to perform follow-up activities. Follow-up activities also imply a proactive behaviour, rather than merely establishing how effective or beneficial a certain activity has been. Its purpose is also to see if a company needs some further support or service of economic diplomacy as well as to establish the cases of good practices or lessons learned. The latter is very important to correct and adapt one’s activities. Slovenian economic diplomacy is doing this follow-up more and more persistently. These are all activities at the micro level, but a strategy and priorities should also be adopted at the macro level as a framework for more focused activities.

Strategy and Priorities – Framework of Focused Activities

Economic diplomacy cannot be successful and effective without clear strategic objectives or priorities. It is essential to set up priorities regarding the market or country on which human and financial resources should be focused, as well as priorities regarding the economic sector on which to focus promotional and supportive activities. As we have heard, many countries are doing this. Effectiveness can be achieved only through focused activities and use of resources. The Slovenian economic diplomacy has incorporated this framework into the multi-annual “Programme for Stimulating the Internationalisation of Companies for the Period 2010 – 2014” and into the operational annual action plan for 2013 with its financial plan, as already mentioned by the Director-General.

Last but not least, it is worth mentioning that with insufficient cooperation between all stakeholders and a lack of positive attitude to working together on promotion and internationalisation the economic diplomacy cannot be fully effective. Countries with an effective way of conducting economic diplomacy, such as Denmark, have established national trade boards which are aimed at achieving effective cooperation between all stakeholders and improving cooperation. As mentioned by the Director-General, we have established a Strategic Council for Economic Cooperation, which is co-chaired by the Minister of Foreign Affairs and the Minister of Economy. Some of its members are also leaders of business associations. Including other direct business representatives or eminent persons from business circles, as in Denmark, seems to be a good approach. Through such a body and with appropriate membership, the continued dialogue on the promotion of trade and economic diplomacy can take place between the business sector and state administration.

THE INSTITUTIONAL FRAMEWORK OF DANISH ECONOMIC DIPLOMACY

Karsten Vagn Nielsen*

The Danish Foreign Ministry was established in 1770. Ever since then trade and export promotion has been among its top priorities. However, obviously, the situation has changed since 1770. The challenges that we are facing today have increased considerably. Globalisation and internationalisation have resulted in increased competition, not only for market shares, but also for HR, know-how, resources, research and development.

At the same time we have seen an increased number of trade regulations imposed by governments and international organisations, as well as informal norms and practices developed as part of social habits. The world is far more complicated for our exporters, in particular for the SMEs that prevail in the Danish economy.

The main challenges faced by Denmark are the insufficient number of exporting companies, especially of SMEs, the expanding globalisation resulting in increased competition, and the increased number of trade regulations. Thus, it is required to be far more focused and targeted in export promotion activities.

The Danish Trade Council is a separate entity integrated within the Danish Ministry of Foreign Affairs with the target of creating growth and employment in Denmark. The main strategic targets are an increase in Danish export and creation of new jobs. In numbers it means DKK 30 billion in increased export and 1,050 created jobs. At the moment, the Danish Trade Council generates high value – more than 75 per cent of Danish companies using the services reply so when asked. Likewise, systems for effective sharing of knowledge and organising work efficiently are integrated into a central computerised management system that is used throughout the Trade Council. In addition, and importantly, it has an extensive outreach with a target of 7,500 customers in 2015 as well as an objective of high employee satisfaction.

Consequently, different partners of the Trade Council have diverse yet compatible and synergising objectives. Companies aim at increased export sales, innovation counselling, raising capital, while the Government focuses on the government platform and the Parliament on actions related to economic growth and job creation. Trade organisations look for strategic partnerships.

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A Board of Directors has been established to provide guidelines and ensure professionalism concentrating on value creation and outreach. It is noteworthy that although the system is partly funded by government budgets, the Trade Council should cover 25% of its running costs by its own income.

The Trade Council is focusing on four main business areas:

- global growth: assisting companies – not least SMEs – to start up and grow on export markets
- global public affairs: in particular, to help companies understand and deal with risks, corruption, public/private stakeholders, and other challenges and Corporate Social Responsibility in export markets
- innovation: helping companies get from an idea to the finished product drawing upon capital and expertise from world leading innovative clusters (ensuring access to creativity, constant inflow from other corners of the world)
- investments in Denmark: attracting foreign companies to leading Danish clusters.

Economic diplomacy in terms of global presence is addressed by the Ministry of Foreign Affairs and its representations abroad, principally by 76 embassies, 7 multilateral representations, 5 representation offices, 8 consulates general, 13 trade offices and 4 innovation centres. In this way the Trade Council benefits from the network of Danish embassies and representations abroad. Also, the representations have the responsibility for achieving the objectives of the Trade Council. Ambassadors know the exact number of companies that they need to be in touch with and the amount of money that they need to generate. In practice, this simple mechanism works very well and gives good results.

Regarding the Danish export interests, these are not equally strong in all areas, so a strategic choice has been made. Danish companies are strong in construction and architecture, food and agriculture, furniture, design, fashion and textiles, health, energy and environment, and ICT. By focusing on these areas we can build strong sector competences and ensure a high degree of sector knowledge.

The services that Danish embassies are providing on a daily basis consist of free of charge services, chargeable services and specially funded services for SMEs. The payment scheme of the Trade Council implies that Danish companies are charged 125 Eur per hour of services. However, in this way higher quality services, driven by customer demand and competition, are generated. Through this scheme customers are expecting to receive a professional service.

THE FUNCTION OF MODERN DIPLOMACY

Dr. Boris Cizelj*

There are several reasons why the function of diplomacy, particularly in the economic domain, has changed dramatically after World War II, and even more so since the 1980s:

- a. Technologies applied in manufacturing and the pressure of growing labour costs have pushed production volumes so high that for many products only the world is the optimal market – therefore more economic intelligence is needed than ever. At the same time the role of states in economic processes has increased everywhere.
- b. Modern information society, with the Internet Revolution, has made communication and dissemination of information at the global scale extremely quick and inexpensive, and consequently physical distance among actors in many respects does not matter.
- c. The speed of technological change – depending on the capability to apply new knowledge in the production processes - has increased to such an extent that monitoring what our competition is currently doing and preparing for the future has become a question of survival.
- d. More than ever in the past have countries, regions, cities, and of course companies and other organisations realised that their progress and future depend on knowledge, creativity, and innovation, and these can be home-grown or imported.
- e. In spite of all virtual communication and widely practised electronic spying, conventional intelligence with operatives (including diplomats) on the ground still remains important and has grown into various forms and patterns.
- f. Due to the increased intensity of information dissemination, diplomats are expected to play a much more active role in promoting their country's products, organisations and ideas – however, without receiving even elementary training on modern communication and promotion techniques.

How successfully and quickly does the diplomatic service – with its millennia-long tradition – adapt to these new circumstances? Should we assume that gathering economic and technological information represents nowadays the key function of diplomats? Are there major differences among diplomatic services of various countries, and if so, how can we define them? There is no single answer to these questions.

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Diplomacy is one of the oldest functions of the state and it is understandable that many countries find it difficult to modernise it to the extent necessary in view of the changes described above. These efforts depend on the available human and material resources, and one should say that even in countries which face fewer constraints in both areas, it often remains a business “in progress”. If one looks at the in-house briefing programmes of some of the major European countries, modern economic subjects are still under-represented. On the other hand, a number of smaller European countries, such as Switzerland, Denmark, Sweden as well as Israel, not to mention Canada, Australia, Japan, and Korea - they all make a much better effort to prepare their diplomats for their economic function.

There is also another approach to economic diplomacy and promotion: the United Kingdom, and some of the Commonwealth countries, do it rather successfully through the system of Trade Commissioners, while Austria does it through representation offices of the Federal Economic Chamber (a very strong, public law association).

Referring to the educational profile of diplomats, in most countries the majority of their diplomats come from legal and political science backgrounds. Also, very few countries welcome into their diplomatic service people from business. It is true that they need to learn quite a bit on subjects not known to them, but they have a different mind-set (an important asset), and would bring to the embassy the “missing” perspective – of course, if the head of mission and the other colleagues would appreciate it.

During the briefing programme for the outgoing diplomats, the economic side is very often rather modest. In order to be able to perform their jobs properly, it is not enough to visit the ministry of economic affairs, the national chamber of commerce and industry, and perhaps the national bank. They should receive a solid briefing from the leading economic institute in the country, and visit a good number of companies that are already active in the respective market, or are interested to do so in the future.

The next thing is communication: many ministries insist that all communication has to be channelled through their conventional network. Naturally, the head of mission should be informed about his economic adviser’s activities, but the communication with companies should be direct and relieved from heavy bureaucratic procedures.

In line with the nature of servicing companies when visiting the respective country to resolve some major issues which are not of a conventional commercial nature, a good economic diplomat should not be prevented to accompany a senior delegation – of course depending on the nature of the economic and political system in the country concerned. While in some countries it is a must, in others it may be counter productive.

There is also the issue of dissemination of economic intelligence gathered by diplomats in the country of their posting. Much of this should be made available to relevant companies in their home country, which is seldom the case. If the diplomat structures the information adequately, he/she should also indicate to the Ministry who should receive the information, and that should be respected. Very often people in the ministries treat economic information, which could be accessed even via the Internet, as “Confidential”, not understanding its potential value, or simply to save themselves from the “trouble” of having to disseminate it to a select mailing list.

Besides gathering information the main role of economic diplomats nowadays is networking and promotion. These activities require individual contacts and “soft skills” which will determine the success of their efforts to bring in contract prospective business partners from the two countries. With rather little trouble one could present videos, websites, and promotional brochures, and develop the interest on both sides for further direct contact.

Another contribution which economic diplomats can make to promote their country is by presenting good practice cases, which every country has, but many do not know how to promote them internationally.

Finally, a modern economic diplomat will pay particular attention to the sector of research and development. Firstly, because by connecting R&D partners, at least very often, business collaboration will develop at some stage, either bilaterally, or maybe some joint projects could be developed in third markets. At any rate these are potentially very promising contacts, though they require quite some nurturing in their initial stage.

For conclusion, let us summarise that economic diplomacy represents – at least for medium and small countries, with limited influence on strategic, political and military issues in the international arena – probably the most important function of modern diplomacy. However, in order to be successful, ministries need to engage the right people, give them proper briefing on skills required, allow them free communication, and provide them with resources necessary for networking, entertaining, and travelling. This investment will surely be paying good dividends.

ECONOMIC DIPLOMACY AND THE ROLE OF THE ECONOMIC DIPLOMAT

Dr. Ljubiša Adamović*

The European Center for Peace and Development of the UN (United Nations) University for Peace (ECPD) is located in Belgrade due to the fact that the former Yugoslavia has been accepted by the countries of the divided Europe as a best location, both by the Eastern and Western blocs. The vitality and importance of the ECPD was strong enough and survived years of turmoil including sanctions against the country of location and even 78 nights of bombing by NATO air forces and their direct or indirect supporters and collaborators. As a matter of fact, as time went by, ECPD has enlarged its activities – both in the number of programs, and geographic areas of its presence. As a research and educational institution, ECPD offers graduate courses at master and doctoral level in the areas of general diplomacy, as well as in economic diplomacy. I believe that in the not so distant future we will organise studies in cultural diplomacy.

In that respect we are trying to satisfy demands which are driven by the current process of globalisation and integration, in other words based on the process of internationalisation of all the walks of life.

Due to its structure and mission, ECPD has many advantages in comparison with “classical” universities. We do not have tenured professors, but professors who teach on contract basis. If students and administration are pleased with their performance, individuals will be re-invited. If that is not the case – cooperation ends after the first experience. Our list of professors includes about 160 well-renowned and internationally known distinguished individuals, some of them from Slovenia.

ECPD as the European branch of the UN University for Peace is not financed by any government, and functions on the self-subsistent basis. However, it would be unfair not to recognise the great help provided by the government of former SFRY¹ and now of the Government of the Republic of Serbia as one of the country’s successors. That support is in the form of excellent premises in the most prestigious location in Belgrade, equivalent of Manhattan’s Fifth Avenue! Otherwise, ECPD has to function on the self-financing principle. It means organising research projects, students’ tuition fees, and rare donations.

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¹ Socialist Federal Republic of Yugoslavia

As I understand the problem, economic diplomacy is practised simultaneously with the so-called general diplomacy, but we did not use the term “commercial diplomacy”. Traditionally, we have commercial attachés, economic counsellors. Teaching at the US Foreign Service Institute in Washington, D.C., I learned that “the main business of American diplomacy is – business” – promotion of US economic interests abroad, both via expanding US economic presence and influence as well as attracting foreign investors to enter the US economy. And as international experience shows, ambassadors from time to time could be political appointees, sometimes totally ignorant of diplomacy, which is not supposed to happen with persons in diplomatic missions unless they have economic experts.

Discussing the issue of personality of an economic diplomat, it seems to me that the precondition for his/her successful performance abroad is to know well the performance, system, problems and priorities of the national economy of the country he/she comes from. To achieve this goal, besides good professional education, it is a condition *sine qua non* that any potential economic diplomat has practical experience of working in a business firm. The other important condition is to have some personal characteristics like a capacity to deal easily with people both along the business and private contacts. Your current or potential partners have to feel comfortable in your presence and in dealing with you.

Without having the capacity to create a pleasant and favourable environment for your (potential) partner, the fact that a person can have a Ph.D. in political sciences, economics, diplomacy, etc. will not be of much help. That person could be excellent in preparing briefs, writing analyses, but not for practical diplomacy. In other words, good professional education is just the basis, practical experience in business activity has to follow, but then comes one feature which cannot be learnt in school – the capacity to achieve good human contacts and a pleasant environment conducive to business conversation.

Again, there is one thing which the economic diplomat has to be aware of: a permanent need to be in the know about what is taking place in international economic relations, first of all the current trends, but also long-term trends as much as they are foreseeable. Currently there is a general clamour about the XXIst century being the Asian century. My opinion is that this type of expectation has to be taken with a grain of salt. The rate of economic growth is in some countries impressive, but it cannot last endlessly. Asian economies are going to face new problems as a consequence of their current intensive growth.

The US economy is facing an inevitable process of transition of its own character due to the changes in the global relationships of economic forces. During one relatively

short period from 1990 until 2000 the US enjoyed the privilege of the illusion that the world is unipolar and that US supremacy is not going to be challenged. However, in the beginning of the XXIst century we are facing a multipolar world, with the US as main player, but not unchallenged. Besides, the US is overstretching its military power, with enormous costs compared with smaller benefits even for the military-industrial complex. To say nothing about the need to improve infrastructure within the USA, which can hardly be done simultaneously with the strong military engagement abroad.

The next issue which I would like to note is the growing process of economic globalisation and integration. This is nevertheless a double-edged blessing. New opportunities are provided, but with new increased risks. Economic globalisation has brought, among other things, 400 million new labourers on the global labour market, taking those millions out of poverty, but opening new problems in the area of employment in Europe and the United States.

I am mentioning these issues as an illustration of what kind of a burden and pressure a successful economic diplomat has to carry in order to be successful. This is not a clerical job from 9 a.m. to 5 p.m. but, in a way, it is a specific way of life. Therefore, in case those individual candidates for this position are not aware of the field, it is a must for institutions and personalities in charge of this activity to select them properly by taking into account the above-mentioned remarks.

THE ROLE OF DIPLOMACY IN ECONOMIC CRISIS

Zvone Dragan*

Efficient economic diplomacy is one of the important factors contributing to the successful solving of the economic crises. Its results are particularly important for the improvement of the balance of payments, for intensifying the export average and the acquisition of net foreign investments as urgent generators for the rebirth of economic growth. During crisis economic diplomacy has to quickly adapt the content of its work (program priorities, key markets) and increase its operativeness in cooperation with state organs or local and foreign companies. Firstly, governments and ministries of foreign affairs and economy should give diplomacy clear directions for their concrete functioning under crisis conditions. That is why in cooperation with the market and its subjects they have to draw an anti-crisis strategy containing concrete goals for the penetration of traditional and new markets, adopt active support measures for exports and create stimulating conditions for a more efficient acquisition of net foreign investments.

One of the essential conditions for the elaboration of a clear strategy for the successful implementation of economic cooperation with individual countries is the effective coordination between the Ministry of Foreign Affairs and other state bodies (active in the field of economy, finance, infrastructure, etc.), chambers of commerce and existing (and potential) exporting companies and regional organisations. This is the only way through which the foreign diplomatic service can get clear and concrete directions for their work in the receiving country.

In order to get a solid basis and clear directions for the shaping of concrete plans for the functioning of economic diplomacy or diplomatic-consular missions (DCMs) in particular countries - especially those that belong within the framework of priority markets for export and own the available capital for investments in the national economy projects, that contribute to the faster recovery of economic growth, ensure new employment and address structural inconsistencies - DCMs should operationalise the directions they receive from their governments and they should complete them according to the concrete conditions and real opportunities in the receiving countries.

Hence in crisis conditions the tasks in the field of economic diplomacy are undoubtedly among the DCMs' most important tasks. The results achieved in the development of bilateral economic relations with an individual (especially priority!) country represent one of the central criteria for the assessment of the efficiency not

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only of economic counsellors, but also of ambassadors or entire DCMs. This is paramount chiefly for countries where there are small diplomatic teams, oftentimes without economic counsellors. Naturally, this also holds true for the performance rating of ministries of foreign affairs, mainly their organisational units that directly guide the diplomatic-consular missions' work in the field of economic diplomacy. The essential elements of the assessment are the following: increasing the volume of goods exchange, notably export; common projects' acquisition and accomplishment, and based on this the inflow of the net foreign capital. Above all, it is crucial to consider the performance rating of the diplomatic-consular missions as given by companies themselves.

Services specialised in economic diplomacy (e.g. for bilateral and multilateral economic relations, for the promotion of internationalisation of economy) are directly (operationally) responsible for the foreign ministries' tasks in the field of economy. Nonetheless, during the period of fixing the economic crisis this is the main priority. The entire diplomatic apparatus (home office and before all else foreign offices) headed by the Minister should place the active support to companies activating in foreign markets among their most important tasks. Such an approach is preeminently the case for relatively small diplomacies (diplomatic teams) also during the post-crisis period, the period of stable economic development.

In this case we should take into account that state regulation or state interventionism increases in times of sharpening global economic crisis, especially in so far as imports and development policies are concerned (investments). With this also the possibilities of a more efficient economic diplomacy increase (direct lobbying in state and parastatal organs). It is highly important that governments or foreign ministries directly give their ambassadors very concrete guidelines for their tasks in the field of economy, usually for one year, within the framework of the basic tasks that should be defined at the beginning of their mandate. This is the only means to strengthen the ambassadors' responsibility and shape the criteria for assessing their efficiency. Similarly, the efficiency of economic counsellors or diplomats in charge with economic diplomacy and local experts should also be assessed, and through this the efficiency of the entire embassy or economic consulate.

It is in this framework only that very concrete operational plans (yearly and for shorter periods) can be shaped. Such pressure on the DCMs and personally on ambassadors and economic counsellors, above all in priority markets, can trigger (and this more often than not happens) negative reactions of certain ambassadors, especially of those who do not possess any inclination (or competence) for the diplomatic tasks in the field of economy or of those who even underestimate such tasks. A small share of individuals even believes that this is not part of their duty, for they are not salesmen.

There are special departments responsible for economic diplomacy (directorates, sectors, etc.) within foreign ministries. The predominant part of their tasks is comprised of bilateral economic affairs with individual countries and mostly of activities regarding the promotion of national economies. These specialised (“central”) diplomatic teams communicate practically daily with individual DCMs as well as with other sectors of the ministry of foreign affairs, and further on with other state bodies, economic associations, all the way to companies themselves.

For particular countries it makes sense to prepare so-called export offers which take into account the specificity of individual markets (contrasting real offers with potential demand), and at the same time to prepare project offers for the acquisition of foreign net investments. This is the only way DCMs could be more efficient in their promotional and lobbying activities.

It is crucial to design an integrated/ unified information system that would ensure a more adequate support of the DCMs to their national economy:

- standard form for e-communication with economic counsellors or with DCMs
- designing and upgrading the websites of DCMs with contents pertaining to economic diplomacy
- ensuring the adequate transfer of useful information between DCMs and their corresponding foreign ministries, and other ministries, agencies for foreign economic relations, chambers of commerce etc., about business proposals, offers or inquiries, tenders, etc.

At the same time with the growing pressure on DCMs that generally during crisis periods ministries of foreign affairs largely increase with the aim of achieving higher results also the reactions of DCMs are more intense or their demands for a quicker and higher-quality response of the foreign ministries and other institutions to their information/ initiatives/ suggestions. Obviously there is a need for a more effective two-sided communication and parallel coordination between the different bodies of the ministry and other involved institutions, prevailing in the case of official economic delegations, when we talk about the so-called well-organised follow-up activities.

In priority countries (markets) it is necessary, in spite of the limited budget, to strengthen the economic departments of DCMs or to provide help to the existing economic counsellors, according to the needs also with trained cadres (specialists for individual markets) coming from outside the circle of career diplomats, in the most important locations doubled at least short-term by specialised local experts trained for an immediate operative cooperation with business partners in the receiving

countries. Especially in these DCMs among the priority tasks of ambassadors belong those in the field of economic diplomacy. In times of crisis this is valid for all or at least for most of the DCMs. Since in fact economic counsellors do not bear the entire burden of the accomplishment of the economic diplomacy directions this inevitably directly involves ambassadors.

Within their priority tasks we encounter the following: the representation and protection of national economic interests; active help to companies for the promotion of their programmes/ projects of business cooperation to foreign partners (in the case of important companies also to state organs and agencies in charge); direct lobbying for attracting new businesses (for essential companies this also involves ambassadors' personal lobby); special help to middle-sized and small enterprises (SMEs), primarily during the initial phases of their approaching foreign markets and in their search for market niches. As long as oftentimes »clusters« of related or complementary SMEs are more efficient in their penetration into foreign markets economic diplomacy should devote special attention and offer them an active support.

Large companies with their own networks in priority markets are capable of best estimating themselves their need for support (including certain forms of lobby) in their quest for larger businesses/ projects. This is crucial in those countries that own an important stake in various business systems (fields) and consequently they can directly or indirectly (state agencies or supervisory authorities) influence business subjects' decisions. In these cases economic diplomacy's regular work is not sufficient and the level of the active state support to economy should be increased. That is why the highest ranked state servants (heads of states, prime ministers, ministers of foreign affairs and economy) are involved in the role of national economy capacities promoters and general lobbyists for enhancing economic cooperation with individual countries and supporters of the most important projects.

Economic diplomacy only occasionally and quite inefficiently functions in the so-called non-resident countries that are only rarely visited by ambassadors and economic counsellors. In these situations a higher advantage should be taken of the services offered by honorary consuls, particularly those who are well-known and financially powerful businessmen. That is why it is necessary to search new candidates for honorary consul's posts among these circles. In countries where there are resident ambassadors honorary consuls can be appointed in important economic centres outside capital cities.

Promotion activities in times of crisis should be intensified notably in those traditional and new markets that promise better short-term effects ensuring a faster

exit from the crisis of national economies. The following promotion activities are normally successful: carefully planned participation in general and specialised fairs; clear goals and quality offers/ programs of the organised state-economic delegations; specialised business delegations to key partners (independent or with the support of economic diplomacy); economic diplomacy's support (diplomatic-consular missions) to companies during their visits to important ministry representatives and state agencies or local organs; active participation in different economic conferences and TV presentations on economic topics, particularly about the possibilities of bilateral economic cooperation's faster development.

In times of crisis it is imperative to increase the activities of interstate or intergovernmental commissions for economic and scientific-technical cooperation. The relevant ministries, chambers of commerce and diplomatic-consular missions of both countries have to prepare an as much as possible quality basis and solution recommendations for both delegations, including the practically coordinated texts of individual agreements aiming at the increase of trade, capital and technology flows.

In spite of the strict saving of the state financial resources the linear reduction of resources available to economic diplomacy is unacceptable mainly because of the positive payment-balance effects, even when the entire budget for diplomatic purposes is cut down. If any area of diplomacy during times of general cuts is the exception, this is economic diplomacy, chiefly in priority markets (countries). With earmarked funds and with inner redistribution the material and human resource basis for the successful functioning of economic diplomacy should even be increased. Above all the economic counsellors and local experts network should be strengthened in priority markets.

Thus crisis times imply a higher engagement of the entire diplomacy, prevalingly of ambassadors and economic counsellors themselves in their strives to offer an efficient support to their economies for penetrating foreign markets, a real picture of their domestic economic situation to foreign partners and concrete possibilities for the improvement of economic cooperation, including the conditions for capital investments in projects attractive to foreign partners. Especially export economy in the Internet era does not need general information about the economic situation in receiving countries. Nevertheless, it desperately needs (particularly SMEs) concrete information that helps taking timely and optimal decisions which open the right doors and channels to foreign partners. Hence, economy, first and foremost for the exit from economic crisis, requires an efficient and pragmatic economic diplomacy. In this context its financial resources would also be much easier to justify to taxpayers.

II. INTERNATIONALISATION OF NATIONAL ECONOMIES

KEYNOTE ADDRESS

Samo Hribar Milič*

Excellencies,
Ladies and gentlemen,

During the next 10 minutes I would like to share with you an overview of the importance of exports for, let us say, tiny Slovenia. I would also like to discuss some dilemmas and challenges for exports' future development and especially export support in Slovenia. I would also like to share with you some proposals which have been prepared within the Chamber of Commerce and Industry of Slovenia, together with the Slovenian business society.

Let me first briefly underline some basic data about the Slovenian economy these days. First of all, we are quite aware that in 2013 we could expect a further fall in our GDP that according to our Chamber's analysis could be even higher than 2%. It is definitely true that the crisis is still here and it strongly persists. But on the other hand, I have just received information on imports and exports in the first quarter of this year, and I would like to stress that Slovenia is among the top 3 EU countries ranked by export growth. So exports are more and more important for Slovenia and they are really the driving force for Slovenians these days. Yet it is still important that we are aware of the fact that it is not true, as many think, that exports represent a 2/3 share of the Slovenian GDP, since it is a comparison of the value of exports with GDP. On the other hand it is true that about 34% of the total Slovenian turnover is generated on international markets.

I think it is also important to acknowledge that Slovenia is not so strong when we compare our exports' structure with the whole economy's structure. What I would like to say is that in 2012 just 200 Slovenian companies generated some 50% of Slovenian exports and about 600 Slovenian companies generated 85% of all Slovenian exports. According to our statistics, 13,000 Slovenian companies generate some turnover on international markets, but more than 10,000 of them only on former Yugoslav markets. This is not an advantage, of course, but it definitely is an opportunity. According to our estimations, companies that are competitive either in Slovenia or in the Balkan region have a strong possibility to become globally competitive.

If you go to our shops, our restaurants and so on, there you will find products from South Africa to Russia. It is not however the same with our products in those

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countries. So we have to enforce our brand and seek every opportunity to become competitive in the international markets. A lot of companies, especially smaller ones, need support and promotion. I think that there is room not only for economic diplomacy but also for the whole, let us say, supporting sector in Slovenia, from the Chamber of Commerce and Industry of Slovenia to ICPE and other institutions, to help Slovenian companies, especially SMEs, to enter global markets. There is in particular enough space to enhance and facilitate SMEs' entering neighbouring countries, for example Italy, Austria, Bavaria in Germany and others.

I am sure they could be competitive and they could generate significant turnover in foreign markets and therefore contribute to Slovenian export results and also to Slovenian social stability.

But let me finish with some remarks regarding our economic diplomacy. There is no doubt that the business community in Slovenia frequently complains about it. First of all I would like to stress that the visa regime is not sufficiently developed. There are quite significant obstacles for bilateral relationships with several countries, including India. Not only are procedures extremely slow and complex and the business environment is over-regulated, but also our attitude towards the need for changes is often inappropriate. Today, later on, we are organising a meeting with the Minister of Foreign Affairs, Mr. Erjavec, and this will also be our first remark or proposal. With an improved visa regime we could improve our bilateral relationships. Not only would business relationships benefit, but also tourism, cultural relations, etc.

Second, in our history we have developed extremely good relationships with a lot of countries in Africa, Asia, and also some others where the Slovenian brand is still very strong. But on the other hand it is not enough just to sell our products and services. So, the so-called "buy back" system would also be appreciated if we could develop it together with other organisations. Here I think the government could and should play a significant role.

There are also severe obstacles for foreigners interested in entering the Slovenian market. Procedures are often complicated and drawn-out. We receive a lot of complaints from all sides and I hope that we can improve this system.

Later on today my colleague Matej Rogelj will present to you our so-called Go international Slovenia programme, covering more than 100 measures intended to improve the position of Slovenian exporting companies around the world. But I would like to underline that the brand "made in Slovenia" is not sufficiently developed and it is extremely important that we do all that we can in order to improve its reputation. Due to our problems and also because of this international analysis on corruption in Slovenia the brand "made in Slovenia" loses its reputation every day and I hope that

a special programme will be prepared to improve it. I am sure that we are all aware that by having a very poor brand the achievements on the market are much weaker than they could and should be.

Finally, I would call for a better cooperation between different institutions in Slovenia, especially between our Chambers - having a very strong network among companies in Slovenia, we used to say that we practically know everybody in Slovenia - with our economic diplomacy. We do not ask for a lot, just to inform each other, to share the information, also our material, and to really help every single company to enter different markets around the globe, to make contacts and to get the right idea of what is going on in those markets. I am sure that with a very sound and simple cooperation, and with a better attitude, we could help our companies to be more competitive in different countries.

Thank you very much for your attention and I am looking forward to cooperating with ICPE also in the future.

INDUSTRIAL DEVELOPMENT IN A CHANGING GLOBAL LANDSCAPE: THE ROLE OF UNIDO

Olga Memedović*

UNIDO began in 1961 with the creation of the Centre for Industrial Development within the UN Department of Economic and Social Affairs (UN DESA). In 1966, an autonomous body was established by the UN General Assembly Resolution 2152 to “promote and accelerate the industrialisation of the developing countries”. In 1986, it became a specialised UN agency with a constitution, member states, policymaking organs, an executive head, and a regular budget. UNIDO is the only UN specialised agency that promotes wealth creation and poverty eradication by targeting real economy and capacity building of governments with the mandate to promote an inclusive and sustainable industrial development. Industry, manufacturing and productive activities are drivers of technological learning, innovation and economic development. They are vital for job creation, sustainable livelihoods, food security and equitable growth, and are the key requirements for eradicating extreme poverty in low and middle income countries (LIC and MIC).

UNIDO is governed by 172 Member States that meet every two years at the UNIDO General Conference (GC). As the supreme governing body, the UNIDO GC sets the guiding principles and policies, approves the budget and work programme, appoints the Director General, elects representatives to the Industrial Development Board (IDB; 53 seats) and the Programme and Budget Committee (PBC; 27 seats). By income level, 35 UNIDO Member States are classified by the World Bank as Low Income Countries (LICs) and 97 as Middle Income Countries (MICs). Due to the diversity of the Member States, UNIDO responds to a variety of different needs and different challenges.

Currently, UNIDO has 2500 international and national experts working on technical assistance projects in 100 countries and employs around 700 staff members at its headquarters and other established offices around the world, including 143 staff in 54 field offices, and 1614 project personnel (as of 11 January 2013). In addition to its headquarters in Vienna, UNIDO has liaison offices in New York, Geneva and Brussels, 19 Investment and Technology Promotion Offices, around 40 National Cleaner Production Centres/networks, 50 Subcontracting and Partnerships and Exchange Platforms, and 10 Industrial Technology Centres.

UNIDO’s budget consists of a regular budget financed by member states’ assessed contributions and an operations budget financed from the technical cooperation

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support costs on a biennial basis. In addition, many member states also give voluntary contributions to the Industrial Development Fund for TC activities.

The Organization offers four mutually reinforcing categories of services such as technical cooperation, analytical and policy advisory services, standard setting and compliance, and a convening function for knowledge transfer and networking. UNIDO technical cooperation work focuses on three thematic priorities including poverty reduction through productive activities, trade capacity-building, and environment and energy, and is divided along six technical branches: agribusiness development, business, investment and technology, trade capacity-building, environment management, energy and climate change, and Montreal Protocol, which are responsible for project development and implementation.

This structure enables UNIDO to meet four Millennium Development Goals (MDGs), namely: MDG 1 to eradicate extreme poverty and hunger; MDG 3 to promote gender equality and empower women; MDG 7 to ensure environmental sustainability, and MDG 8 to develop a global partnership for development. UNIDO has more than doubled its technical cooperation delivery over the past ten years and the substantial fund mobilisation, while the portfolio of pipeline projects is a promising basis for future cooperation with Member States.

UNIDO's Regional Programmes are part of the Programme Development and Technical Cooperation Division, and consist of the Africa Programme, the Arab Programme, the Asia and Pacific Programme, the Europe and Newly Independent States (NIS) Programme (led by Ms. Olga Memedović), the Latin America and the Caribbean Programme.

The region of Europe and Newly Independent States (NIS) also acts as a regional office and covers 29 countries that are highly diverse in terms of size, location, population and social development. The challenge facing the region is the transformation process started in the early 1990s. Transition from a centrally-planned and self-managed economic model to the establishment of a modern market economy is the overarching goal of the region. The Programme plays a key role in the development, coordination and monitoring of UNIDO technical cooperation programmes and projects, and it works to generate and disseminate industry-related knowledge through the promotion of global forums. The three core functions of the Europe and NIS programme, namely strategic demand management, relationship management, and country portfolio monitoring and management, are pursued to achieve following goals:

- systematic analysis of recipient countries' development priorities and demands, as well as donors' geographic and thematic priorities

- providing up-to-date and relevant information to Member States' permanent missions in Vienna, and to local partners and beneficiaries at the country level
- efficient and effective interaction with various stakeholders, national governments, international organisations, and the private sector for project identification and formulation, and for initiating, designing and organising global forums of regional relevance.

Today, with many countries facing similar challenges in balancing economic growth, environmental sustainability and social and economic inclusion, UNIDO's mandate is relevant more than ever. At the global level, a number of efforts are under way to shape the post-2015 development agenda and reconcile economic and social progress with environmental sustainability. UNIDO, as a platform to debate innovative ideas of how sustainable production can effectively ensure inclusive and sustainable economic growth, contributes to these global efforts.

Production processes that are less carbon-intensive can save energy, reduce consumption of non-renewable resources, and minimise greenhouse gas emissions, while also stimulating innovation, technological change, diversification and job creation. However, prospects for the rapid uptake of green technologies and less greenhouse gas-intensive production processes will depend on the effectiveness of government strategies, policies and programmes to overcome various market and behavioural failures preventing their widespread use in industry and society. Building partnerships with international organisations, public and private sectors, and civil society organisations is crucial for managing the transformation towards inclusive and sustainable industrial development. It will increase the ownership and quality of governance, and will make sustainable policies more effective.

The transition towards decarbonised economies calls for concerted efforts by the international community through international cooperation, starting with the observance of internationally agreed treaty requirements; ministerial dialogue; South-South and triangular cooperation; and public-private partnerships to deploy the best available technologies, implement benchmarking and monitoring schemes, and foster innovation through long-term, strategic plans for resource and energy efficiency. Indicators for tracking the availability of non-renewable resources and the efficiency of resource use should be developed and used to assess progress and the long-term effectiveness of policies. These indicators should be an integral part of the sustainable development goals, and of all monitoring and enforcement regimes.

UNIDO's responses to these challenges through concrete actions include, for instance, achieving sustainable production and consumption using smart business models, greening of industry under the Montreal Protocol, greening of industry and

green industry, waste and water management, and eco industrial parks. In green industry the focus is on technical cooperation projects, research and policy advice, broader partnerships, convening roles and multi-stakeholders platforms (for instance, the Vienna Energy Forum takes place every year).

Further, countries must address new international rules on trade, globalisation in industry and services, and the rise of global value chains (GVCs) and global innovation networks (GINs). Since 80 per cent of global trade is comprised of GVCs mediated by Transnational Corporations (TNCs), the ability of local enterprises to trade internationally depends increasingly on their ability to comply with the plethora of internationally agreed and private standards.

UNIDO supports enterprises to produce and supply competitive, safe, reliable and cost-effective products. Of particular importance are the standards regarding food hygiene and food safety (ISO 22000), quality standards (ISO 9001), environment standards (ISO 14001), labour and social standards (SA 8000), safety standards (OSHAS), testing (ISO/IEC 17025), calibration, traceability (farm-to-fork), and private standards (Global GAP), social accountability (SA 8000) and social responsibility (ISO 26000).

With the globalisation in industry the comparative advantages are no longer “thick” and impenetrable, but volatile and kaleidoscopic, and intensified competition on national and international markets, and new international rules and agreements mean that local enterprises can no longer be left alone to address the multiple challenges arising from these processes. There is a pressing need for economic, science and technology diplomacy, a need to think strategically and analyse where value is created in value chains, and which activities are subject to raising, and which to decreasing returns, who are the strategic partners from whom new knowledge and skill scan could be leveraged and information on new markets obtained. UNIDO’s response is based on knowledge dissemination on these processes, analysis and policy advice. To support social and economic inclusion UNIDO programmes have been implemented with a focus on entrepreneurship, job creation, investment promotion and SME development.

Building partnerships with international organisations, public and private sectors, and civil society organisations, is crucial for managing the transformation towards an inclusive and sustainable industrial development. UNIDO encourages partnerships with the private sector and ensures the commitment of the private sector to sustainable development through various agreements. For instance:

- a) UNIDO and METRO Group Agreement: local supply chain upgrading to meet food safety, quality, social and environmental standards, and the establishment of sustainable GVC linkages in Egypt, India and the Russian Federation. Projects are also planned in Armenia, China, Indonesia, Kazakhstan, Pakistan, Turkey and Vietnam.
- b) UNIDO and H&M: cooperation on sustainable supply chain development in the textile industry, applying the principles of corporate social responsibility and practices in Turkey.
- c) AEON, Auchan Group, Migros and Walmart have negotiations for sustainable suppliers in Malaysia and the Russian Federation.
- d) UNIDO-Carlsberg Group Agreement (2012): the world's leading brewer, recognised for its water and energy efficiency, has a US\$ 25 million investment in environmental projects in the Russian Federation related to water, agriculture and climate change.

Major business partnerships have been created in Africa:

- with HP on business and IT training, that resulted in:
Nigeria: 163 business start-ups, 255 jobs facilitated, 361 persons increased efficiency in the work place, 73 entrepreneurs increased revenues and profits
Uganda: 20,000 jobs were created, 50,000 students trained, and 270 trainers certified
- with Chevron:
an entrepreneurship curriculum was developed in Angola with the outcome of 139 teachers trained, 770 education officials trained, 10,000 students learning entrepreneurship in secondary schools, and roll out potential to reach 500,000 students
- with Volvo:
vocational training was provided in Ethiopia, and the expected outcome is 30 students a year).

Apart from business partnerships, UNIDO also mobilises political commitments by setting holistic and coherent framework programmes of cooperation with individual countries and their institutions as follows:

- a Framework Programme of Cooperation between UNIDO and Azerbaijan for 2013 – 2017

- a Framework Programme of Cooperation with the Government of the Republic of Belarus 2013 – 2017, and
- a Country Programme Framework (CPF) for Kazakhstan for 2013 – 2016.

In delivering technical cooperation services on the ground, UNIDO's participation in the UN Development Assistance Frameworks and 'Delivery as One' is vital to ensure the coherence and effectiveness of UN operations. From the countries of coverage of UNIDO Europe and NIS programme, 16 countries are undergoing the UNDAF/DAO cycle (12 UNDAF and 4 Delivery as One - DAO).

UNIDO also works to secure funding to support LICs' and MICs' sustainable development. It leverages Multilateral Funds (Montreal Protocol and new opportunities under GEF-6), South-South and triangular cooperation, EU financial instruments, such as the Partnership Instrument, the Development Cooperation Instrument, the European Neighbourhood Instrument, the Instrument for Pre-accession Assistance, and others (structural funds). UNIDO has partnerships with other regional groupings and economic integration initiatives (such as the Eurasian Economic Community-EurAsEC; ECO; BSEC – Organization of the Black Sea Economic Cooperation), as well as with national and regional institutions, other international organisations (UNDAFs – United Nations Development Assistance Framework - and DaOs), and civil society for joint funds mobilisation.

TRADE AND DEVELOPMENT – THE ROLE OF UNCTAD

Dr. Sophia Twarog*

To start with, the UNCTAD is the focal point in the United Nations system to address trade, development and interrelated issues in the areas of finance, technology, investment and sustainable development. The major goals include, firstly, maximising trade, investment and development opportunities for developing countries and economies in transition; secondly, helping to face the challenges arising from globalisation; and, finally, assisting integration into the world economy on an equitable basis.

Among the most important achievements of the UNCTAD are:

- the Agreement on the Generalized System of Preferences in 1968
- a number of International Commodities Agreements aimed at stabilising the prices of export products which is crucial for developing countries
- UNCTAD played a key role in supporting the negotiations for the General Agreement on Trade in Services (GATS), and
- the Agreement on the Global System of Trade Preferences among Developing Countries (GSTP) came into force in 1989. As of today GSTP has been ratified by 44 countries.

In a complex environment of economic and political difficulties, the UNCTAD XIII Conference (held every four years) in 2012 was a solid confirmation that the UNCTAD mission is more relevant than ever. Since conventional development had been shaken by the economic crisis, new approaches are required. Accordingly, the next four years' focus will be mainly on sustainable growth and development by creating an enabling economic *environment*, strengthening *cooperation* and partnerships, addressing emerging *challenges* and promoting *investment*, *trade* and *entrepreneurship*.

When it comes to economic diplomacy the Division on International Trade in Goods and Services, and Commodities is the most relevant in this domain. The responsibilities of this division are divided into the following clusters:

- *Cluster 1* provides trade policy formulation, trade preferences (GSP), trade negotiations in the WTO and in RTAs, WTO accession, GSTP, and services, trade and development.

* Senior Economic Affairs Officer, Trade Negotiations and Commercial Diplomacy Branch, UNCTAD, Geneva

- *Cluster 2* covers the new and dynamic sectors of world trade, creative industries, trade data bases e.g. TRAINS (Trade Analysis and Integration System)/ WITS (World Integrated Trade Solution), and NTMs (Non-Tariff Measures).
- *Cluster 3* assists in institutional and capacity building on competition law, COMPAL (Competition Policies for Latin America), Africomp (Competition Programme for Africa), and voluntary peer reviews
- *Cluster 4* works on trade and development, aspects of climate change, sustainable trade and production (bio-trade, biofuels, organic agriculture).

It is worth noting that the meetings are done for the benefits of the members in order to bring experts together and to get opinions on diverse issues covered by different clusters and divisions.

The three pillars that interact with each other in UNCTAD's work are as follows: first and the most important is the intergovernmental negotiation and consensus building on key issues of trade and development. The second pillar includes research and analysis and the third one covers technical cooperation that also yields valuable information from the field. The lines between these are not so clear because a lot of research has to be made in order to provide a good background for the other two pillars.

For better illustration reasons, in what follows there are some examples of what is being done under each pillar. Under the first pillar of **Intergovernmental deliberations and consensus building** expert meetings are being held on the following matters:

- trade, services and development: institutional and regulatory challenges (2009, 2010, 2011, 2012, 2013). It is an ongoing work that covers diverse issues on the agenda. The last one was focusing on *Key infrastructure support services for development including transport, energy, water, financial services*
- the contribution of migrants to development (2009)
- emerging trends in trade agreements (2007 and 2008)
- interface between multilateralism and regionalism, which is *increasingly important*
- competition law and policy (IGE - Intergovernmental Group of Experts 13th session in July 2013)
- trade implications of support measures in green sectors (2013)
- Trade and Development Commission taking place annually

- UN Forum on Sustainability Standards launched in 2013 as a new initiative; five agencies UNCTAD, FAO, ITC, UNEP, and UNIDO got united to discuss and analyse voluntary sustainability standards, namely, their potential value as tools to achieve sustainable development goals and export opportunities, and their potential to create trade or development challenges particularly for small-scale producers and LDCs
- Global Services Forum (2011 and 2013) – *How services could contribute to development.*

Under the pillar of **Research and analysis** the following are provided:

- supporting documents for intergovernmental discussions including the annual General Assembly report on the evolution of the multilateral trading system, i.e. emerging trends (trade, services regulation) as well as case studies and best practices
- research supporting technical assistance and advisory services; and
- other publications including the Trade and Environment Review.

Under the third pillar of **Technical assistance and capacity building** the issues dealt with are:

- Services Policy Reviews that are issued jointly with a member state and imply work with a national consultant, for instance:
 - in the past with Uganda, Kyrgyz Republic, Nepal, Lesotho, and Rwanda
 - on-going with Bangladesh, Uganda, Peru, and Nicaragua.
- Accession to the WTO:
 - during accession (Laos, Iraq, Seychelles, Afghanistan, Iran, Algeria, Yemen)
 - after accession (Cape Verde)
 - strengthening regional dialogue on trade negotiations
 - support to SADC¹ and COMESA² on services negotiations (*in Africa*)
 - support to African Union on the convergence of sub-regional schemes to support continental integration.

¹ Angola, Botswana, Democratic Republic of the Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe.

² Common Market for Eastern and South-eastern Africa.

The major lessons to be learnt are, first and foremost, the importance of building awareness and keeping abreast with the context of trade patterns and the fact that negotiating agendas are constantly evolving, and new trends and challenges are constantly emerging. Accordingly, it is essential to know your clients' needs. Beneficiary countries have different needs and interests, and these also evolve. Thus dialogue with policy-makers and delegations is important. Moreover, it is of great importance to promote a multidisciplinary approach to policy-making, because, firstly, policy coherence is an important factor to maximise development gains, and secondly, promoting an endogenous capacity on how to use the existing opportunities and cope with potential challenges is just as necessary. Last but not least, it is indispensable to address the challenge of building the capacity of institutions and their staff in the context of the constant change of institutions and staff.

Overall, UNCTAD through its work has significantly contributed to:

- the strengthened economic resilience of competitive and sustainable production, export base, and a more specific integration of development goals
- the improved market access and entry conditions for exports of developing countries
- a better consideration and integration of the development dimension into multilateral and regional trade negotiations and agreements
- the effective participation in the multilateral trading system of some 20 countries in WTO accession, and
- enhanced capacities to address anti-competitive practices and consumer interests.

SLOVENIA AND UNIDO COOPERATION EXPERIENCES

Janez Rogelj*

Slovenia is a donor country of official development assistance according to the degree of economic development since 2004. The cooperation between Slovenia and UNIDO is part of the Slovenian International Development Assistance (Mednarodna razvojna pomoč - MRP). The Agreement on Cooperation between the UNIDO and the Government of Slovenia (as donor) has been ratified by the Slovenian Parliament with the international agreement from October 7, 2005, both sides having agreed to cooperate in the implementation of technical cooperation projects.

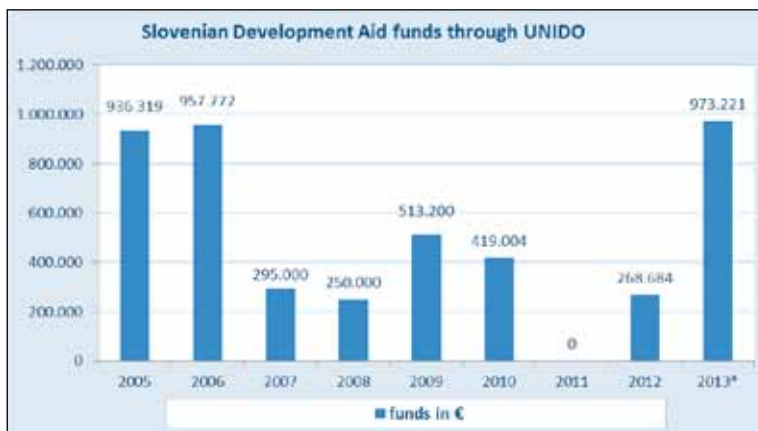
The MEDT (Ministry of the Economic Development and Technology) is directly responsible for the cooperation with UNIDO; Slovenia has the right (as well as UNIDO) to choose appropriate projects through UNIDO in accordance with an international agreement, i.e. from the list of proposed projects Slovenia decides which ones it will support.

The Republic of Slovenia is interested in helping a few industrial and services sectors of the economy and geographical regions (countries) whom the Republic of Slovenia would like to donate funds to through UNIDO. In doing so there are 3 necessary conditions to be fulfilled:

- the interest of the beneficiary country has to be expressed clearly by their government as a starting point
- the beneficiary country should be from the Western Balkan region (the EU member countries are excluded), Moldova, Ukraine, South Caucasus region, Caspian Sea region and some African countries
- the priority industry sectors are:
 - automotive industry
 - wood processing industry
 - green and ecological industries, cleaner production industries, environmental industries
 - tourism industry
 - water treatment and waste management industries, and
 - energy producing sectors.

* Secretary, Ministry of Economic Development and Technology of the Republic of Slovenia

Slovenia has donated € 3,639,979 between 2005 and 2012, thus becoming one of the highest ranking among all donor countries considering the country's size rank (population and GDP per capita).



The ongoing projects that started before 2012:

- UE/MNE/09/001 Establishment and Operation of a National Cleaner Production Programme in Montenegro, 2 years project (2011 - 2012)
- UE/BIH/10/001 National Cleaner Production Programme (NCP) – Bosnia and Herzegovina, 2 years project (2011 - 2012)
- UE/KEN/10/0100 Demonstration and Transfer of Environmentally Sound Technology for Water Treatment (Kenya), 2 years project (2011 - 2012). Due to the problems with the shipping equipment as they have to wait for the clearance to get the container through customs, the new end date has been decided to be on August 30, 2013 (based on UNIDO's proposal agreed with the Government of the Republic of Slovenia).

The seven projects on the budget of 2012 agenda are the following:

- strengthening automotive industry clusters in Ukraine: the project proposal for Ukraine on strengthening automotive industry clusters, 3 years project (2012 - 2014)
- Facilitating International Market Access for Manufacturing Suppliers in the Automotive Component Industry in the Samara Region, Russia: phase II, 1 year project (2013)

- Fostering Sustainable linkages and Cluster Development in the Macedonian Tourism Industry in order to Reduce Poverty and Stimulate Economic Growth, 3 years project (2013 - 2015)
- Resource Efficient and Cleaner Production Network to foster Green Industry Cooperation in Eastern and Central Europe (includes all priority countries and Albania, Moldova and Ukraine), 4 years project (2012 - 2015) at the proposal of UNIDO
- National Cleaner Production Programme (NCPP) – Bosnia and Herzegovina, 3 years project (2012 - 2014)
- National Cleaner Production Programme (NCPP) – Montenegro, 1 year project (2012)
- four-year regional Sustainable Consumption and Production (SCP) Programme for the countries of the Eastern Partnership Region covering the following countries: Belarus, Moldova, Ukraine, Armenia, Georgia and Azerbaijan, 3 years project (2012 - 2014).

Last but not least, new four projects from the budget of 2013 that are in the proposal stage at the moment include:

- enhancing water quality of Lake Modrac by eco-remediation measures in Bosnia and Herzegovina, 3 years project (2013 - 2015)
- solution for sewage sludge from the municipal wastewater plant in Mojkovac, Montenegro, 3 years project (2014 - 2016)
- preparation of the ecological remediation “Port Milena” area in Ulcinj, Montenegro, 2 years project (2014 - 2015)
- establishment of an interactive platform for exchange of knowledge on the development and use of industrial parks, zones and innovation systems to foster industrial development in Europe and Central Asia region, 1 year project (2013).

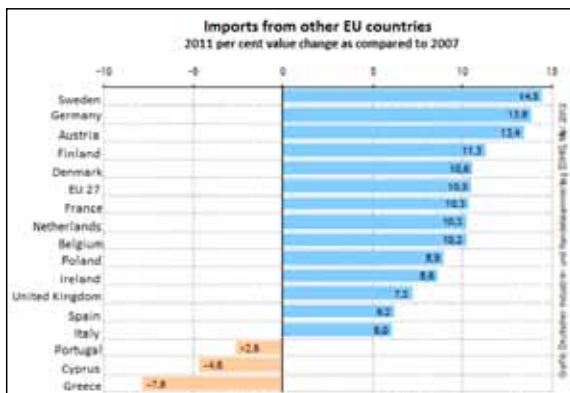
Also, together with ICPE we are planning a project in Kosovo currently in preparation stage.

GERMAN CHAMBERS OF COMMERCE ABROAD – THE INTERNATIONALISATION MODEL OF GERMAN BUSINESS

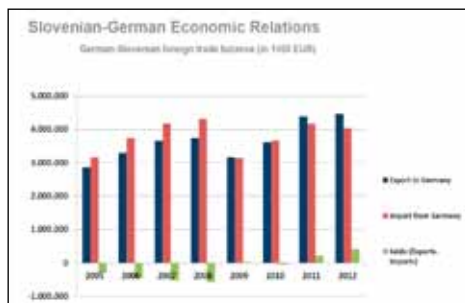
Gertrud Rantzen*

Industry is the basis of German economy. It does not only incorporate big companies such as car factories but also SMEs. Germany is one of the most productive economies in the OECD. More important still to Germany's industrial strength is the country's education system as it is much more geared towards vocational training than the education systems of many of its economic competitors. The backbone of German industry is medium-sized and family business. A successful model of an export and investment support scheme plays an important role.

Germany imports from the EU member states as well as from all over the world



Business relations between Slovenia and Germany are very strong



More than 350 German companies are present in Slovenia having 46,013 employees. The turnover in 2012 was about 8.5bn. EUR and the sum of investments up until now stands at 1.6 bn. EUR. Accordingly, German companies contribute a lot to Slovenia's economic output and they are also among the 100 best exporters in Slovenia.

* President, German-Slovenian Chamber of Commerce, Slovenia

The foreign trade promotion is based on three pillars in particular which are embassies, “German trade and invest” public agency co-financed by the Ministry of Economy, and AHK, i.e. German Chambers of Commerce, which provide German networks abroad. The German system of foreign trade promotion is covered by the state and the economy, i.e. private-public partnership.

The German Chambers of Commerce (AHK) has a global network in 80 countries with 120 offices, 1,700 co-workers and 50,000 member firms. AHK is worldwide competent on-site and functions as a member organisation, as official representation of German industry and commerce and as service provider to companies which are chargeable and provide 50% of the budget.

AHK in Slovenia was established at the end of 2006 and was then the first bilateral chamber of commerce with 12 employees who were both German and Slovenian. The majority of its activities consists of international business training, workshops, lectures, delegations and round tables with politicians, business breakfasts, company visits, trade fairs, business drinks, best practice meetings, summer picnics and Der Deutsche ball in order to bridge the gap between the two countries by providing information, solving problems, offering services and establishing contacts.

That AHK is the first address for companies in the field of bilateral economic relations is proven by the following numbers:

- more than 220,000 Slovenian guests in Germany
- 125,000 clicks and 35,000 guests on our website
- 1,500 guests at German fairs
- 50 events every year, with almost 1,000 participants
- more than 150 customers supported in their business processing in Slovenia
- 170 Twitter followers.

In addition, AHK provides legal and tax services, among which are information about German companies, debt collection in Germany for Slovenian companies, legal information about Germany, tax services for Germany and Slovenia as well as investment opportunities in Germany.

ADVANTAGE AUSTRIA AND ITS ROLE IN THE INTERNATIONALISATION OF ECONOMY

Dr. Peter Hasslacher*

Advantage Austria is the official Austrian Foreign Trade Promotion Organisation and the largest provider of services in the area of foreign trade. Advantage Austria offices are the gateway to Austria for international companies looking for world-class suppliers. We act as a central contact partner playing a strategic role for companies wishing to move to Austria and, therefore, are looking for top-quality partners for their business dealings. Regardless of whether foreign businesses are looking for Austrian buyers, a suitable location for a company branch or import/export office or an overview of Austria's internationally respected products and services, all roads meet at Advantage Austria.

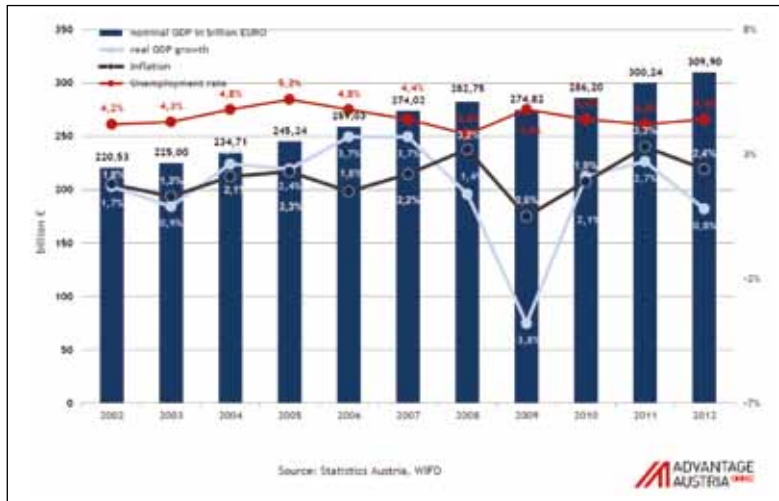
With a network of more than 100 offices in 70 countries Advantage Austria is uniquely positioned to consult and guide Austrian enterprises worldwide. Advantage Austria's commissioners help Austrian companies find new contacts and strengthen existing business connections. We put sellers in contact with potential agents, importers and prospective partners. We also obtain credit ratings and assist with trade names and patent registration.

Advantage Austria publishes foreign trade newsletters, brochures and an Internet eBulletin to promote export opportunities for Austrian companies. It organises trade missions and official participations in international trade fairs and provides advice or assistance for in-bound buying missions. Advantage Austria unites a high degree of openness and international orientation with an extensive network of local Austrian contacts. These advantages ensure rapid, competent answers to any inquiries and solutions to any problems a company might have.

Austria is a bridge to new markets, especially in the East and South East, in the very heart of Europe. Exports have significant importance to the Austrian economy. As the macroeconomic data indicates, development is quite stable and growth is still happening.

Austrian exports to Eastern Europe in 2012 mainly went to the Czech Republic, Hungary, Poland, Slovakia, Slovenia (on the 5th place) - economic relations are very intense and very good.

* Director, Advantage Austria, Slovenia



Austria is the investment champion in the Central and Eastern Europe (CEE) region with long traditions (e.g. investment champion Austria and CEE junior executives “Made in Austria”). Having 300 international companies in its profile, including 28 Fortune 500 firms, makes Austria the pre-eminent CEE headquarters with proximity to the target market, infrastructure, productivity and motivation, stability, tax advantages and high quality of life.

Furthermore, the focus is not only on export and import but investment as well. Also, Advantage Austria supports Austrian companies to find a location, to settle down and to be successful in the appropriate market.

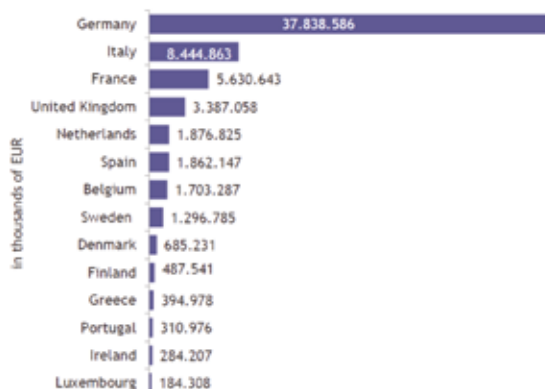
Advantage Austria also strongly supports exports since it generated 123.5 bn EUR in export of goods 2012 and 132.0 bn EUR in import of goods 2012 through 44,000 exporters which represent 10% of all Austrian companies. The exports amount to 56.3 %, the export sales ratio being 6 for every 10 EUR. Austria is the world’s 8th largest exporter with USD 21,994 export per capita.

Austrian exports by region in 2012 went primarily to the neighbouring countries of the EU, then Asia, Northern America and others.

Advantage Austria is an internationalisation agency for the Austrian economy, encouraging international activities by identifying business opportunities abroad and supporting cross-border commercial activities as well as placing Austria globally as an attractive business location and a reliable business partner.

Austrian Exports to Western Europe 2012

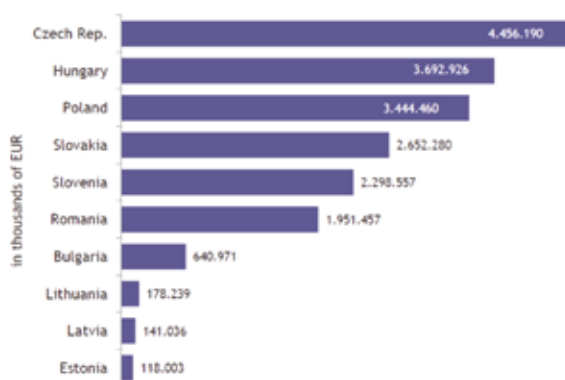
(2012 = preliminary data)



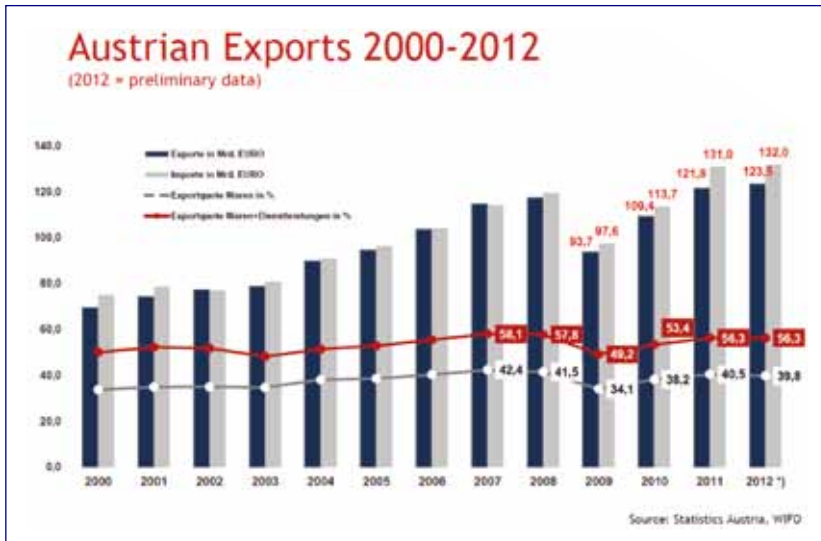
Source: Statistics Austria

Austrian Exports to Eastern Europe 2012

(2012 = preliminary data)



Source: Statistics Austria



On the other hand, the Austrian Federal Economic Chamber is entrusted with governmental responsibilities such as the statutory obligation to promote foreign trade. It is financed through membership contributions but not tax revenue and it represents the creation of a customer-oriented service organisation including its international arm, Advantage Austria. Its main activities focus on lobbying, business development, and knowledge transfer at home and abroad.

Export support is also offered by:

- the Austrian Federal Government
 - business framework
 - trade policy, and
 - export credit guarantees and export financing.
- the Austrian Federal Economic Chamber
 - Austrian Federal Economic Chamber and its international arm Advantage Austria
 - Aussenwirtschaft-Plus – Advantage Austria Platform together with regional chambers of commerce

- international network of service centres and marketing offices:
 - 117 offices in 70 countries
 - 792 employees
 - 80 nationalities
 - 1,348 Advantage Austria events
 - 1,100 Advantage Austria publications
 - 22,000 Austrian companies
 - 60+ years' experience
 - global business support.

One of the main goals is to increase the number of exports through information, coaching, and events. As per 2012 data, there are 44,000 Austrian export companies and 400,000 companies.

In numbers, wko.at/aussenwirtschaft has around 9.6 million hits, *Aussenwirtschaft-Weekly* is subscribed by about 150,000 companies. Advantage Austria provides initial consultation at home, the possibility to attend the Advantage Austria meetings, market analyses as well as support abroad for around 22,000 customers through market entry strategy formulation, in-market support, investment advice, international procurement and debt recovery. Overall, in 2012 Advantage Austria organised 1,348 promotional events.

INTERNATIONALISATION OF THE NATIONAL ECONOMY OF SLOVENIA

Marjan Hribar*

Let me start by saying that the visa regime used to be my nightmare, by the time I was responsible for tourism development here we made some steps forward, especially in Russia, Ukraine, also in China. The colleagues from the Ministry of Foreign Affairs have done a good job in this respect. I would have wished to do just as well in other countries. We should open some additional embassies, as well as consulates, but the situation nowadays is somehow difficult, we were told. Anyway, that is our job, our duty, being aware that only the internationalisation of our economy could bring us to a higher level.

The 3rd International Conference on Economic Diplomacy and Internationalisation tackled the important and current issue of internationalisation. In times when the world's economies are facing the tough challenges of widespread economic crisis and a slowdown of the global economy, both countries and companies are looking for new possibilities and solutions to limit the negative influence of this situation.

One of the possible ways to combat the present situation is looking for new markets; that is very obvious. Nowadays technologies and logistics enable easy contacts with partners all over the world and reducing prices of goods and services around the globe is not as demanding as it was, let us say ten years ago. Now it is important to be more open, and especially more prepared in search for new markets and new opportunities arising in these markets.

At the Ministry of Economic Development and Technology we are aware of this fact and we are trying to offer Slovene companies different measures to be better prepared for the internationalisation of their activities and to ease their entry to new markets. Here I would first of all like to mention our portal: "Export window – izvozno okno", where we provide all the information necessary on more than fifty countries, delegations, seminars, consulting and training for the international business sphere, to mention just some of the activities.

When we are talking about commercial diplomacy, it is our responsibility, of the Ministry of Economy, to provide different instruments to help both Slovenian companies and foreign companies, which are direct investors to Slovenia, i.e. to provide different instruments to start cooperating. If we are talking about evolution,

* Director General, Directorate for Tourism and Internationalisation, Ministry of Economic Development and Technology of the Republic of Slovenia

let us say the second contact is our responsibility and here we should really try our best and we are doing so by having very close contacts with all other stakeholders, Ministry of Foreign Affairs (MFA), the SPIRIT Agency, Chamber of Commerce and the rest. Well, I would like to use this opportunity to invite companies to make more extensive use of all the measures that are prepared and which I have just mentioned, to make the most of them, and we would appreciate also their suggestions on how to improve our measures and if there is a need for introducing new ones.

As I said we are not alone and I would like to mention also SPIRIT and the Ministry of Foreign Affairs, Chamber of Commerce and SID Bank. As a result of this cooperation it is worth mentioning the programme of internationalisation, called International challenges 2013, a joint programme of all the abovementioned institutions in which the main activities and key international markets are defined. We have chosen Azerbaijan, China, India, Kazakhstan, Russia and Turkey. I could talk for hours on why these six. We decided on them mostly because we believe they offer significant opportunities, but are also demanding and companies would need support also from governmental institutions.

Here at this point I would like to say that this system is not a fixed one. Mr. Cizelj raised the very important issue of branding. It is important to think about the branding of the country and the message that we are supposed to give to the global community, all of us, each and every country. We should deliver a message that could be fulfilled. I just mentioned Turkey, which was, and I believe still is, one of the rising stars of the European economy. But consider what has just happened. Let us hope that the internal political situation will be resolved as soon as possible and that Turkey will be back on board.

I would like to mention maybe Colombia. What is your first reaction? How would you feel if somebody took you there and put you in the middle of Colombia? What would be your first thought? Scary? Safe? The branding campaign of Colombia is “Colombia – the only risk is wanting to stay.” Very clever. They did not avoid your first impression about the risk. But they put it in a positive way, just an example. So, let us go back to the six countries. Yes, I included India, we put it very high on our agenda and I totally agree with what has been noted, to whom would you like to sell? Do not be closed, open your minds outside Europe.

Along these lines also the government, the Chamber of Commerce and our Agency SPIRIT think. We should provide these instruments to our companies because of their economies of scale and so on, we should help them to make these first steps. Well, using the opportunity to have with us an important guest from India, Secretary Mr. Rawat, I would like to stress the recent successful activities at the political level,

for instance the official visit of our Prime Minister Pahor in 2011 with a business delegation, followed by a smaller delegation, led by the former minister of economic development and technology in January this year [2013, editor's note] with special support from the Chamber of Commerce and Industry.

I hope that these relations will intensify also in the future with today's activities and hopefully also with other activities in the near future. We will be back in India in four weeks' time, so I am sure something should develop from all these activities and especially I would like to use this opportunity to give you a clear message that Slovenia is about to expand all these activities of the government, and placing some of the best companies also in the international capital market is the perfect proof of that. We are looking also for foreign investors from India, and all other ways of internationalisation are here very much welcome. We have to bear in mind also another important component of internationalisation, this is FDIs, with its positive influence on the transfer of new technologies, knowledge, capital inflow and new jobs. Our aim is to attract more foreign direct investments to Slovenia, but we also hope that more Slovene companies will extend their activities in other markets in the form of investments. I hope that Slovene companies will become even more internationalised than they already are and as such contribute to the global economic recovery. Our strengths lie in our assets, human and natural resources, dedication to perfection and complete knowledge of almost all industries.

THE PROCESSES OF INTERNATIONALISATION OF THE SLOVENIAN ECONOMY DURING THE CURRENT ECONOMIC CRISIS

Boštjan Skalar*

Slovenia is an open economy with strong trade links across the world and for many Slovenian companies cross-border venturing has had growth effects. The country's export performance in general has been good, but against the backdrop of the protracted economic crisis, the government measures to help boost the levels of trade should pick up pace. The need for the government strategic leadership is particularly important since international trade has been hit by the recession. Slovenia's exporters and their output have helped to generate economic growth and development. Exports account for as much as two thirds of Slovenia's gross domestic product (GDP) and the European Union has been the main destination for the country's international exports for approximately twenty years.

With the distant prospects for recovery from the on-going eurozone crisis, Slovenia has to grasp the opportunities in the area of internationalisation and in growth sectors where it has a distinct advantage. In line with the focus on export promotion, companies need to be encouraged to export and explore new markets on the one hand and to build on the existing links that Slovenia has with other countries to help raise trade levels affected by the recession. The examples of successful exporters show that for companies to boost export activity and move into new markets they need skills and innovation – high-tech products marketed under their own brands.

Large or small, companies need in-depth market intelligence to move into new markets. In most cases, they lack resources and international contacts. The task entrusted to SPIRIT Slovenia is to provide the internationalisation support programme and help to boost entrepreneurship and innovation generally perceived as key levers for productivity growth and employment. Knowing that relations among entrepreneurs, innovators and universities are particularly important to Slovenia's economic success, it is the role of the government to provide horizontal support measures with the aim to foster better framework conditions for entrepreneurship and reinvigorate the creative spirit.

The conditions necessary for entrepreneurship and innovation will be created by combining public-private partnerships through the collaboration between the public research and development (R&D) and education sector on the one hand and the real

* Acting Director, Public Agency of the Republic of Slovenia for the Promotion of Entrepreneurship, Innovation, Development, Investment and Tourism (SPIRIT)

sector on the other. Today's entrepreneurs have to capitalise on innovation and make the most of the opportunities that technological change brings, and the government and its implementing agencies are in a position to help by encouraging R&D activities and both technological and non-technological investments in innovation-intensive sectors, employing highly qualified people and facilitating the process by which the fruits of research enter the marketplace. Knowing that start-ups and their innovations have a valuable role in increasing value added per employee and providing more (high paying) jobs, policies that help entrepreneurs and innovators and their fast-growing companies will be designed to help them succeed and contribute to sustained economic growth and job creation.

In line with its mandate, SPIRIT Slovenia provides support for the growth of enterprises wishing to enter international markets since they have to reach a certain point in growing their capacities and their staff skills if they are to be successful in their expansion. How long will it take to reach that milestone depends on many factors but, on the whole, it is worth the effort.

This is why at SPIRIT Slovenia we are working together with our partners to help them translate their initiatives and ideas into products and services sold abroad. Supporting innovation-based projects with a down-to-earth promise of high-growth turn into jobs and revenue will give impetus to Slovenia's economic growth.

*Slovenian enterprises by size (excl. sole proprietors), 2011**

Size of enterprise	Enterprises		Employees	Revenue**	Exports
	Number	in %	Share, in %		
Micro	53,966	93.4	28.4	17.2	9.6
Small	2,397	4.1	15.9	13	9.4
Medium	740	1.3	16.4	15.4	14.2
Large	695	1.2	39.2	54.4	66.8
TOTAL	57,798	100	100	100	100

* figures for 2012 will be available in June 2013

** net sales revenue

Source: AJPES

By a tailored-made approach to entrepreneurship in general and commercialisation of new technologies in particular, Slovenia's macroeconomic indicators will be soon back to the pre-recession levels – yet another reason for enticing exporters to step up efforts and go beyond their traditional markets. To provide a package of high quality and effective services including the best possible counsel is the second task

entrusted to SPIRIT Slovenia. SPIRIT Slovenia, in its capacity as an implementing agency of the Ministry of Economic Development and Technology responsible for designing the policy for encouraging internationalisation and foreign direct investment (FDI), provides a host of services aligned to the needs of the Slovenian companies committed to internationalisation. Information and counselling about the specifics of a particular market, trade and export management training (ITM Worldwide - International Trade Management), training for SMEs, co-financing market research and exhibiting at specialised trade fairs abroad, presentation of the Slovenian economy at high-profile, bespoke events in foreign countries, organisation of business delegations and co-financing of the Slovenian business clubs abroad are the services much appreciated by partner companies and other stakeholders for their tangible effects.

Slovenia's economic growth and the growth of the Slovenian companies depend also on the volume and quality of foreign direct investment. The role of FDI in ensuring stability, efficiency and sustainable growth of the recipient country is very important. FDI inflows mean fresh capital, new technology, organisational, marketing and other skills, new managerial procedures and access to new markets. FDI indirect impact on the economy of the recipient country and on its companies ranges from the structure and level of competition in the local market, higher quality of supply of goods and services, an opportunity for local companies and their staff to learn and expand their knowledge and skills, etc.

The investment projects made by foreign companies in Slovenian companies are concentrated in 4.4 per cent of the corporate (real) sector. Nevertheless, particular attention should be paid to that small segment of the corporate sector since the importance these foreign-owned companies have in the country's economy is quite high. At the end of 2011 the local companies with foreign capital provided as FDI had 18.6 per cent of equity capital, 20.8 per cent of assets and 18.5 per cent of the employees of the entire Slovenian corporate sector (real). The role played by the companies with foreign capital (FDI) in Slovenia's total exports and imports of goods is also very important: in terms of value, these companies account for two fifths of the international trade.

SPIRIT Slovenia focuses its attention in the FDI area on the activities carried out with the aim to promote Slovenia as a prime location for FDI projects and to attract foreign companies to land their high value-added projects "on the sunny side of the Alps". To this end, SPIRIT Slovenia spares no effort to show-case the country's advantages to the international business community by running a series of marketing and communication activities such as organising investment seminars and conferences for particular industries/sectors, country and industry presentations

at specialised fairs, expos and other commercial or promotional events as well as direct marketing to identify potential foreign investors and other initiatives. SPIRIT Slovenia provides also quality information, advising and other services to foreign investors.

Economic diplomacy plays an important role in providing hands-on assistance and contacts to the Slovenian companies in foreign countries and attracting foreign investment to Slovenia. Diplomatic missions and consular posts set-up in foreign countries are in the position to help exporters get a foothold in those markets by acting as a service for the Slovenian companies which in order to evaluate potential market needs the so-called soft information, advice and possibly a helping hand to overcome existing barriers. On the other hand, foreign companies tend to form an opinion about Slovenia as a potential location for their outward investment on the basis of the impression Slovenian diplomacy makes on them.

Slovenia's economic diplomacy has been recently reorganised to give it more clout. The representative offices of SPIRIT Slovenia (formerly JAPTI) operating in areas of significant economic interest for Slovenia are now under the umbrella of the Ministry of Foreign Affairs alongside an extensive network of economic advisers located around the globe. SPIRIT Slovenia operates a specific network of representative offices that promote Slovenia as a tourist destination.

Despite the streamlining of the country's economic diplomacy network, it is still early to say whether progress has been made by having all economic policy actors speak with one voice and, as a consequence, whether the process of internationalisation of local companies and inward direct investments have benefited from it.

Economic "statecraft" in the age of austerity is making the work of economic diplomacy more difficult even though having a single platform for promoting Slovenia and its economy in all countries in which Slovenia has its diplomatic corps would mean sending a clear message at a lower cost. The matter of the fact is that some institutions in Slovenia lack clearly specified tasks and powers. As a result, tasks are sometimes doubled or overlapping and there may be a couple of decision-makers or a dilemma as to who the person responsible for executing a particular activity is. The public agency SPIRIT was established with the aim to correct these anomalies.

The experience of many countries confirms that all entities/institutions with the mandate to promote internationalisation and attract foreign investment should operate under the umbrella of one government entity in order to speak with one voice and act in accordance with the government-endorsed strategy. Furthermore, the country's economic advisers located in foreign countries should be operators of

that strategy. In more concrete terms, such an entity should look after the political accountability and the capacity of economic advisers to perform their duties by supervising them even though economic advisers would still be accountable to the Ministry of Foreign Affairs because of their diplomatic status. By vesting power in one entity, this entity would have oversight over the activities of both inward and outward internationalisation processes. Moreover, it would be in a position to address concrete problems encountered by Slovenian companies in foreign countries and of foreign companies in Slovenia. The employees working in such an entity would also be officers in the diplomatic mission or consular post abroad as economic advisers, that is, economic attachés.

A non-political appointment to this top economic position abroad calls for a person with hands-on knowledge, practical skills and also a strong track record gained in the real sector and in international trade. Economic advisers do not only provide website links but are also involved in many diverse activities in the course of their work. They serve as a source of economic information for visiting businesspeople and they sometimes do much footwork: looking for the right contacts and organising meetings so that exporters get concrete leads and boost their chances for closing a sales deal.

Economic advisers must be the pillars of the Slovenian economic diplomacy. In turn, economic diplomacy must have professional support, that is, a base in the country. It is essential that both economic advisers and their co-workers back home have not only adequate qualifications in economics, that is, high education but also on-the-job experience in the real sector. Economic advisers should not be career diplomats; the people whose job is to promote the economic interests of his or her home country should come from companies and institutions, as well as from other public agencies and not from the diplomatic corps and bring their experience from the real sector and international trade. It is their work in an import-export department that is an advantage. Slovenia's economic advisers around the globe have to brush up on their skills all the time also by being involved in the day-in, day-out operations of sales and marketing departments in companies. On the one hand, this would equip economic advisers with specific knowledge and skills and give them an insight into what companies expect from them in the first place when entering international markets, while on the other hand, companies would have to treat them as their peers and their collaboration would be much better.

The fact that economic advisers have diplomatic status is worth a lot anywhere in the world and it opens many doors to them. It is particularly valuable these days when the centres of power are shifting from West to East where official representatives of a foreign country are treated with more respect than common businesspeople and it

is rather different from the treatment they receive in the western world. In countries such as India, China, Russia, Turkey, Kazakhstan, shortlisted as Slovenia's priorities for internationalisation, this is a big difference. In those countries the diplomatic status means a lot, even though for such big and fast-growing markets, just one economic adviser cannot do much.

Economic advisers must be independent in their work meaning that they must have their own budget. Being independent also means to be accountable for one's work directly to the supervisory body in the home country and to the ambassador only within the framework of their diplomatic status. The supervisory body should endorse the programme of work drafted in accordance with the government guidelines and it should comprise the funds/budget and the activities to be carried out by the respective economic adviser who discharges his tasks and duties autonomously and reports to the supervisory body. The advantage of being autonomous in their action, while still being a part of the diplomatic system, is that they are in a direct contact with companies, there are no political pressures, they are pro-active due to their specialisation, etc. This system also enables to maintain control up to a point, since economic advisers are still overseen by the supervisory body which co-ordinates all international activities of individual stakeholders. Such a system also eliminates doubling/overlapping activities, that is, cater for harmonised actions. Should that not be the case, economic advisers could be asked to carry out also other tasks such as consular duties and they would be short of time for economic/commercial activities.

The results of economic advisers' work should be measured with the benchmarks used in companies. However, the same scoring cannot be done since economic advisers do not sell goods or services to measure whether the planned sales figures have been achieved or not. What should be measured includes the number of promotional activities carried out at local institutions such as chambers, associations, etc., responding to concrete inquiries and demands of Slovenian and local companies related to entering a certain market (exporting), as well as company satisfaction with (counselling) services provided by economic advisers.

The criteria used to measure performance have to be determined and agreed in advance and they have to take into account specific characteristics of a certain market. At the same time, the results scored under the set criteria have also to be analysed and economic advisers have to get correct feedback information, that is, guidance serving to economic advisers to make the necessary modification in their work to improve their performance.

In order to make the Slovenian companies as efficient as possible in conquering international markets, all the activities have to be well co-ordinated and meticulously

planned, which means that the actors have to start the preparations at least a year ahead and the roles have to be cast so that the persons in charge of particular activities are known in advance and the roles to be played by all those taking part have to be clearly defined as well. When planning and executing activities, continuity is of utmost importance, which means that the specified activities that have been previously identified as appropriate have to run over a longer period of time, even if they fail to produce the expected results after a short period of time. Analysing the activities carried out is very important and these analyses should be made also a year and two or more years after completing an activity.

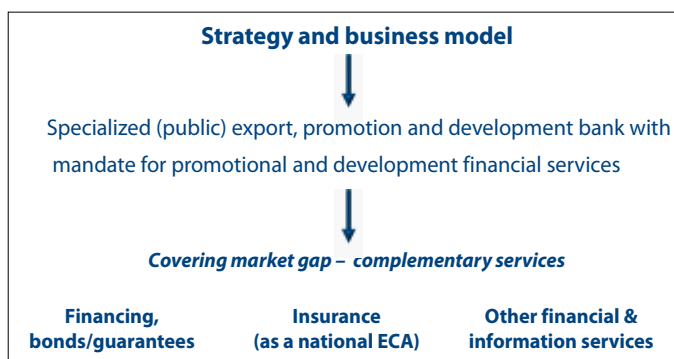
When trying to identify the most appropriate objectives and the related activities that best fit the description of what we want to achieve, we follow the »bottom-up approach«. In order to be in a position to deliver efficient services to Slovenian exporters, it is essential that Slovenian companies have both an economic interest to develop services and an interest in a particular foreign market. Once a clear internationalisation interest has been confirmed, the support institutions have to act along the same line, a long-term action plan to provide support to the internationalisation of the Slovenian companies has to be drafted, on-going support activities have to follow and analyses of the results achieved have to complete the joint effort of the participants.

THE FUNCTION OF SID BANK IN THE INTERNATIONALISATION OF ECONOMY

Sibil Svilan*

The concept of development banking was born in the depression at the beginning of the last century and after World War II (World Bank, Marshall Plan - KfW¹, CDC², OeKB³). This concept was established also in the rest of Europe (ICO, EIB⁴) and around the world (Japan and Korea development bank, BNDES⁵, etc.) in 1960s. Slovenia as a part of Yugoslavia was organised slightly differently but after its independence this has changed. Slovenia joined the EU and eurozone (2004 and 2007 respectively) and the SID Bank was established.

The SID Bank's mission is to develop and provide long-term financial services designed to supplement financial markets and in this way stimulate the competitive position of the economy, creating new jobs and supporting the sustainable development of Slovenia. The SID Bank plays an important role in the Slovene economy as a specialised export, promotion and development bank with a mandate for promoting and developing financial services. The SID Bank is focusing on three main activities, namely financing, insurance, and other financial and information activities in order to cover market gaps while working with other banks, not competing with them.



* Director General, SID Bank, Slovenia

¹ Kreditanstalt für Wiederaufbau (German) - Reconstruction Credit Institute

² Colonial Development Corporation

³ Oesterreichische Kontrollbank AG

⁴ European Investment Bank

⁵ National Bank for the Economic and Social Development, Brazil

SID Bank is a specialised promotion and development bank with its own legal nature of credit institution and Export Credit Agency/Bank (ECA), equity and cash assets.

SID Bank has the legal status of a state-owned bank as has been established by the Slovene Export and Development Bank Act and the Law on Insurance and Financing of International Business Transactions. It operates under the supervision of the Bank of Slovenia, Agency for Insurance Supervision, Ministry of Finance and Ministry of Economy.

The goal of the SID Bank is the development and promotion of the tasks and services that address market gaps and shortcomings across the following areas:

- international trade and economic cooperation
- SMEs
- RDI - research, development and innovation
- entrepreneurial and educational activities
- ecology, energy and construction of infrastructure

and other areas which are important for the development of the Republic of Slovenia

In the area of sustainable finance and insurance, a good reputation earned through responsible lending is very important in:

- SID Bank's loan programmes which are offered through the majority of Slovenia's commercial banks
- SID Bank's extensive involvement in the government's anti-crisis measures confirming its central and leading role among all public promotion institutions
- SID Bank's importance for the national economy and sustainable development of the Republic of Slovenia, highly acknowledged among all stakeholders.

The SID Bank is engaged in sustainable development based on the following structure:



80% of the work goes through banks networks, 17% directly and 3% through agencies, and funds of the Republic of Slovenia.

The SID Bank activities mainly include:

- on-lending via commercial banks
- special loan programme (including EIB loans)
 - automotive industry
 - infrastructure financing
 - financing of environmental investments
 - financing activities in the field of innovation and new technologies
 - SME financing.
- State guarantee schemes (mandated by the State)
 - corporates (1.2 bn. EUR)
 - individuals (350 mio EUR)
 - corporate investments (1.0 bn. EUR)
- Non marketable risk insurance.

Financing facilities provided by SID Bank include:

- loans (incl. suppliers' credit, buyer's credit, syndicated loans)

- project financing
- purchase of receivables
- acquisition of assets
- risks participation and guarantees
- mezzanine financing (in preparation) – the market gap in Slovenia is particularly strong and the Bank is attempting to step in this field next year.

The SID Bank is always aiming for long-term and sustainable banking with the following main characteristics:

- long-term financing (up to 20-years)
- multi-currency financing
- variable or fixed interest rate
- individual approach (to a project, consumer, etc.).

In terms of activities related to insurance, the SID Bank acts for the account and on behalf of the Republic of Slovenia as the National Export Credit Bank both for short-term and medium-term programmes.

Insurance services of SID Bank include:

- medium/short term export credit (re)insurance against commercial/non-commercial risks
- investment insurance against commercial/non commercial risks
- interest Rate Equalisation Programme (IREP)
- other transactions on special authorisation.

However, when you compare SID Bank with other banks worldwide, it is quite small in size, nevertheless very effective in tasks and efficiency as following figures show (2011):

Development bank comparison

	SID Bank	China Development Bank	KfW Bankengruppe	BNDES	Development Bank of Japan	Korea Development Bank
Country	Slovenia	China	Germany	Brazil	Japan	Korea
Founded	2007	1994	1948	1963	1951	1954
Rating	Baa2 (Moody's)	Aa3/Aa+ (A+)	Aaa/AAA/AAA	Baa1/BBB+/BBB	Aa3/A+	Aa3/Aa+
Ownership	100% State Owned	100% State Owned	80% Fed. Gov, 20% Fed. States	100% Federal Republic	100% Government Owned	100% Government Owned
State Support	Guarantee to All Obligations	Implicit Support	Guarantee to All Obligations	Implicit Support	Guarantee to Some Obligations	Guarantee to Some Obligations
Supervision	Ministry of Finance	State Council	Ministry of Finance	Ministry of Economic Development	Ministry of Finance	Financial Services Commission
Total Assets	US\$3.3 bn	US\$192.3 bn	US\$448.4 bn	US\$336.7 bn	US\$178.5 bn	US\$188.4 bn
Total Equity	US\$0.3 bn	US\$70.7 bn	US\$23.0 bn	US\$34.5 bn	US\$28.9 bn	US\$17.7 bn
Capital Adequacy Ratio	18.4%	15.8%	17.8%	20.6%	20.4%	15.2%

Key figures of SID bank

million EUR	2008	2009	2010	2011	2012
Rating	/	Aa2 (Moody's)	Aa2 (Moody's)	A1 (Moody's)	Baa2 (Moody's)
Total Assets	2,088	3,025	3,896	4,029	4,088
Equity	181	322	328	332	340
CIR	29.2	22.4	15.1	13.1	8.5
Net Profit	2.8	0.9	5.7	6.5	5.0
Capital Adequacy	11.1%	16.7%	13.5%	14.4%	14.2%
No. of Employees	76	87	94	112	124

SID Bank is the parent company of the SID Bank Group whose activities consist of:

 <p>SID - First Credit Insurance Company Inc., Ljubljana</p> <p>(Export) credit insurance (ST – marketable)</p> <p>100% of Total Assets</p>	 <p>Pro Kolekt d.o.o., Ljubljana</p> <p>Debt collection, Credit information</p> <p>100% of Total Assets</p>	 <p>Prvi Faktor d.o.o., Ljubljana</p> <p>Factoring</p> <p>50% of Total Assets</p>	 <p>CMSR - Centre for International Cooperation and Development, Ljubljana</p> <p>Research and analyses, Consulting, Information activities, Bilateral ODA, Soft loans, Mixed credits</p> <p>100% of Total Assets</p>
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However, the SID Bank Group is supporting exports in 115 countries from all continents, through financing and insuring of the Slovenian businesses the volume of supported Slovenian exports amounting to EUR 25.3 billion. The SID Bank Group is covering more than 20% of export making it one of the world winners in this field.



In terms of financing, EUR 4.5 billion projects across Slovenia were financed, among which 28 development projects in the automotive industry to the amount of EUR 211 million and three guarantee schemes on behalf of the Republic of Slovenia amounting to a total of EUR 1.6 billion. In addition, support was provided to 5,900 Slovenian companies.

If one counts the activities of the SID Bank for the purpose of internalisation, they will amount to 8 bn EUR. All that SID does is with an aim and therefore all activities are monitored. Assessing the activities for the last three years (2007-2010), we find that the SID supported 34.54 bn EUR of sales, 13.86 bn EUR of GDP and 15.53 bn EUR of export eventually creating 83,973 new jobs. On a yearly basis (2012) that means 9.03 bn € of sales, 3.63 bn € of GDP, 4.12 bn € of export and 21,800 new jobs.

International Cooperation

SID transforms good practice from other banks, SID being a member of different international associations, financing clubs and other representatives, organisations acting in development banking, in particular and the most important being EIB, KfW, and CEB. This consequently permits a strong market position, strong liquidity position and efficient risk management. Nevertheless, SID has been all this time rated as double A.

How to finance the future development of Slovenia?

The main activity in this crisis was to cover the market gaps. The economy in Slovenia was not doing very well and, therefore, SID stepped in either on the insurance side or financing side.



During the time of negative economic growth it is very important to make the transformation to a new development model. How? From the demand economy to knowledge driven economy – steps towards a new development model in Slovenia. Each country should adapt the model as also the EU should change the rules toward a new European development model.

“GO INTERNATIONAL SLOVENIA” PROGRAMME – CHAMBER OF COMMERCE AND INDUSTRY, SLOVENIA

Matej Rogelj*

The Slovenian Chamber of Commerce and Industry (CCIS) is the central and most influential independent association of Slovene business. As such we take our responsibilities in the field of raising awareness about the importance of international business as exports seem to be the only remaining vehicle for the Slovene economic recovery in the period of crisis. The presentation below focuses on the support that we offer to Slovene businesses in their international aspirations and activities.

Bearing in mind that the activities and support organisations in the field of internationalisation are quite dispersed through the various governmental and other structures which we have in Slovenia, we proposed two years ago a common support programme, a sort of platform with thoroughly defined activities - “Go International Slovenia”. The program is based on our own experience and the experience and domains of other institutions, and yes, we admit, the basic raw model is similar to the programme led by the Austrian Wirtschaftskammer, understandably, as long as the Austrian Chamber is considered by many criteria to be “the best chamber in our broader neighbourhood”.

Firstly, as a starting point, the aims and activities of the “Go International” programme will be briefly explained. In this respect the CCIS “Go International Slovenia” programme indeed represents the fundamental activity framework in the field of internationalisation. It combines not only the expertise of the International Relations Department but also of the other parts of the Chamber. There are more than 20 branch associations or “sub-chambers” active in the Chamber, there are 13 regional chambers linked to the Slovene chamber system, there is a strong law department and other joint services organised within the Chamber. All these parts have the competence and above all direct access to our members (and non-members). The CCIS takes advantage of this knowledge in the domestic market.

Furthermore, the Chamber combines and takes advantage of our international relations or better put, our “network”. Most of the collaborators in the Department would have something like 10+ years of experience in the field of internationalisation support business in the Chamber. This is the strength and advantage of our “business”. We simply know people personally. By that I mean partner institutions such as Chambers in target markets, and also other local business associations and institutions that

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are “sources of information” and our “local assistants”. This also holds true for the specific Slovene and foreign businesses that we have met and somehow served along the way. When successful, these contacts remain long-term and fruitful.

The next starting point, essential for the programme, is external coordination with institutions, i.e. Slovene institutions which the CCIS proposes to be involved in the programme. To some extent the Chamber has at least come to a mutual understanding that the programme is relevant and most needed in the broader perspective of supporting and enhancing Slovene internationalisation. As such it has been incorporated into the Slovene Government’s internationalisation programme proposed by the Ministry of Economic Development and Technology “International Challenges 2013” or for short “MI 2013”.

Activities and Markets

The programme “Go International Slovenia” addresses five aims. The first is increasing the number of Slovene exporters. The Slovene statistics are a bit mysterious about the number of Slovene exporters. There are around 9,500 exporters in Slovenia, most of them SMEs of course. The number itself does not tell us much, as long as you do not know that statistically there are almost 190,000 business entities registered in Slovenia, of which 66,000 are companies. About 600 companies account for 80% of all exports, yet the majority of those exporters are only active in the Balkans and the EU neighbourhood. Secondly, the value and the profit of Slovene exports need to be increased. We claim to be export oriented and an export-dependent economy, but in reality only one third of the Slovene GDP is earned through exports. Next, we need to strengthen our position in existing traditional markets, such as the EU and Western Balkans, and be more aggressive and successful in new markets, such as BRIC(S) and the “next eleven”. Nevertheless, the final result or consequence of these efforts should enhance the Slovenian economy identity and create a “Made in Slovenia” trademark.

To achieve these aims, the CCIS divides its activities into several fields and often executes them either simultaneously or on an overlapping basis.

First, preparing or qualifying companies for foreign market entries. These activities include:

- organising seminars, round tables and conferences on internationalisation or specific aspects of internationalisation, for example “How to do Business with ...” - a type of seminar giving initial information about a specific market/ country, but also relating to the experience and good practice of successful companies already doing business with a specific country

- focused consultancy or information on international business
- giving assistance in finding potential foreign partners, including information about fairs
- providing elements of market analysis
- organising fact finding business missions
- dealing with legal aspects of international business, and
- presenting the “Academy of Internationalisation” which is a product we developed with the Faculty of Economics that combines all the elements of successful internationalisation, including efficient presentation of companies and business proposals.

The next step or activity is the assistance given while entering new markets which includes:

- organising in- and out-going business delegations;
- linking or clustering companies for new market entry. That goes along with “networking”. There are several informal groups or councils established within the Chamber that exchange information and propose activities and cooperation for penetrating specific markets as for example Russia, India, Turkey, Iran, and Brazil. We have also developed some brands such as “Business Breakfast with ...” or “Morning Coffee with ...” where guest speakers provide specific information and hints or assistance for particular markets and various processes. Organising individual meetings with Slovenian and foreign economic counsellors and ambassadors is a similar but even more focused individual activity; we even visit companies at their premises to gain information and offer assistance. This is the so-called “Project 50” (companies per year);
- the CCIS collaborates and involves companies in European projects designed to enhance internationalisation of businesses. These may be of a general nature, such as the European Enterprise Network, or specific, such as the Slovene – Austrian cooperation for common entry to SEE markets;
- the Chamber also works on joint fair exhibitions abroad, but this is limited due to financial obstacles which are better solved through the SPIRIT programmes; and finally
- the CCIS has also proposed establishing “Slovene Houses” abroad (as many others), but again these activities should be supported and conducted on a national level. Financing is again a crucial issue.

All these activities are applicable also to assisting and supporting companies in the phase of “strengthening the presence of Slovenian exports in traditional markets”. In addition the CCIS provides:

- sectorial, focused in- and out-going business missions
- support and mutual activities with business clubs established in Slovenia and abroad
- seeking opportunities for international promotion and positioning of innovative and technology advanced Slovene companies. Much more has to be done in that field since only 20 % of Slovene exports are high-tech related
- the CCIS also takes part in promoting Slovenia as a FDI destination, which is primarily one of the domains of SPIRIT Slovenia and is related to the need for the so-called “active promotion of Slovene economy”.

To conclude with “higher forms of internationalisation”, through our network the CCIS provides assistance in:

- establishing representative offices and outlets of Slovene companies abroad, which is not related only to the local legal environment but often also to specific business and market conditions and local business habits and practices
- establishing also joint enterprises or investing in Slovene companies abroad.

The territorial focuses of these activities within the Go International programme are mostly related to:

- fast growing economies such as BRIC(S), Turkey and Middle East
- other identified developing markets (Iraq, Ukraine, Vietnam, even Egypt, but having in mind the current political situation which also applies to economically highly vibrant Turkey)
- European developed markets are naturally essential for Slovenia and always remain in focus (the importance of Central / Eastern Europe is increasing), and lastly
- traditional SEE markets, especially the Western Balkans, where we are facing a relative decline in Slovene exports to below 14 % of total exports.

As it is well-known, territorial priorities can shift quickly, so the CCIS considers this list as a tentative one, it is “scanning” the terrain constantly and is ready for sudden developments.

One may suppose that the above looks very theoretical, but when the ground is reached, it can be quantified. In the past year 105 activities or events were executed and respectively organised. Altogether this amounts to almost 5,000 domestic and foreign companies that took part and benefited accordingly. All this was actually done within the “Go International Slovenia” programme. For the CCIS this is a living programme. A similar plan of activities is taking place this year and we intend to achieve even better results.

The activity plan for 2013 includes:

- individual (tailor-made) consultancy for the CCIS members
- networking and B2B meetings (Exporters club of Slovenia)
- seminars “How to do Business with ...” and “Business breakfast” (Japan, Turkey, UK, Ireland, Nigeria, Canada, Hungary, Philippines, Ukraine, Cuba, etc.)
- workshops, round tables, international conferences
- incoming and outgoing business delegations (India, China, Bosnia and Herzegovina, Ukraine, Iraq, Japan, Russia, Turkey, etc.)
- individual meetings with Slovenian and foreign economic counsellors and ambassadors
- integration of companies for joint entrance to foreign markets: Group for Turkey, Group for India, Group for Brazil, etc.
- business clubs and councils (Slovenian – Iranian business club, Slovenian – Macedonian business club, Slovenian – Russian business council, Slovenian – Ukrainian business council, Slovenian – Indian business council, etc.)
- professional business publications (manuals, e-bulletin on internationalisation, Slovenian exporters register, etc.)
- analysis of business opportunities for individual markets
- internationalisation academy.

Institutions involved

All the above-mentioned activities within the programme are not exclusively led by the Chamber, nor were they entirely proposed and developed by us. It is the programme that we follow and at the same time propose for a common endeavour and collaboration with the government and other involved institutions, such as the Ministry of Economic Development and Technology and Ministry of Foreign Affairs,

SPIRIT Slovenia agency, Chamber of Craft and Small Business, Slovene Export and Development Bank and other financial institutions, research and educational institutions, and others which are “natural” stakeholders of the programme. As already noted, the CCIS has established a mutual understanding about the internationalisation support programme in general. The “Go International Slovenia” programme was recognised in economic diplomacy documents. The responses show that Slovene companies favour it, yet they certainly expect a little bit of “fine tuning” of the coordination among the so many institutions, a clear division of their roles and responsibilities, and of course there are financial aspects that are certainly not easy to resolve nowadays. We are quite aware that in times of crisis the Chamber as a voluntary and non-profitable organisation is not the only stakeholder with financial limitations.

INTERNATIONALISATION IN TURKEY

M. Emrah Sazak*

In this presentation I will discuss some key economic, trade and investment figures about my country, but mainly I would like to talk about semi-internationalisation in Turkey, our practices, what we are doing, how we are doing, and finally, I will give some concrete examples of institutional co-operations from Turkey, for the future collaborations of SMEs in my country and SMEs in your countries.

I will try to summarise the presentation in figures. As you all know, in the world economy Turkey is the 7th biggest economy; in the EU it would be the 6th biggest economy. In terms of growth rate in the last decade, our mean lowest annual growth rate has been more than 5 percent. In the decade up to 2009, before the financial crisis, our economic growth declined, but after the crisis we have had a fast recovery, last year our growth rate being 2.2 percent and this year in the first quarter our growth rate being 3 percent. The forecast for my country's growth rate is approx. 3.5 percent.

In terms of the investment climate in Turkey, in the last decade again, FDI inflow to my country has been soaring, not only the quantity, but also the quality of the FDI is increasing in my country. There are a lot of multinational companies that have their regional headquarters in Turkey, certainly the reasons for this investments are mainly Turkey's dynamic, stable economy and young population, its geographic location, in terms of accessing multiple markets, its energy hub and the structural reforms carried out in the last decade. In terms of investments the most promising sectors in our country are automotive, transportation, real estate, finance, energy and the information communication technology sector.

In terms of exports, we are doing well and in the last decade our exports have increased more than three times. My country's share in the global export market is approximately one percent. My country's main exports items are vehicles, machinery iron and steel. And in the import sector, it is similar, mainly industrial products. In the first quarter of 2013 our main partners have been Germany, Iraq, United Kingdom, Italy, and, in terms of energy imports, Russia, China, Germany, USA and Iran are our main import partners.

Turkey is a member of the World Trade Organization, Organisation for Economic Co-operation and Development (OECD), and we have also regional trade agreements, free trade agreements with a lot of countries. As you know, we have a customs

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agreement with the European Union (EU), we are members of the Economic Cooperation Organization, Black Sea Economic Cooperation Organization, and we also have bilateral trade relations with many countries. Before 2007, most of our trade was with the EU countries, but thanks to the exports diversification strategy and maybe due to the crisis in the EU, the EU share in our trade now is less than 40 percent. But despite this decrease, the EU countries are our main partners in our trade relations, both export and import. In our trade relations with Slovenia, the trade volume is approx. 1 billion dollars; we are exporting more than importing from Slovenia. Hopefully this event will increase the trade volume between our two countries.

In terms of economic diplomacy our country has approximately 200 trade representatives all over the world. Now, to the main issue: what are we doing and how are we doing it? I think that the figures about SMEs are the same in most countries. In my country 99 percent of all firms are SMEs, they have an important share in employment, they have an important share in the total output created in my country, 60 percent of all exports are done by SMEs in Turkey. In the financial sector, i.e. getting credits from the banks, they have only 24 percent. In the last ten years, the total number of exporting companies in Turkey has been 140,000. Last year it was just 56,000, it means that there is no stability in the exporting sector in Turkey, SMEs are trying to get into the export business, but some of them are failing.

I mentioned these statistics because one of my departments made strategies to increase the number of exporting companies, and another strategy, i.e. how to upgrade the security of our SMEs in Turkey. And for this aim, we have an export strategy for our country until 2023, and we have some targets for the next ten years. For 2023, our target for exports is 500 bn. USD, for imports it is 625 bn. USD. From the world trade we want to take a 1.5% share, and our GDP target is 2 trillion USD. For 2023 our aim is to raise the number of exporting companies to 100,000.

In this export strategy, the main action plans are mostly related to SMEs. We are stressing the importance of diversification, both in products and in markets. And in the last decade we really did well, in both sectoral diversification and market diversification. My country is exporting to nearly all countries in the world, excluding one or two very small countries. As I said, we are arguing the importance of enhancing, and increasing the export capacity of SMEs, we have a specific programme about increasing the Turkish brand identity in the world. Also Istanbul, our business centre, is very critical, making itself an international fashion, fair and trade centre. We are also applying the cluster strategy in my country, this is an important tool for us, and we are also giving importance to developing export finance tools. These are the tools that my department is using for enhancing the competitiveness of SMEs.

Different support mechanisms for exports are also our concern: we are sending trade delegations to other countries, buying missions, and fairs are also an important tool for Turkey. As I mentioned, we have a lot of bilateral and multilateral agreements with other countries, also we are giving importance to trade information; our support mechanisms at company level, are, we can say, at the micro level and mezzo level; we are taking part in institutional collaborations in my country and this is a very good approach and I can recommend this strategy to you. In terms of public-private partnerships, collaborating with institutions is a very good idea, because institutional collaboration can work as a bridge between the public and private sector.

At the multilevel, our mechanisms are mainly related to general foreign trade policies. These mechanisms are ongoing under my department. These are support mechanisms to enhance international competitiveness. The second aspect is market research and market access support. In the former we provided support for our country's visits to other countries and some expenses; we also support with buying services about markets, and we support members to do business through business platforms and e-trade websites. The third one, the certification support is again related to the market access: we support the documentation expenses of our firms' document certification which facilitates getting their products to other markets. We are supporting opening stores abroad and also promotion activities abroad.

I will focus on the enhancing international competitiveness support mechanism; it is a case study. This support mechanism is the most up-to-date one and maybe the most popular one, especially with SMEs in my country. In this case, we use clusters as a tool for enhancing the competitiveness of SMEs. Our aim is not creating clusters, in fact, we do not have a cluster definition in the support mechanism for example. But on the other hand, we believe in the cluster idea, i.e. the firms that have common problems, that are in the same value chain, and which are willing to cooperate, their common vision are clusters for us in the support mechanisms. The owners of the project are institutional partners like export unions, chambers of commerce, sectoral associations, etc. We define these institutions and there are many in Turkey. They are the owners of the project, they are coming to us with members, mainly in the same value chain. Certainly the aim should be internationalisation, because at the end of the day we are the general directorate of export. This support mechanism can be defined as an internationalisation of cluster support mechanisms.

Another critical issue about this support mechanism is cooperation understanding. Every support mechanism should have a message. When creating these support mechanisms, the companies are interested in the money they are getting, but our interest is not the money, we are arguing that our interest is the message we have for them. And in these support mechanisms, the main message is, ok, if you are a SME

and you want to compete, you should cooperate. It is a mandatory process for you, you have no other choice, you should cooperate with the firms in your ecosystem. And this understanding also works for the public-private partnership understanding. For example, we are encouraging companies getting services from universities, so the university-industrial relationship is working in a better way. Also, thanks to the support mechanisms, the relations between institutional partners and firms are going in a better way.

Another important characteristic of our support mechanism is in my opinion its flexible, dynamic and integrated support mechanisms. Let me give you a few more details about these projects, mainly what we are supporting under this mechanism. The first step is a need analysis: this is not only the first step, but also the mandatory step; we are also supporting the employment of a manager, this is for managing the cluster, for facilitating the cluster, for facilitating the project activities. The next step are training and consulting activities; we are also supporting the internationalisation activities, matching activities, cluster promotion activities.

The first step is crucial; as I noted this is mandatory, and if you start well, the project is going well, this is our experience. In the need analysis process our aim is to create a common vision. What are the needs of these companies? There are a lot of SMEs producing but they do not know how to start, where to start, so this need analysis process is also serving as a kind of counselling activity to SMEs. They learn a lot through this process. They are defining themselves, they are defining how complex they are, they are learning about sectoral trends in the world, and they are forming their work map.

In terms of institutional collaborations in Turkey the potential sectors to cooperate between Turkey and Slovenia can be identified as the medical sector, automotive sector, and in the service trades, maybe you know, maybe you do not, our country is the second biggest country after China in the construction sector; there is also room again for investment in renewable energy, electronics, ITM, tourism. These are some institutional collaborations in these sectors, they are already working as a cluster idea, they have members who are interested in trade with other countries. Also, for the ones who are interested in investment in Turkey, we have a one stop shop for investment issues, we have an investment promotion agency Turkey. The other important institutions to cooperate with are the Istanbul Chamber of Commerce, Istanbul Chamber of Industry, the umbrella organisation of the Chamber of Commerce also in terms of export, Turkish exports, and other export unions.

SOUTH AFRICA - A WEALTH OF OPPORTUNITY

Janez Pergar*

South Africa at a Glance

South Africa is the largest and most advanced economy in Africa. It has an abundance of natural resources; well-developed financial, legal, communications, energy, and transport sectors; and has the 26th largest GDP in the world¹.

South Africa is a nation of diversity, with 51 million people and a variety of cultures, languages and religious beliefs. The labour force consists of almost 18 million people. South Africa is a multilingual country with 11 official languages. English is the most commonly spoken and is the language in which most business is conducted. From the African continent perspective, South Africa has 6% of Africa's population, creates 24% of Africa's GDP, produces 45% of Africa's mineral production, accounts for 50% of Africa's purchasing power and generates 50% of its electricity.

Currently the head of the state is Mr. Jacob Gedleyihlekisa Zuma. The capital cities are Pretoria-executive; Cape Town - legislative and Bloemfontein - judicial city. South Africa is a member of the African Union (the president of the AU Ms. N. Dlamini Zuma is from South Africa), G20, BRICS, SADC African Development Community (Angola, Botswana, Democratic Republic of the Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe), COMESA - Common Market for Eastern and Southern Africa, EAC - East African Community and FTA Free Trade Agreement (to be concluded), as well as of the Non-aligned movement.

From the global perspective, South Africa is a member of BRICS and the only African country that is a member of the G20. According to the World Bank, South Africa ranked 39th out of 185 in the world for the ease of doing business in 2012. South Africa is ranked 2nd in the world for the accountability of its private institutions and 3rd for its financial market development in the Global Competitiveness Report of 2012. Moreover, based on this report, South Africa's biggest improvements over the past year have been to intensify local competition (South Africa moved from the 63rd to the 49th place) and enhance the availability of latest technologies (South

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¹ Population : 51 million

Currency : Rand (Rand 13 = 1Eur)

Languages: 11 official languages (business language – English)

Total GDP (nominal): USD 384 bn = Eur 297 bn (2012)

Real GDP Growth 2.5 % (2012)

Labour force: 17.9 million

Africa moved from the 51st to the 39th place). Cape Town was named the top tourist destination in the 2011 Traveller's Choice Destinations awards, Global design capital of 2014 and Table Mountain² was recently voted one of 7 new wonders of the world. South Africa is the most attractive country in Africa for investors according to the Ernst & Young's third Africa Attractiveness Survey from May 2013. South Africa (SA) is the single largest investor in Africa by number of FDI projects in 2012. Doing Business in SA – World Bank ranks South Africa 39 out of 185 countries, while the regional average is only 140 according to the World Bank. At the World Economic Forum in Cape Town on 8-10 May [2013, editor's note] South Africa (SA) was presented as a promising investment destination – a stepping stone for getting into other African countries. SA is also ranked the 9th best tourist destination in the world.

Regional Economic Integration and Business Environment

Located at the Southernmost tip of the African continent, South Africa is ideally positioned for access to the 14 countries comprising the Southern African Development Community (SADC) with a combined market of over 250 million people – as well as the islands of Africa's east coasts and even the Gulf states and India. The country borders on Namibia, Botswana, Zimbabwe, Mozambique, Swaziland and Lesotho and its well-developed road and rail links provide the platform and infrastructure for ground transportation deep into the sub-Saharan Africa. SA is also a dynamic force within the 14-member SADC and was a key player in the development of the New Partnership for Africa's Development (NEPAD), the socio-economic renewal programme for the African Union. The NEPAD has identified a number of continental infrastructure projects such as road and rail links that will enhance intra-continental trade flows.

Since 2008 when SADC attained the status of a Free Trade Agreement (FTA), producers and consumers no longer pay import tariffs on more than 85% of all trade of community goods in the 12 countries implementing the SADC Trade Protocol. Furthermore, there is a commitment to moving towards a greater regional economic integration between SADC, COMESA (Common Market for Eastern and Southern Africa) and the EAC (East African Community). SA is the largest of the European Union's trading partners in Southern Africa and has enjoyed a Free Trade Agreement with the EU since 1999. The main exports include gold, minerals, diamonds, metals and metal products, foods, automotive components while the country mostly imports machinery, transport equipment, manufactured goods, chemicals, and oil. The major trading partners are China, EU (Germany, Italy, and the Netherlands), United States of America, Japan, United Kingdom, India, Saudi Arabia, and South Korea.

² Table Mountain is located in Cape Town.

Bilateral exchange of goods between Slovenia and South Africa in 2012 amounted to €46.6 million (an increase of 12.3 % in comparison to 2011), while South African exports to Slovenia amounted to 16,167,000€ an increase of 10 % compared to the same period of 2011. Slovenian exports to South Africa amounted to 30,471,000€ - an increase of 13.6%. Major exports from South Africa to Slovenia include pig iron, titanium, niobium, tantalum, vanadium, zirconium ores and concentrates, clays, marble, chamotte, andalusite, kyanite, carbides, motor vehicles and machinery. Major exports from Slovenia to South Africa include electrical-thermal household appliances, pneumatic tires of rubber, electric lighting and signalling equipment, medicaments, parts of electric motors, metal rolling mills, aluminium products (oxide, bars...) and automatic data processing machines. Services (tourism, IT, etc.) are becoming a more and more important part of the export/import exchange.

South Africa is the continent's industrial and financial super-power. It occupies only 4% of Africa's land mass but produces almost 25% of the entire continent's GDP. The key sectors contributing to South African GDP are the financial and business sector (21.6%), public administration (16.0%) and manufacturing (13.8%). Other sectors contribute respectively:

- mining and quarrying: 9.4%
- agriculture: 2.4%
- construction : 4.3%
- electricity, gas and water: 3.0%
- retail and wholesale: 14.2%
- transport and communication: 8.4%
- personal services: 6.9%.

In this regard, SA has nine provinces and the smallest of the nine provinces is Gauteng, a highly urbanised region which produces about a third of SA's (and 10% of Africa's) GDP. In fact, this tiny province has a GDP larger than most African countries and it alone has the 5th largest economy in Africa – ahead of Morocco and Tunisia for example.

The South African legal framework provides a stable and predictable environment for business development. A substantive legal framework particularly exists in commercial, labour and maritime law regimes, advanced legislation related to competition policy, copyrights, patents, trademarks, while disputes and independence of the judiciary is guaranteed by the Constitution.

On the other hand, the financial system is robust and well regulated. Four of South Africa's banks are in the world top 500; the Johannesburg Securities Exchange (JSE) rates among the top 20 largest stock exchanges in the world and South African commercial banks also have wide representation in Africa.

South Africa's Economy: New Growth Path and National Development Plan 2030

The vision of the government is to create 5 million jobs by 2020 and reduce unemployment and poverty. The key pillar of the New Growth Plan is the Industrial Policy Action Plan II (IPAP) that proposes multi-sectorial interventions across agriculture, mining, manufacturing, tourism and other high-level services to create substantial employment. The National Development Plan 2013 launched in August 2012 proposed interventions aiming to eliminate poverty by 2030 through the means of expanding economic opportunities by: diversifying exports; strengthening links to faster-growing economies; enacting reforms to lower the cost of doing business; moving to more efficient and climate-friendly production systems; and encouraging entrepreneurship and innovation.

In a massive public-sector investment South Africa has spent €55 billion on infrastructure development in the past three years. Over the next 20 years, €70 billion has been approved and budgeted for public sector projects, particularly, €25 billion in the energy sector, €22 billion for transport and logistics projects and for the construction of six new nuclear power stations by 2030. Also, South Africa has a long-term plan for renewable energy: this includes providing 21% of generation capacity from renewable sources by 2030.

The South African Department of Trade and Industry provides financial support to qualifying companies in various sectors of the economy. Financial support is offered for various economic activities, including manufacturing, business competitiveness, export development and market access, as well as foreign direct investment:

- concept and research & development incentives (CRD)
- capital expenditure incentives (CEI)
- competitiveness enhancement incentives (ECA).

Why DO business in South Africa?

To sum up, South Africa today is one of the most sophisticated, diverse and promising markets globally. Strategically located at the tip of the African continent, South Africa is a key investment location, both for the market opportunities that lie

within its borders and for the opportunity that exists as an entry point to the rest of the continent, a market of nearly one billion people.

South Africa has a wealth of natural resources (including coal, platinum, gold, iron ore, manganese nickel, uranium and chromium). It has a world-class infrastructure, exciting innovation, research and development capabilities and an established manufacturing base. South Africa has sophisticated financial, legal and telecommunications sectors, and a number of global business process outsourcing (BPO) operations are located in the country.

It enjoys political and macro-economic stability, an abundant supply of skilled, semiskilled and also unskilled labour, and it compares favourably to other emerging markets in terms of the overall cost of doing business. For professional jobs, labour costs are less than half of the costs of European countries. For manufacturing jobs, labour costs are around one third of those in Europe. South Africa's energy costs are still among the lowest in the world.

South Africa's unrivalled scenic beauty and reputation for delivering value for money make it an attractive leisure and business travel destination. It has a favourable demographic profile and its rapidly expanding middle-class has a growing spending power.

South Africa has a host of investment incentives and industrial financing interventions that are aimed at encouraging commercial activity and its trade rules favour a further expansion in South Africa's burgeoning levels of international trade. One of the main reasons for South Africa's becoming one of the most popular trade and investment destinations in the world is due to the country's ensuring that it can meet specific trade and investment requirements of prospective investors. According to the World Bank SA ranks 10th in the World in protecting investors which is something that will give potential investors peace of mind.

THE COLLABORATION BETWEEN ACADEMIA AND INDUSTRY – THE CASE OF THE CENTRE OF EXCELLENCE CE PoliMaT

Mateja Dermastia*

The Centre of Excellence for Polymer Materials and Technologies, CE PoliMaT, was established in 2010 as a unique collaboration between academia and industry, with 22 partners representing academia, industrial leaders and clusters from the chemical, pharmaceutical, automotive, building materials and renewable biomass sectors.

The main motivation behind the establishment of CE PoliMaT was forming a working relationship between academia and industry to ensure the commercialisation of research excellence, innovative and environmentally friendly products and technology in high-tech niche markets thereby supporting sustainable job creation, economic development and the transformation towards green economy. The efforts in the last three years resulted in 101 scientific articles, 6 filed patents, 36 prototypes and 75 inventions, as well as one spin-off company (MikroCaps).

In CE PoliMaT polymer-based innovations, leadership, global challenges, bridging academia with industry, action oriented support along the whole innovation chain, and international cooperation in science and technology are the major values.

CE PoliMaT Leadership Role

CE PoliMaT provides an innovation platform for the previously dispersed capacities of the leading Slovenian research groups from public and private research and development sector, and successful small, medium and large enterprises in the field of polymer materials and technologies. It integrates the interdisciplinary research of new sustainable materials, nanotechnologies, health and life sciences, supports 84 researchers from enterprises and research institutions, including 43 PhDs, that address economic, social and ecological problems with a focus on water, food, energy, housing, and health.

In this regard, CE PoliMaT is challenging the current process of polymer production from petroleum by using renewable resources as feedstock for (bio)polymers. Products made of this type of polymers could be successfully and easily recycled and re-used. Consequently, the change in the relationship between industry and academia on the global level is required.

* Director, CE PoliMaT, Slovenia

International Cooperation

In 2012, the intensive internationalisation of CE PoliMaT activities took place, at first in Europe, where links with centres in Leoben (Austria) and Berlin (Germany) were established. In June 2012 CE PoliMaT co-organised an international conference with the Harvard Kennedy School in Boston, USA. The involvement of the Slovenian diplomacy in the US facilitated the onset of a long-term cooperation with partners in Akron, Ohio, the centre of polymer industry and research.

The first success was the establishment of the CE PoliMaT's Innovation Office at the Akron Global Business Accelerator (AGBA) in October 2012, together with the Slovenian-American Business Association (SA-BA). The main achievement of this office was the establishment of a long-term relationship with the Austen BioInnovation Institute in Akron, USA (ABIA), in the field of biopolymer applications for health (APIC programme).

The collaboration between CE PoliMaT and ABIA grew beyond the APIC programme initiative alone. A Global Biopolymer Network (GBN) is emerging connecting the scientific and technological know-how of developed countries with the abundant biological resources as well as young talents from African countries to support new partnerships. The GBN led by CE PoliMaT is currently involving ABIA (Akron, USA), the Harvard School of Engineering and Applied Sciences, the Harvard Kennedy School (Cambridge, USA), JKUAT (Nairobi, Kenya), VDI/ VDE Innovation (Berlin, Germany) and the PCCL Leoben (Austria). The network builds on the strengths of participating institutions and companies with an approach focused on real-world problems that can be addressed through appropriate technological solutions involving advanced materials and biopolymers.

The collaborative programs of CE PoliMaT and the GBN have been initiated with the Jomo Kenyatta University of Agriculture and Technology from Kenya, and the ANDI Centre of Excellence for Biomedical and Biomaterials Research of the University of Mauritius, in cooperation with COMESA (Common Market for Eastern and Southern Africa).

These programs were initiated at the Biopolymer Workshops that bring experts from the GBN to local environments and connect them with local R&D facilitating industrial competencies. The Biopolymer Workshops 2013 jointly gathered about 200 delegates from local and regional stakeholders in Africa (Kenya, Mauritius, Uganda, Zambia, Malawi, Zimbabwe), and students representing a new generation of young scientists.

In the future, CEPoliMaT seeks to consolidate and strengthen its working relationships with the GBN members, reach out to additional countries in Africa, Middle East and Latin America, especially Brazil, and Asia, involve network members in problem-based projects and broaden GBN membership to include other qualified institutions and individuals. Accordingly, the role of effective economic diplomacy is and will remain an important part of CEPoliMaT activities.

PETRA INDIA JOINT VENTURE

Rudi Bric*

PETRA Stroji, while small (10 people employed), is a global company. PETRA Stroji is a family owned, professionally managed company. PETRA has made an impact with its innovations and technological ideas in the band saw machine sector. Today PETRA Stroji d.o.o. has emerged as a market leader in Slovenia and is known for the quality of its machines and its patented technology/solutions in Europe and United States.

To make its brand truly global PETRA searched new opportunities in fast growing economies such as India and South Africa. It was found that both these markets are hungry for technology. During the evaluation the band saw market in India was found to be highly competitive, price sensitive and large, but at the same time in need of high quality machines at affordable prices. The South African case was similar.

The following benefits were identified to support the decision of selecting India as a base:

1. it is itself a big market
2. low shipping cost to South Africa
3. no need to import any components, i.e. all items that need to be purchased and machined components are available
4. rationalised labour cost
5. manufacturing cost is less for the same quality
6. a big pool of young engineers
7. established small scale units, working as suppliers / vendors
8. good industrial infrastructure
9. taxation is the same or less
10. safe market in terms of realisation
11. strong banking sector
12. easy investment policy, less hurdles in forming a company.

* Director, Petra Stroji d.o.o., Slovenia

A joint venture agreement was signed in May 2009. PETRA India was incorporated in July 2009. A lot of homework had been done before the implementation of the plans started. Firstly, all the data related to manufacturing, like material, vendors, labours, infrastructure and related costs was collected. A lot of consideration was given to finding a suitable location and finally Chennai was chosen mainly for two reasons:

- Proximity to the port;
- It is an industrial city and the home of automobile giants like Hyundai (its biggest plant) and Ford. Chennai is known for highly skilled vendors with quality capital equipment and service facilities. It has a good industrial infrastructure and no labour unrest. Also, Chennai is located very near to other big markets for band saw machines, like Bangalore, Hosur, Trichy, Hyderabad and Coimbatore.

After deliberating various issues regarding the formation of a company in India, the 'Automatic Route' was finally chosen. Through this route, an investor does not need any permission from the Indian Central Bank, Reserve Bank of India (RBI), to make an investment in an Indian company or joint venture. RBI only needs to be informed through certain designated channels once the investment has been made. Hence, PETRA India is a company with INR 10 million authorised capital.

PETRA India manufactures machines based on very modern and streamlined manufacturing processes and takes advantage of the quality vendor base that has the best capital equipment. It is one of the benefits in India to have available quality components at a competitive cost due to inherent market competition. PETRA India is sourcing all the items including critical items from its vendors. PETRA India is then fully concentrating on assembling a high performance product with operations being undertaken at the vendor location, like laser cutting, CNC bending, machining of the components over VMC, castings and casting machining, and powder coating of the assembled machines.

It is noteworthy that this has been done without the support of either the Indian or Slovenian government. Last but not least, it is not enough to produce and export, the export of capital is also required. Lastly, the export of technology and knowledge abroad and starting production somewhere else is another step to be taken (China, Brazil, etc.).

While the above-mentioned strategy has proven right for the first three years of the company's existence, when 70 machines had been produced and sold in India, the relative recession in India caused a dramatic decrease of market demand in 2013. At the moment the investment into quality machines is so low and prices have dropped to a level which does not justify the continuation of production. In a typical Indian

quick reaction our partner in India has reacted by reducing the workforce, minimising all costs and seeking new opportunities. The Indian Rupee (INR) has been devalued by more than 15% and exports from India have become very attractive. So now some parts needed in Slovenia are very cheap and the company will for the moment focus on the supply and quality control of the parts to be shipped to Slovenia. As soon as the conditions change and demand increases the production of band saw machines will continue.

The lesson learned in India is that the highly competitive market for machines in times of declining demand or recession becomes an absolutely price-driven market and, unless long term financing is available, the quality of machines is not enough on its own. The low cost domestically produced machinery wins. Also, the attempts to secure local financing failed for very much the same reasons as in Slovenia. It is difficult to get support from state agencies because commercial banks are actually those that decide. A small company does not show enough profitability in the first years of existence and banks are reluctant to approve affordable credit lines. It is therefore mandatory to secure enough investment capital to survive the “time to profitability”. India is a tough and rough developed capitalist economy in which only the strongest succeed.

DOING BUSINESS WITH PRIORITY MARKETS – DUOL

Dušan Olaj*

Duol at a Glance

Duol is a middle sized company established in 1992. During the twenty years of its existence, 99% of the projects were done outside of Slovenia. The core business includes engineering, production, assembling and after-sale service of sports infrastructure while the main product is air supported structures.

From the very beginning the Duol company was mainly focused on building sport infrastructure, highly specialised in air domes, achieving the market leader position in Europe, Scandinavia, Russian Federation, Central Asia, and Turkey and actively covering 80 % of the market with more than 1,100



reference objects. Major clients are ministries, institutions, city administrations, big industrial companies, sport clubs and private investors. Making some impressive buildings such as football halls, tennis halls, pool covers, hockey halls, multipurpose halls, handball halls, golf halls that have energy autonomy and are resistible to earthquakes was the main factor that made the company a technological leader.

In recent years the company identified new trends in the agriculture sector which needed new, mobile, quickly installable types of food processing-storing construction. With a great experience in air domes and light membrane structures, Duol successfully developed an entirely new and innovative food processing-storing solution. The first pilot projects exceeded all expectations and Duol was quickly faced with a rising demand for new projects. Duol's main clients are agriculture companies and private companies annually dealing with large amounts of agricultural crops, companies involved in food processing, Ministry of Agrarian

* Director, Duol, Slovenia



Policy and Food, etc. The main advantage of Duol's new type of construction is the capacity of moving the warehouses close to products, instead of transporting crops to remote storage places (outside - 50, inside +8).



Duol 2020?

The company aims at a completely new project of greenhouses – the modern hydroponic garden system which is different from the potato storage facility in Russia and Ukraine. The mission of the company is to provide mobile, affordable, highly efficient and sustainable food processing infrastructure, eliminating losses in agricultural food processing market.

The model of the firm has changed a lot in the past years and at the moment 25 people are employed. The changes were also made from the classic trading company to the production company and now some kind of developing engineering company with outsourcing. The key success factors are being competitive, successful and investing in new markets.

Business was mainly conducted outside Slovenia because in two years the Slovenian market was full. The cooperation with Russia and Arabic countries followed. This year (in 2013) the first contract was signed in Chile and Nigeria.

The company's advice for other businesses is to take your own way. Where there is no risk, there is no chance for business.



THIRD MARKET COOPERATION - A GOOD PRACTICE EXAMPLE

Marko Lotrič*

Our laboratory was established in 1991 with a focus on and dedication to metrology. The key to our success is based on trust that enables our continuous growth. It is a family business company with slightly more than 60 employees in the group. Investments in research and development (R&D) amount to over 20% annually. In 2012 more than 25,000 metrology checks were delivered. The group consists of the mother company LOTRIČ Metrology and daughter companies LOTRIČ Certificiranje (Slovenia), LOTRIČ Mjeriteljstvo (Croatia), LOTRIČ Control (Bosnia and Herzegovina), LOTRIČ Metrologija (Serbia) and LOTRIČ Metrologija (Macedonia). The company is engaged in measuring the quality of potable water, healthy food and clean air. The group's strategy is based on spreading the culture of excellence and expanding the circle of trust with precise measurements and expert testing. Because we believe in people our values are: quality, trust, accuracy, expertise, honesty, clarity, innovativeness, openness and infinity.

The main activities of the company are based on the circle of trust, including seven divisions which are: metrological solutions, measurement of measures and samples, software solutions (ICT), M&Q Academy, servicing and maintenance of measuring and laboratory equipment, sales management and Metrology forum. The laboratory has a long tradition in quality system management and is accredited as a calibration and testing laboratory in accordance with the internationally recognised standard ISO 17025, and as an inspection body accredited in accordance with ISO 17020. The confidence in our work was also recognised by the government within authorisations for legal-based activities. The European Foundation for Quality Management, according to the EFQM excellence Model, awarded our company the 5 star Recognition for Excellence.

Quality system management combines other independent legal entities which enter the quality system on different bases. Mutual occurrence on the market brings all partners a lot of good practices, technical competences, sales channel and cost efficient promotion. LOTRIČ Metrology is working on the development of the quality system, software, technology and design, so that partners get all this knowledge through education. On the other hand we have common accreditation and we are all building the brand name.

* General Manager, LOTRIČ Metrology, Slovenia

The LOTRIČ Metrology group has different business models with its daughter companies and with partner companies in Slovenia and abroad. The partners are divided into work units and laboratory units in Slovenia. Work units include organisation units that perform work inside the existing quality system/methods. Laboratory units include organisation units that enter the quality system and are responsible for standard and accreditation requirements. The partners abroad are divided into Quality system LOTRIČ and Quality system partner. The Quality system LOTRIČ is composed of our own companies abroad. Quality system partners are other partner companies abroad.

A good practice case of cooperation in a laboratory unit in Slovenia is the company IMS d.o.o. in Ljubljana, which is a company with a laboratory for sound and vibrations. The companies stepped together in order to get the necessary accreditation in that field. The accreditation scope includes: sound pressure level, acoustic calibrators, microphone calibration, distortion, transducers of sound level pressure and vibration transducers. At the start of the project we signed a non-disclosure agreement, then offered education to our staff in the field of requirements of ISO 17025 and they trained our commercial staff. We helped each other in preparing for the accreditation audit and in 2006 we received the accreditation.

We created and offered joint services to domestic and foreign markets. The companies have a common pricelist and we made adjustments to our web pages. Both companies are promoting services in their own brochures. Also, promotion was of great importance. LOTRIČ Metrology was promoted through personal visits, exhibitions and congresses, while IMS was promoted through the existing clients and education – IMS is the certified instructor for Bruel&Kjaer in the Middle East and Africa. The common markets where LOTRIČ is present with IMS are the following: Slovenia, Croatia, Serbia, Bosnia and Herzegovina, Macedonia, Belgium, Denmark, United Arab Emirates, Singapore and South Africa. The merger of two strong brands together forms trust, which is important in the field of metrology.

The LOTRIČ Metrology Group took over the former laboratory Iskraemeco in Kranj in January 2013, and has formed a subsidiary LOTRIČ Certificiranje. The LOTRIČ Metrology Group owns 100% of the company which provides new fields for business development and joint participation in foreign markets. Last but not least, LOTRIČ Metrology Group's motto reads: "We measure the future" and together with our clients we are building a better future.

III.
ECONOMIC DIPLOMACY
THEORETICAL BACKGROUND

ECONOMIC AND COMMERCIAL DIPLOMACY AND INTERNATIONALISATION

Dr. Marjan Svetličič*

1. Introduction

“Diplomacy is the skill to tell a person to go to hell in such a way that he is looking forward to it”. Paraphrasing it we can say that economic and commercial diplomacy (E&CD)¹ is the skill to make a deal in such a way that both parties are looking forward to its realisation. The big questions have always been how to do it, which firms/activities deserve support and what kind of support, and whether diplomats are suitable to assist firms in producing positive, tangible economic results². This is particularly relevant today when the world is facing deep economic crises, unprecedented volatilities and unpredictability in an ever more globalised economy undergoing tectonic changes. New growth poles in Asia and perhaps even Africa are emerging. But new players are still not able to replace traditional economic powers as engines of global growth.

For such new markets one needs new skills and needs to overcome traditional cultural and other stereotypes which can substantially impede economic cooperation. New players are not just states but also non state actors, international organisations and regional groupings with their increasing role, transnational corporations, non-governmental organisations (NGOs) etc. The role of trust is therefore becoming more important. One cannot successfully cooperate with a party which is in his eyes from Mars because their ideas are also consequently considered as Martian. The mentality *they* and *us* has to be replaced by *they are us* whom we can trust as well.

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¹ It is difficult to separate economic and commercial diplomacy although they are usually recognised as separate disciplines in the diplomacy literature (see Udovič 2009, Kostecky and Naray 2007) particularly in the case of small countries with limited resources. Their diplomats dealing with economy and business have to do both. They do economic diplomacy dealing with general economic policy-making and trade agreements, and commercial diplomacy which is a much more specific tool for the realisation of economic interests of home economic actors by providing them appropriate business support. (Kostecki and Naray 2007).

² Our point of departure is that E&CD has positive effects on home economies, that it creates added value for those firms which make use of commercial diplomacy. But added value is not easy to monetise because it is hard to directly relate commercial diplomacy to monetary beneficiaries for firms (Ruël and Zuidema 2012: 6). Unfortunately there are not enough empirical studies which have looked into the efficiency of E&CD. Those available nevertheless do confirm that the presence of embassies and consulates had a significant effect (i.e. commercial diplomacy) on international trade (Rose 2007, Yakop and Bergeijk 2009). It was also found that firms which use state export promotion programmes enjoyed greater export success (Gençtürk and Kotabe 2001).

Interdependent, interlinked global economy and the transition from a unipolar to a multipolar world make the tasks of economic and commercial diplomats much more complicated because foreign relations are still largely in the domain of governments, while economic relations are formed by the interactions of (largely) private actors. Governments negotiate international rules and regulations; how those rules are interpreted or whether they are followed in the real economy is beyond the scope of government officials. Another complication in economic diplomacy is the tension between economic and political priorities. There is an economic desire to exploit potential market calls for bringing out the entire tools available (see Philipot 2010: 196) for the reconciliation of the conflict between the private interests of business actors (firms) and the national economic interests of promoting the welfare of home population in general and not only of employees of the specific firm engaging in international cooperation.

It seems that if not already through globalisation and on-going tectonic changes, the economic crisis hammered the final nail in the coffin of the traditional *tuxedo*, since “*ritualistic* diplomacy” emerged as part of the “Westphalian” regime in which the established “territory” was the “sole source of wealth, states could expand wealth and power just by gaining territory from others. States were thus each other’s competitors at best and potential enemies at worst [...]. That is at odds with the present world system where wealth does not arise from excluding others; but through connecting to others. Diplomacy has often failed to fully adjust to this new global order. If and where it has, it retains a central function as catalyst of worldwide cooperation – not just between states, but also between the many new actors, such as NGOs and corporations, that now shape the global political system” (see Nowotny 2013:1).

E&CD became the poem of the day. All countries, small and large, started to put economic interests in the forefront of their diplomatic/foreign policy activities. Globalisation made all countries small overnight. It is not the large national market which facilitates the competitiveness of a country any more but access to global markets as nicely put by G. Becker back in 1991. Economic crises just added to the importance of E&CD. All countries facing crises are attempting to assist their economic agents to retain and even more so, to conquer new markets. And the crises have not happened in a vacuum. They erupted in the high tide of globalisation and internationalisation of the activities of firms. “Commercial diplomacy is a means for governments to increase international trade and support their national economies. As emerging economies will most likely remain a fact, and as they will function as the economic growth engines in the coming decades, governments of developed economies need to strengthen the instruments they use such as commercial diplomacy, while at the same time they will have to deal with budget cuts at home. For instance, the United Kingdom and the Netherlands have rethought their strategies and prioritised commercial diplomacy” (Ruël and Zuidema 2012: 1).

The position of every country in the global economy of the future depends strongly on its ability to adjust swiftly to new trends. E&C diplomats have therefore to be able first to identify changes, to see future trends and to suggest ways and means for adjusting to the new environment of states and economic actors.

These are some of the new challenges modern diplomacy is faced with in the emerging/existing new global economic environment. After looking into the major global tectonic changes we proceed by evaluating the implications of such changes on the sources of competitiveness, on the skills needed for E&C diplomats and on the instruments to be utilised, and end by drawing conclusions.

2. Tectonic Changes in the Global Environment

The global financial crisis should have dispelled the doubts any student might have had about the importance of the global economic system, of globalisation for the welfare of the citizens of the world. Economics appeared to be at the heart of a nation's ability to prosper in today's global world. Changes seem to be so deep that they have profound implications also for the national development and even political strategies, consequently also on the ways and means in which national economic interests are materialised by the instruments of E&CD, particularly since it is becoming clear that the ability to adjust and react to on-going changes has become an ever more important source of competitiveness.

What are these major structural changes in the global economy? First it is the deindustrialisation or decreasing role of, historically, first agriculture and now manufacturing in industrial countries that are becoming more and more service economies although at the same time the grey zone between manufacturing and services is widening³. This grey zone may become the major area of future production systems. The crucial question is what is going to remain in the traditional economic centres. "Over time the North's manufacturing industry⁴ will wither away: supply will focus mainly on upmarket goods now accounting for a limited share of international demand (34 per cent over the period 1995-2002)".

But "it is difficult to imagine the advanced economies becoming wholly tertiary since many service activities owe their very existence to the presence of

³ The distinction between manufacturing and services is increasingly blurring. Only about 60 percent of workers in manufacturing can be now considered as "production" workers. The amount of the service sector value added that is embodied in manufacturing goods has slowly risen over time and amounted to up to 25-30 percent of the total output in some countries in the mid 1990s (EU 2006: 1, 36).

⁴ Only during the 1998-2002 period the share of workforce employed in industry in EU 25 dropped from 27.8 percent to 25.5 percent while in services it increased from 66 percent to 69 percent (EU 2005: 42).

manufacturing industry". It seems that we will have in today's industrial countries "a Nike-style industry, designing, importing and distributing the goods that it no longer manufactures" (CEPII-CIREM 2004: 5-6). The major challenge is what of the manufacturing will remain in Europe or in the now industrial countries? (See Svetličič and Sicherl 2007). At first it looked like the deindustrialisation of the North was unstoppable. But now productivity advances, communication revolution, rising transportation costs (price of oil) and new (nano) technologies including 3D printing, not to mention increasing risks to doing business in the unpredictable, volatile environment of low labour cost countries and in the world in general, are making manufacturing relatively more attractive in old industrial centres. The reasons for the previously dislocated production (textile, footwear, electronics) and offshoring of services have been changing. Some industries which have been relocated to low costs destinations are already coming back.

Nevertheless it is not possible to determine what is going to be the trade-off between low cost production advantages and higher productivity, transportation costs and new technologies at some point in the future. Most probably we will be facing both trends (relocation and reallocation) in the decades to come. The implication of this type of structural/tectonic change is the increasing need for a much wider and complex understanding of economy if one wants to provide useful advice to managers and politicians.

The second tectonic change refers to the emerging new centres of economic growth, the so-called Asian century. Old centres are losing their dominant position. We are moving away from pax Americana to pax Sinica, from the Washington consensus to the Beijing consensus or to a multipolarity with more centres of power. The world is becoming in this way much more complicated. The balance of power is becoming a moving target among many actors. In spite of some opinions that globalisation produced more negative than positive effects it is obvious that it has opened doors also to a "democratisation" of international relations moving away from the monopoly position of one main global power. According to possible scenarios China can become a major economic power already in 2030, before US and with India following. In 2050 the share of BRICs in the global GDP would reach 40%, together with other emerging economies even 73%. This does not mean that new powers will catch up also in terms of per capita GDP. It means however that their pc GDP may increase by 6-20 times and parallel their purchasing power. BRIC countries will, together with the Next Eleven Group (N-11), contribute 50% to global growth which seems to be the upper limit (see Wilson et al. 2001).

The third tectonic change which has been with us historically for a long time already is globalisation. Historically it has proved not to be eternal. There were also phases

of deglobalisation. However it is almost impossible to disagree with Stiglitz (2002: 222, 214) who concludes that globalisation is here to stay with us neither good nor bad. “We can make globalisation work, not just for the rich and powerful but for all people, including those in the poorest countries. The task will be long and arduous. We have already waited far too long. The time to begin is now”. (Stiglitz 2006: 292).

Globalisation nevertheless has been gaining new faces, new characteristics. At first it looked like economic crisis will derail globalisation, will put too much sand in its wheels so that it can even stop or at least be substantially slowed down. So tempting protectionist tendencies under the banner of national interests’ protection, which made the Big Crisis actually worse in 1929, have been avoided. It seems that we have learned from that crisis and resisted such temptation. On the contrary, after a substantial slowdown of international trade and investment, soon trade resumed at almost previous levels. Investments took some more time. Obviously the prevailing attitude was regulating globalisation (capital flows...) at the macro level and seeking solutions to the crisis not in deglobalisation but rather by more internationalisation, by seeking new markets, new customers, new products or at least customisation of old products to customers’ needs at the micro level. The crisis seems to mean just a “pause” in globalisation. The doors are not as open as before any more, hidden protectionism has started to flourish. (See Economist 2013: 3). Yet the results of globalisation are also policy/strategy contingent. Here is also the role for E&CD.

In the global economy, trade is becoming more a result of FDI, of firms’ internationalisation processes. International trade is taking place more and more in intermediate goods⁵, produced by fragmented value chain globally. It is almost impossible to detect what is produced where. More than *produced in* is becoming important *produced by* (brand names role). We do not have national products anymore, but rather global ones with parts/services inbuilt from producers from many different countries. What became important is where you fit in this value chain in order to gain more out of it. At the lower end gains are very poor but high up, very high. The division of labour along the tasks is going on resulting in the trade of tasks (Baldwin and Robert-Nicoud 2011).

Many accuse globalisation as the main cause for the crisis although in fact it only created the infrastructural precondition for a fast, and almost synchronically spreading of it globally. The costs of deglobalisation are assumed to be greater than the costs of globalisation (see Hilebrand 2010). But we have also hopefully learned that uncontrolled globalisation, benefiting much more the rich than the poor, leaving behind many in poverty and concentrating the wealth at the top even more than in

⁵ Their share in the total non-fuel trade has been increasing from slightly exceeding the level of consumer and capital goods trade in 1998 to doubling it in 2011 (UN 2013: 5).

the past, should be behind us. Globalisation has to be changed in such a way as to benefit the majority of the population globally and within individual countries. A much more efficient regulation of the international economic relations, of capital flows in particular, to prevent world financial markets to operate like casinos, became necessary.

The world picture is changing also in terms of systemic structure (the fourth tectonic change), from liberal capitalism to a more state capitalism like in China, since even traditional liberal capitalism states have applied strong state interventionism as crisis exit strategies. Even American authors recognise that “our liberal, market-based economic strategy has come under question as a model for other countries” (Philipot 2010: 187). The state centric global system is evolving into a more plural one in terms of actors. Politicians start to address the issues of the balance between democracy, globalisation and autonomy. Have the ways of past and evolving integration in the international system been successful and if not what to do about it? Is it possible to have all three at the same time? Is there a need for a more “user friendly” type of global integration offering actors more policy space as it was in the past (see Rodrik 2011)? These are the issues E&C diplomats have to address and try to find appropriate responses.

It became obvious that given the so enhanced globalisation and internationalisation of firms’ activities trends new responses to the economic crisis are needed both at the macro (governments) and micro, firm levels. Both actors have to adjust to the new global environment. Unpredictability, volatility⁶ and lack of trust⁷ started to appear as our daily companions since crises are in fact inbuilt in the capitalist system. With such a complexity the role of international organisations, integration groupings and associations has dramatically increased and so is the importance of knowledge in their functioning. Multilateral diplomats have learned that *if not at the table you are on the menu*. Hence an active participation in their work is a precondition for a successful diplomacy, even for enhancing competitiveness.

The role of the actors in the international economic cooperation has also been changing. Transnational corporations and NGOs are gaining importance. The

⁶ As much as 63% of the respondents to the McKinsey survey in 2010 “expect increased volatility to become the permanent feature of the global economy, and another 23% see sharply higher levels of volatility that will undermine economy’s robustness” (McKinsey 2010: 2).

⁷ Precisely because of all these volatilities the importance of trust has increased tremendously (see Guiso et al. 2005). Even before that it was known that “before any deal can be made, business partners must get to know and trust one another. The manner in which people get to know one another and the degree of trust attributed to a stranger differs throughout the world” (Millsat 2012). The level of trust has important implications on negotiations. When it is low, negotiations could be lose-lose or win-lose. When it is high they can be win-win. “When mutual trust between the business partners is high the Chinese will negotiate as gentlemen. When it is low they will negotiate as strategists” (Ghauri & Fang 2001).

problem of unbalance between state-centric mind-sets of politicians/diplomats and the global environment in which business interests tend to prevail (corporate mind-sets) emerged. It is not surprising that many businessmen see the increasing role of the state in the future as one of the mega trends that might shape the future, not least because states have to shape a new post-crises balance between economic security and growth. People tend to value their economic security more after crises rather than a high but unstable and volatile growth.

3. The Implications of Tectonic Changes on Economic and Commercial Diplomacy

3.1. Changing sources of competitiveness

If E&CD is to be an effective promoter of the economic interests of a particular country it has to know what is going on in the world on the macroeconomic level as well as the implications of such changes on the competitiveness of firms operating in ever more globalised world markets. The sources of competitiveness⁸ are under permanent pressure. They are changing rapidly. What was an advantage yesterday may be a weakness today. E&C diplomats have to be able to translate such general knowledge into strategy proposals for the macro policies of the country and into proposals for firms' operations considering the changing circumstances and strategies of their competitors.⁹ Not only have E&C diplomats to be able to obtain information, select the important and reliable one from the unreliable, know where to get such information and how to check its accuracy, but they also have to operate swiftly and consumer friendly. Too frequently they stick to too bureaucratic procedures (slow by definition) and do not adjust their activities to business needs.

Today intangible capital constitutes as much as 80 of the total wealth in high income countries with natural wealth amounting to only 3% (in less developed countries 25%), while produced capital reaches 17%¹⁰ (World Bank 2006: 4). If we want to enhance competitiveness one must enhance human capital (see Webster and Jensen 2006). Consequently this means the increasing role of E&C diplomats. Their knowledge and skills depend on how they are able to contribute to the enhancing of competitiveness of their home companies and their country in general. In the past (1960s) competitiveness was based more on location specific advantages, in the

⁸ Too frequent mystification of the concept of competitiveness of states, which according to Krugman (1994) means basically productivity, also needs to be overcome.

⁹ It has to be known that market leadership includes not only the market share but also leadership in technology, quality, reputation etc., factors which enable achieving high market shares (see Simon 2010: 50).

¹⁰ In less developed countries 59%.

1970s mainly on low labour costs (relocation of production), in the 1980s more on economies of scale/scope, in 1990s the emphasis shifted to technology and in the 2000s to knowledge and information. Now speed and ability to adjust to the changing global environment, to volatilities and unpredictability became a major source of competitiveness since volatility became almost a constant variable during and after the present economic crisis.

3.2. Economic and Commercial Diplomacy Skills

E&CD does not deal today only with the relations among states but in fact more with the relations with firms. Therefore we can speak of a triangular diplomacy in which states and firms seek ways to enhance their competitiveness. Individual actors' strengths depend on the sources at their disposal. Firms bring to the negotiating table knowledge, jobs, profits, while governments factors like resources, market, and production factors that are becoming relatively less important in the changing competitiveness landscape (see Grosse and Behrman 1992). States in this triangle are losing their relative strengths while firms are gaining them. But in fact it is about the complementarity and conflicts between both (Stopford and Strange 1991: 21, 211 and 212).

As the knowledge about international markets and their effective conquering are the key determinants of superior results of firms (Knight and Cavusgil 2004: 127) so is the ability to master the relations with states (home and host), with firms (home and host), international and regional organisations, trade unions, civil society in general (public diplomacy¹¹ and NGOs) the competitive advantage of E&C diplomats. Only businesses like skills are not enough. E&C diplomats have to master also international relations, diplomatic skills, cross-cultural communication, negotiating skills etc. Negotiating skills are increasingly important since results depend on them more and more and since relations between firms and governments are relations of power, compromise, cooperation and competition that are all components of negotiation.

For an integration grouping member states competitiveness does not depend only on hard factors anymore but also on the ability to get one's own ideas implemented in the groupings. Knowledge of foreign languages and procedures of decision-making in such international/regional organisations become together with articulation skills

¹¹ All diplomats should be very careful not to disclose business secrets. It is of special interest for the so-called *hidden champions* because one of their specific characteristics is their unwillingness to disclose their market position. "Hidden champions are successful", according to one of their managers, because "they manage their success discretely. We do not want either our competitors or our customers to know our real market position" (Simon 2010: 14).

almost as important as the mechanism of gaining competitiveness, hard factors themselves¹². For such functions holistically trained/educated experts are needed, experts possessing economic, legal international relations and diplomatic skills.¹³

The easiest way to address this issue is to look at the two methods which seem to be essential for the analysis of foreign markets. The first is the PESTEL¹⁴ analysis of the macroeconomic environment and the second is the SWOT analysis which evaluates the position in which we are vis-à-vis competitors, be they states or firms. An economic/commercial diplomat should be able to undertake and implement the PESTEL analysis, meaning to possess all the necessary skills for doing that. There is no need for being »Einstein« in all fields but at least to be able to understand major concepts and be able to ask the right questions when needed. The commercial diplomat has to master the complex PASTEL evaluation of the country in which he/she operates. It is not a static but a dynamic concept, meaning that the original analysis has to be permanently updated and communicated to »customers«, domestic firms wishing or planning to enter the markets of a particular country. The applications of the PASTEL method by themselves indicate the types of knowledge E&C diplomats have to possess. It is much beyond the narrow political or economic knowledge and spans to sociology, law, technology and environmental expertise at least at the general level. What is new about such an evaluation in contemporary conditions is first giving special attention to risks and potential threats coming from unpredictable environments in a way that does not jeopardise trust among partners. Secondly, E&C diplomats should possess knowledge and preferably also experience with the internationalisation of firms' activities since internationalisation and foreign direct investments are the ways of survival in today's globalised world.

Something similar applies also to the SWOT analysis.

¹² Respondents of the survey on the Slovenian EU Council presidency have clearly rated soft skills as more important than hard skills. Among the soft ones communication skills (knowledge of English, presentation, networking...) topped the list followed by negotiation skills (Kajnc and Svetličič 2010: 93).

¹³ For more on adjusting education systems see Svetličič (2007).

¹⁴ The PESTEL analysis implies the evaluation of factors like: political (government policy...), economic (growth rates, exchange rates, interest rates, taxation...), social (values work attitudes ...), technological (technology skills, absorption capacity, education level...), environmental (weather, farming, tourism, water...), legal (rule of law, competition law, employment law...).

Table 1 – SWOT analysis of an economic/commercial diplomat's skills

Strengths	Weaknesses (a negative mirror of strengths)
Distinctive competences one possesses	Weak brand name (image) of a country or a diplomat
Knowledge about markets and drivers of internationalisation	Too narrow specialisation
Communication/negotiating skills	Weak credibility, poor record
Leadership and managerial skills	Weak innovativeness of domestic firms
Languages	Lack of economies of scale/scope
Experience (diplomatic and business)	
Cross-cultural competences	
Internationalisation experiences	

Opportunities	Threats
New markets (regional or for new products)	Competitors from other countries/companies
Fast growth markets	Substitute products/services
New/additional customers	Adverse government policies
Vertical or horizontal integration	Growing competitive pressures
Application of new strategies	Vulnerability to business cycles, volatilities
New investment or partnership opportunities	Weakening of bargaining power
	Adverse demographic changes
	Leakages of business secrets

The very first skill needed for an effective E&C diplomat is the ability to see and interpret what is going on in the global economy from the macroeconomic point of view and the ability to translate such an understanding into policy recommendations for his/her government and economic actors. Today it is specifically the ability to identify what the implication of the tectonic changes are considering the increasing need to enter new, far away markets both for firms and governments. For governments it is a growing need to find all the possible ways of enhancing cooperation with

fast-growing markets because it is theoretically known that countries can gain through cooperation with fast-growing and more developed economies (Arora and Vamvakidis 2005). At the company level it means that by operating in far away markets, by definition also at a long physical/cultural distance, cross-cultural competences are gaining importance. Even managers concur that their products or services are competitive but what went wrong many times in the past were mistakes based on ignorance about the culture in the local markets. "The highest barrier in global relations is cultural distance" (Griffith 2002). Consequently knowledge about partners' cultures reduces the possibilities of making mistakes and enables a fruitful long-term cooperation (Williams et al. 1998). The behaviour of partners from other cultures can be totally misunderstood. For instance partners from more collectivist cultures could understand those from more individualistic ones as arrogant or corrupt. Those used to hierarchy can see those from less hierarchical cultures as inappropriate, rude or disrespectful. The behaviour of those from more masculine cultures can be understood in different cultures as too aggressive. (See Hofstede et al. 2006: 56).

Cross-cultural competences are therefore becoming highly important even for the profitability of international business cooperation. The task of E&C diplomats is to alert business people about that, to help managers not only to become aware of the cross-cultural differences¹⁵, and to tolerate them¹⁶ (which is usually the first answer to cross-cultural differences), but also to overcome them and perhaps even using them for enhancing productivity and efficiency. Economic crises have clearly demonstrated that firms having multicultural teams were able to sail better in uncertain and volatile conditions. In multicultural teams there are better chances that one of the members has met a similar situation and has developed the competences to handle it. Cross-cultural competences (Rašković and Svetličić 2011) can help breeding innovativeness.

Tectonic changes obviously imply the growing importance of soft skills by which competitiveness can also be enhanced not only by hard factors like technology, better products etc. Among the soft skills negotiation skills are gaining importance since internationalisation (particularly in the form of foreign direct investments - FDI) demands more and more interlinings among firms which imply intensive negotiations

¹⁵ One part of it is also the understanding of one's own culture and how others may perceive one's actions through both his conscious and unconscious actions, how others see you as a business or political partner.

¹⁶ They can be a severe barrier to successful cooperation because "cultural misunderstanding may lead to negative attributions about a culture, a country, and its people. For example, in Beijing's view, the US is hegemonic, unilateralist, dismissive of international law and the United Nations, and wedded to 'zero-sum' concepts of security that ignore non-traditional security concerns and the negative effects of the security dilemma. It is also economically protectionist" (Foot 2006). "Some Americans view Chinese negotiators as being inefficient and even dishonest". (Millsap 2012).

all the time. Daniels and Radenbaugh (1998) talk about the diplomatisation of business or international business diplomacy (see Raičević 2006: 312). By negotiations firms can even substitute some of their hard weaknesses. This represents a competitive advantage particularly in relation with partners from different cultures. At least some knowledge of local languages is frequently the passport to opening new business and the catalyst of enhancing competitiveness. It is a way to demonstrate respect for the local culture and history. In the absence of such interest and respect mistakes which diplomats or managers cannot avoid making abroad in different cultures will be dearly punished. If showing respect their mistakes will not be taken so severely, and will be apologised. Austrian economic attachés have to speak local languages (see Pojbič 2010: 46) which certainly facilitates mutual understanding.

3.3. The Instruments and Tasks of Economic and Commercial Diplomacy

The architecture of E&CD is not totally different from diplomacy but it has several specifics in terms of instruments, ways and means by which it is implemented in the contemporary world. “Bilateral and international agreements provide the struts for the institutions and arrangements. Diplomats labour within these structures, employing the tools of soft power to influence and cajole other actors into accepting their country’s views. The role of the diplomat is frequently as a go-between with the technical experts and the host government bureaucrats. A perennial and vital concern is to influence the choice of leadership in these organisations. Missions employ the full scope of public diplomacy techniques to influence governments and publics. Coalition building is a key element in the economic diplomacy tool kit” (Philipot 2010: 191). In order to be able to do that diplomats have to be persuasive and effective negotiators. While in the past provision of information has been the major instrument, today instruments of public communication and persuasion and later negotiating or actors helping to negotiate agreements/deals became much more important.

International/regional arrangements are also increasingly important for the global activities of firms. Nevertheless firms usually underestimate them, do not follow what is going on in this domain globally or regionally¹⁷. Therefore there is a need for a much stronger cooperation between the government and private sector in real time. Either of them has neither the power nor the resources to accomplish their

¹⁷ The expiration of the Multi Fibre Agreement is the typical example. It was decided that at the end of the Uruguay Round (1994) and with the establishment of WTO in Marrakesh in 1995 countries wishing to retain quotas would phase them out gradually, with the last quotas being lifted on 1 January 2005. Countries and firms have had 10 years to adjust. Newspapers and managers started to complain about the flood of Chinese, Bangladesh and other cheap export ruining the European textile industry a month before the agreement was about to end.

objectives alone. Consequently E&C diplomats must go to different ministries (at home and in host countries) and firms as well as to a “wider and more powerful group of stakeholders and constituencies and be [...] proactive, not reactive, with them” (Haass 2008: 7) in the host economy.

One way to see the tasks of E&CD is to see what went wrong in the past. Many businessmen criticize E&C diplomats, having also many stereotypes about E&CD in spite of the fact that many do not use its services at all.¹⁸ Its good sides are frequently forgotten (Kunič 2005; Kostecki and Naray 2007: 17), but everybody remembers very well what went wrong. Frequently the changes and improvements in their activities are not seen. E&C diplomats are still regarded as traditional tuxedo diplomats not adjusting to the changes and new demands imposed by globalisation and new needs of the firms’ international activities. However many of them have already adjusted to the new circumstances and needs and do much more field work than in the past when “office” work prevailed. The second criticism relates to slowness. The reactions of E&C diplomats are too slow, sometimes they do not respond to firms’ demands at all. Therefore speed and expedience are becoming the priority tasks of new E&CD of XXIst century. It is not only criticism which leads to this but also the global environment in which speedy adjustments became one among the major competitive advantages particularly for small states/firms.

Although due to the increasing volatilities and uncertainties macroeconomic information on countries and industries is increasingly important, the criticism is that diplomats concentrate too much on collecting too general, irrelevant information otherwise available on Internet.¹⁹ This is only partly true. They should put much more emphasis on what is not generally available in public sources but also on the assessment of the information, its reliability and credibility in concrete conditions. Networking not only among colleagues diplomats but also with managers and other stakeholders is a new instrument to be utilised more frequently.

The new challenge for E&C diplomats is how to address the new political and economic risks which the new international economic relations, particularly in crisis times, bring. Managers “expressed a great deal of trepidation about geopolitical instability and market volatility in emerging markets, so strategies to assess the likelihood of these conditions and manage the risks will be vital” (McKinsey 2010: 8). It is impossible to avoid risks altogether. The issue is rather how to minimise them in the short and long term. Managers are more used to risky environments

¹⁸ According to the Justinek’s survey (2010: 183) as much as 2/3 of 256 Slovene firms have never turned to diplomats asking for their services.

¹⁹ Information collected in such a way is by definition too late to be useful. Therefore it is better only to list links where information can be obtained.

than diplomats. Diplomats tend to avoid risks but that usually means not to take new actions, avoid new initiatives, new markets or partners in the hierarchical system foreign ministries belong to. But volatility and unpredictability today demand more flexibility and fast reactions even if there is no direct instruction from the capital. The consequence of the avoiding risks strategy is “work less and avoid mistakes”. The outcome is no results in enhancing economic cooperation, not helping one firm to avoid criticism about why choosing that particular firm and not another. To avoid such criticism diplomats rather do not help any company. Because E&C diplomats have to have a broader view and insights they should assist firms in assessing long-term risks associated with operations in the host economies, be able to alert them to undertake B plans or pre-mortem evaluations (see Svetličić 2011b).

4. Conclusions

The current global trends are likely to increase the role of economics in the conduct of foreign relations while at the same time those same trends make wielding the economic instrument increasingly difficult. E&CD is therefore becoming extremely important, both in terms of seeing what is going on in the world, interpreting the events and being able to translate such evaluations into specific policy recommendations for home governments and economic actors. E&CD and international business are thus becoming complementary activities with plenty of synergic effects if done properly. There are of course differences and even conflicts between E&CD and international business. Diplomacy is an activity having a public character which is in conflict with the private appropriation of their results by firms as customers of such diplomatic assistance.

Tectonic changes in the world impose new tasks, demand new skills and even instruments for effective policies implemented by E&C diplomats. Among the new tasks perhaps the most important one is the ability to identify long-term changes and their implications for home states and firms/actors in general. Part of this is the ability of predicting the coming changes and assessing the risks and threats as well as opportunities involved through the eyes of one's own strengths and weaknesses. The former task of mostly collecting and disseminating information has been replaced by the evaluation of the available information, its credibility and potential implications. At the same time it is the skill to alert home actors about the threats of stealing industrial property, of the importance and threats of business intelligence and thus of keeping firms' property rights secrets safely that matters²⁰. Firms should be aware of the threats of their competitors' business intelligence activities which are today in the environment of *cyber wars* much more important than they were yesterday in a world without

²⁰ McKinsey reported that 40% of executives cite intellectual property breaching in emerging markets (2010: 4).

Internet and contemporary communication channels. However many firms have not yet adjusted to this new world and underestimate threats coming from this area.

Simultaneously international managers should embrace more and more knowledge and skills of E&C diplomats. They will have to know what drives international business activities, what drives firms to invest abroad and how they see the barriers preventing them to do so for instance. Long-term cooperation demands permanent negotiations not only with home and host governments but also with local firms, trade unions, NGOs; shortly all local and even international/regional stakeholders. The new engines of global growth, and the coming Asian century makes knowledge about other cultures a high priority because the mistakes one can make in this domain are inexcusable.

The winners of tomorrow's world will be the ones able to predict the coming changes and adjust to them as fast as possible, possibly in advance. Where in the XXIst century individual states and their firms will position themselves is partly also a result of the activities of E&C diplomacy. As an institution in general also E&CD has to adjust to the foreseen tectonic changes which demand new types of institutions (see Eichengreen 2007).

Empirically a certain convergence between E&CD and the international business activities of managers is going on. There is a need for a convergence of the activities of such diplomats from the tuxedo, lounge activity into a more business-like activity aiming at achieving specific business-like results at the country and company level. Diplomats undertaking such activities should be able to develop marketing and managerial mind-sets and pay much more attention to the implementation of policies, strategies themselves and help actors to do it on the ground as well. More time should be spent on "dirtying their hands on the ground" (Ross 2009) than in their offices. They should overcome the paraphrased Gresham law by which instead of bad money *bad ideas should be supplanted by good ones*. Not only that, it has to be done on time as well since one of the diplomats' mistakes so far was being too late in their actions. This is the particular task of E&C diplomats since they have to have a longer term perspective than managers who are usually forced to optimise more on the short-term horizon.

The new tasks of E&CD can only be materialised provided that education and training systems are geared towards more holistic types of training and if the selection system were be based less on "champions at home" criteria but more on the diplomats' holistic knowledge and soft skills abilities, including negotiations and cross-cultural skills. E&C diplomats should be holistically, interdisciplinarily trained with cosmopolitan and managerial mind-sets, flexible, persuasive and pragmatic, able to react swiftly. This can be achieved only if based to a larger extent on the criteria of economic rationality and efficiency not only in short but also in longer terms. In Nowotny's words: "to do

it effectively, and in order to meet today's challenges, they [economic diplomats, op. author] will have to adjust their ways and institutions. This calls (inter alia) for:

- enlarging the scope of multilateral diplomacy at the expense of the bilateral one
- specialisation of diplomatic officers according to geographic areas and / or policy fields
- opening up of the diplomatic service to experts
- “outsourcing” of some activities
- easing the dead weight of useless overhead and outdated protocol
- full use of the tools made available by the “information age”; and expansion of the knowledge base through cooperation with specialised research institutions and think tanks.” (Nowotny 2013: 3).

If “ignoring these massive shifts in the global regime and when still sticking to the notion of a “Westphalian World”, traditional diplomacy will become not just useless but counterproductive. However, if the goal is the security and welfare of a state, diplomacy has to shift gears. States now have to guard their interests not by maximising independence, or by playing the “zero sum-”, or “negative sum game” of competing with other states. They have to guard their interests and those of their citizens by participating in global governance” (Nowotny 2013: 2).

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CONCEPTUALISING ECONOMIC, COMMERCIAL AND BUSINESS DIPLOMACY: A THEORETICAL FRAMEWORK

Dr. Boštjan Udovič*

1. Introduction

The basis of every scientific study on theoretical concepts and their practical implementation derives from the individual's conceptual apparatus. In this framework each of us can understand and define the concepts according to his/her personal belief about what is best. Regardless of this right of individuals, modern science requires the establishment of simple concepts that are defined expressively and coherently. This applies also to the conceptualisation of economic diplomacy which has undergone a myriad of theoretical interventions since the year 2000; however, it lacks a single or uniform definition that would be widely accepted and universally applicable.

It is for this reason that we intend to conceptualise the related notions or concepts in a uniform system where their characteristics would be clearly presented, and the problems of their definition described. Let us start with the first question, namely why study and research economic diplomacy. The answer to this question was provided by Bayne and Woolcock (2003: 4-5), when they said:

- 1) economic diplomacy is more of a process than structure (the latter pertains more to the classical diplomacy), therefore its study pertains more to the domain of international political economy than to the classical areas of international relations or diplomatic law
- 2) economic diplomacy is gaining in importance, which is reflected in the changed international (economic) environment in the aftermath of the Cold War and in the problems states are facing today
- 3) states have started to behave like firms since they have to provide welfare to their citizens which requires of them to be efficient
- 4) governments have increasing responsibility to their citizens and thus try to apply economic diplomacy to remedy endemic problems, in particular those of the market, which appear as a consequence of accelerated economic development and globalisation.

Based on this reasoning regarding the importance of understanding economic diplomacy, the question of how to define it in a consistent, clear, and comprehensive

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manner arises. This is related to a multitude of existing definitions of economic diplomacy which are as many as there are authors writing about the subject.

The basic premise for the definition of economic diplomacy is already its designation – it is namely a diplomatic activity¹ which embraces states (or quasi-state units, e.g. local communities, interest groups etc.) and whose primary goal is to increase the movement of goods and services in international relations. The ultimate idea of economic diplomacy is to increase the welfare of citizens². This is where economic diplomacy differs from other related concepts, such as economic statecraft and economic foreign policy. The main goal of the specified concepts is not (only) to raise the welfare of citizens; their scope is much wider and they function in a wider area than economic diplomacy (table 1).

Table 1 – Conceptualisation of economic diplomacy hierarchised concepts

	Central subject(s)	Central object(s)	Relationship	Goal	Nature of goals
Economic statecraft	State	State, international environment	Exerting influence on other states, international institutions and international environment as a whole	Obtaining political and non-political gains and advantages	Abstract
Economic foreign policy	State	State	Influencing other states in the international community to enhance or to abandon their behaviour	Gaining political and/or economic interests/advantages.	Semi-concrete
Economic diplomacy	State	State	Establishing a system fostering economic cooperation between states and enterprises	Establishing a system to enhance the economic development of states and the welfare of citizens	Semi-concrete

Source: Author's own analysis

¹ The main condition for defining diplomacy is »transnationalisation« which implies that actors come from different states of origin.

² And this is precisely where economic diplomacy differs from economic sanctions whose goal is not an increase of welfare, but the abrogation of a kind of (common political) behaviour of a certain subject in the international community which is understood by other subjects as undesired or inappropriate.

It is undoubtedly important to be aware of the fact that economic diplomacy represents the broadest concept, which based on different criteria subsequently additionally fragments within itself. Two criteria are of utmost importance, namely a) how many actors take part in economic diplomacy, and b) at which level these actors discuss or solve problems.

From the viewpoint of the number of actors in economic diplomacy we distinguish three forms of economic diplomacy that occur in the contemporary world: bilateral diplomacy (e.g. involving two actors), plurilateral diplomacy (from 3 to 20 actors), and multilateral diplomacy (more than 20 actors). The margins may be arbitrary, however, the specified forms have made their way into theory from practice and not vice versa.

Parallely with the separation of economic diplomacy into three forms based on the number of participating actors, economic diplomacy can also be conceptualised according to its key actors. There are generally two broad groups of key actors, namely state and quasi-state units³ (e.g. local communities, political parties, trade unions etc.; hereinafter referred to as STATE), and firms (be they national, transnational, firm branches, representative offices etc.; hereinafter referred to as FIRMS). The conceptualisation of economic diplomacy is thus as follows:

STATE – STATE = diplomacy

STATE – FIRM or FIRM – STATE = diplomacy

FIRM – FIRM = international business

Economic diplomacy is hence the activity connecting the interests of states and firms, where the role of the state is to help firms in their business; however, it *does not* conduct concrete business operations for firms. On the other side firms are interested in long-term partnerships with the state since this provides them with a favourable business environment and thus further encourages their business and increases their success in foreign markets.

After having defined the sphere of work and the basic characteristics of economic diplomacy, we can question the clarity of the uniform concept of economic diplomacy. Is it clear and comprehensive enough to explain all the activities in the international community? Let us consider a meeting of the European Union finance ministers and the work of the economic adviser at the embassy in Peru. Can they be explained by applying the same concept, namely the concept of economic diplomacy? Can a suggestion of the Group of 77 and the non-aligned states on the

³ All units that are included in state mechanisms or connected with them are implied.

New International Economic Order be placed in the same category as the specific measures taken by British Petroleum in the case of the Prudhoe Bay oil spill? It can be said that different actions are hard to explain with the same concept. If we continue by adding the demand of a Slovenian firm at the Slovenian embassy in Belgrade regarding the investment opportunities in Serbia the confusion becomes complete. And it is for this very reason, namely to avoid confusion, that the theoreticians of economic diplomacy decided to diversify the latter into three subdivisions defined by the number of actors and by the key actor. The three concepts are thus a) multilateral state economic diplomacy, b) bilateral state economic diplomacy, and c) bi- or plurilateral non-state economic diplomacy. They will all be explained in the following analysis.

2. Multilateral State Economic Diplomacy (Short: Multilateral Economic Diplomacy)

As expressed by the name itself, economic diplomacy regards activities a) between states, and it implies that b) there are many states involved. Economic diplomacy usually occurs in the framework of international conferences and summit meetings, where leaders or envoys of states meet to debate the basic economic questions arising in the international system. Debates are however not limited to a specific area and can touch upon all characteristics of the international economic system. Conclusions, (if) reached by the states, represent the framework for the future operation of subjects in the area of international economic relations. It has to be emphasised that these conclusions represent only the guidelines or frameworks which define the operation and are as such quite abstract, allowing for various concretisations.

The task of multilateral state diplomacy is thus the establishment of an economic system within which concrete transactions and economic cooperation will be carried out. This is why such a system needs a broad conceptualisation in order to allow for as many options of international economic cooperation as possible.

There are many examples of multilateral state diplomacy, such as the Bretton Woods Conference of 1944 when the establishment of the World Bank and International Monetary Fund was decided; the proposal and adoption of the resolution on the establishment of the New International Economic Order from 1974; the Washington Consensus from 1989; the European Council Conclusions regarding economy etc.

3. Bilateral State Economic Diplomacy (Short: Bilateral Economic Diplomacy Termed as Commercial or Trade Diplomacy)

Bilateral state economic diplomacy is the economic diplomacy conducted between two states or between a state and a firm. It is commonly denominated commercial or trade diplomacy⁴. It is typical of economic diplomacy, as opposed to multilateral state economic diplomacy, that it focuses on solving specific tasks put before the state by the international economic environment and the state's firms within it. Economic diplomacy thus assumes the function of »assistant« to the internationalisation of domestic firms.

Economic diplomacy performs its tasks based on two principles, namely the principle *ex ante* and the principle *ex post*. The former implies that economic diplomacy is responsible for creating the environment that encourages the operation of firms from the sending state in the receiving state, while the latter implies that economic diplomacy starts when addressed by a specific firm that is experiencing problems, or in the cases when a specific firm needs assistance in the conduct of its business activities. The so-called corrective measures applied by economic diplomacy to protect the assets of the firms from its own state in the case of an outbreak of violence or war in the receiving state pertain to the framework of *ex post* activities.

There are numerous instruments of economic diplomacy; from classical negotiations to mixed commissions, plug-in offices, advisory fieldwork, acquisition of import and investment partners etc. Regardless of the fact that there is a myriad of instruments available to economic diplomacy its efficiency requires the state to apply targeted instruments and adjust them to the demands and characteristics of the market.

4. Non-State Economic Diplomacy (Short: Business Diplomacy)⁵

As already stated, non-state economic diplomacy implies that its actors are not states, but firms, and since they operate in a specific environment they must acknowledge the stakeholders that (could) exert influence on their business. It is therefore important for firms, if they wish to succeed in a certain environment, to communicate with them and to develop regular contacts with key decision-makers within this environment.

⁴ It is interesting that the English language uses the denomination 'commercial diplomacy' while in Russian the term 'trade diplomacy' is used.

⁵ This form of diplomacy does not have a classical definition compliant with the Vienna Convention on Diplomatic Relations and other interpretations (e.g. Berridge 2010), but a broader definition of diplomacy which has outgrown state-centrism.

Figure 1 – Business diplomacy activities

Source: Author's own elaboration

Figure 1 shows the connection between business diplomacy and the environment of its operation. Business partners who enter in direct contact with a selected firm represent the first level where the complexity of relationships is low and intensity high. Their relationship would commonly not be labelled as diplomacy, but rather as international business, since this kind of relationship is only about the search for profit and not about the broader effects as it is at higher levels.

A firm's competitors that influence not only the firm but also its environment follow the first level. This is why a good relationship (as much as possible) is required, and the complexity of this relationship which can sometimes even turn into industrial espionage is guarded.

True business diplomacy that is outside the sphere of international business starts at level three that is represented by the interested public. This is a group of individuals who share interest in the operation and business of a firm while pursuing only their own (partial) benefits.

The fourth level is represented by the social community that consists of an amalgam of individuals living in a particular district. They do not have any specific interests or relationships with the firm per se, however, they can become an interest group should the activity or operation of the firm change. This level is followed by other important subjects who do not necessarily exist in every state, as well as by the state itself and local authorities that often represent one of the key objects of business diplomacy⁶.

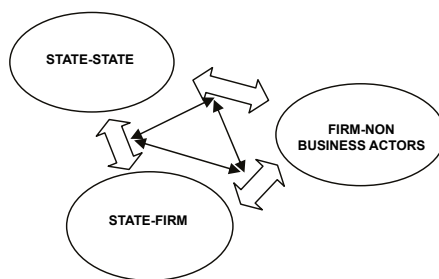
⁶ Saner and Yiu (2003) extended business diplomacy with the addition of entrepreneurial diplomacy which is not included in the present article as it does not feature state or quasi-state actors and its relationships do not necessarily possess a transnational dimension.

Business diplomacy also operates similarly to economic diplomacy on the basis of the *ex ante* and *ex post* principles. The *ex ante* method of business diplomacy is applied when a firm wishes to influence the environment of its operation and to win sympathy from the environment and interest groups. An example of *ex ante* business diplomacy is the sponsorship and donourship that firms allocate to local communities, interest groups (associations, political parties, trade unions etc.), and social groups. As opposed to the *ex ante* diplomacy, the *ex post* diplomacy is applied when firms wish to remedy certain past events (e.g. oil spill-outs in the environment, gas pollution etc.). The *ex post* diplomacy could also be called crisis communication.

5. Instead of Conclusion: Placing Economic, Commercial and Business Diplomacy in a Wider System of Conceptualisation

Figure 2 shows the relationships between the multilateral economic diplomacy, commercial diplomacy, and business diplomacy. As can be seen from the figure, it is important that the relationships between the subdivisions of economic diplomacy are taken into account when conceptualising and analysing them instead of focusing merely on individual subdivisions.

Figure 2 – (Complex) relations in international economic diplomacy

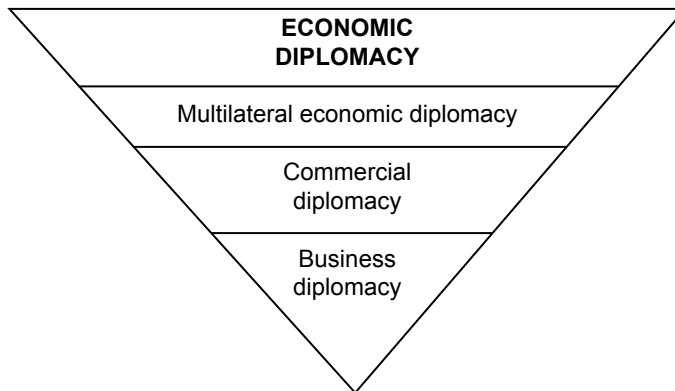


Source: Strange and Stopford (1991)

However, this seems to be often disregarded because the relationships between concepts obscure the theoretical clarity of the concepts. Nevertheless, the subdivisions of economic diplomacy have to be considered cohesively and not separately from other subdivisions or from “superior concepts” (e.g. economic statecraft), since it is otherwise not possible to precisely formulate the explicable concepts and achieve scientific accuracy.

Figure 3 shows the hierarchised relationship between the different subdivisions of economic diplomacy, namely in the form of an inverted triangle that symbolises specialisation. This implies the top position for multilateral economic diplomacy since there are more states involved and it only defines the framework of operation in the international system. As such it is of a “guiding” nature and does not have any other tendencies. Multilateral economic diplomacy precedes bilateral economic diplomacy or the so-called commercial diplomacy which operates only in specific areas and aims to achieve specific economic goals. There are usually two subjects active in this type of diplomacy, even though there can be also more. States use it to create a favourable environment for the operation of their firms in foreign countries, and to help their firms out of problems should they encounter them. Finally, there is business diplomacy at the bottom of the triangle where firms and not states are its key actors. As such it does not serve the purpose of spreading welfare to all citizens being directly positive only for a selected group of people (usually the employees of a firm), and through the spillover effects also for the immediate environment of the firm. Despite the fact that business economy is gaining sway, it is important not to neglect the significance of economic diplomacy which has proven to be one of the key driving forces at the time of the present economic crisis, striving to prevent interventionism and mercantilism.

Figure 3 – The placement of economic, commercial and business diplomacy in a hierarchised system



Source: Author's own elaboration

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