THE IMPORTANCE OF ECONOMIC PROMOTION FOR A SMALL OPEN ECONOMY – THE CASE OF SLOVENIA

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Abstract

This paper discusses the importance of economic promotion for Slovenia and certain other European countries affected by the current economic crisis. For a small open economy like Slovenia, economic promotion is particularly important for several reasons. One of them is its contribution to Slovenia’s overall economic performance (in terms of achieving certain economic goals such as reducing unemployment).

Keywords: economic crisis, economic diplomacy, economic promotion, foreign trade, foreign trade promotion, small open economy, social crisis, Slovenia.

JEL classification codes: F10, F20, F40, F50.

1. Introduction

The economic situation in Slovenia and certain other European countries remains severe. One of the reasons for this is the current economic crisis, which continues to affect their economy. This is particularly the case with Slovenia, which is facing certain economic problems. Foremost among them is the increased unemployment (see figure 1), which negatively impacts both the economic and social situation in Slovenia. Additional measures are therefore needed to promote employment and social inclusion of unemployed people. These measures are also needed to prevent the migration of people from Slovenia to other countries (mainly in Europe and North America) to overcome the current economic crisis. However, these and certain other measures may not eliminate all the negative consequences of economic mismanagement in Slovenia.

Figure 1: Unemployment in Slovenia

Source: [1].
2. Economic promotion

Economic promotion is very important for a small open economy like Slovenia [2, p. 135]. There are several reasons for this. One of them is the contribution of economic promotion to a country’s overall economic performance (in terms of achieving certain economic goals such as reducing unemployment), all the more in times of economic crisis like the current one. However, it is not a panacea for economic mismanagement, which is one of the main reasons for the current economic crisis in Slovenia and certain other European countries. Additionally, economic mismanagement is also one of the main reasons for the emerging social crisis in these countries, which already has adverse effect on their economy (in terms of lower demand, etc.). This has increased the risk of social unrest in these countries [3, pp. 14–16]. Economic promotion is therefore very important to improve their economic and social situation.

3. Economic diplomacy

Economic relationships between two or more countries affect other relationships between them, and vice versa. Additionally, they also affect the economic and other relationships between them and other countries as a result of their economic and other interdependence. This is, inter alia, the result of an international division of labour, which affects the economic and other situations in these countries. Changes in the international division of labour, therefore, pose a threat to national security, which is one of the reasons that countries affect the international division of labour, for example, through economic diplomacy [4, p. 179].

Economic diplomacy (i.e. the management of economic relationships between two or more countries) is a subtype of diplomacy. It plays an increasingly important role both in Slovenia and in certain other European countries due to several reasons, one of which is the the growing need for economic cooperation between countries, which is partly the result of the effects of the current economic crisis on their economy and the need for joint action against the crisis [5].

The current economic crisis is therefore an important factor of Slovenia’s economic diplomacy. Another reasons for this is the need for more effective and efficient economic diplomacy as a result of changing economic and other conditions both at home and abroad. Increasing the effectiveness and efficiency of Slovenia’s economic diplomacy is therefore essential to accelerate Slovenia’s economic growth and development.

4. Economic promotion as one of the main tasks of economic diplomacy

Economic promotion is one of the most important tasks of economic diplomacy [6, pp. 6–9]. One reason for this is the contribution of economic diplomacy to the achievement of certain economic goals, such as increasing exports. This is one of the reasons that economic diplomacy is becoming increasingly important for countries whose economic growth is driven by exports, as is the case for Slovenia, which is still in recession due to economic mismanagement (see figure 2).

![Figure 2: Slovenia's gross domestic product](source: [7])
5. Foreign trade promotion as a subtype of economic promotion

Foreign trade is the activity of trading goods and services with other countries. It is very important for Slovenia, contributing to its economic growth and development, which are the main goals of Slovenia’s economic policies [8, p. 95]. Foreign trade promotion (which is a subtype of economic promotion) is therefore essential to achieve these goals, especially in times of economic crisis like the current one. This is one of the reasons that foreign trade promotion has become one of the main tasks of Slovenia’s diplomatic and consular representatives, especially of those representing Slovenia in non-European countries such as Chile.

Foreign trade diversification (in terms of increasing the number of traded goods and services and trading partners) is essential to accelerate Slovenia’s foreign trade. Additionally, it is also essential to accelerate Slovenia’s economic growth and development, which are needed to restore economic stability (which is in addition to the political stability essential for peace and prosperity) in Slovenia. Removing foreign trade barriers is therefore essential to achieve some of the main goals of Slovenia’s economic policies. These are more or less inconsistent with each other, making them less effective and efficient, which is one of the reasons that Slovenia is less competitive in comparison to some other countries. Chile, for example, ranks 34th out of 148 countries, according to the Global Competitiveness Index 2013–2014, which is 28 rankings higher than Slovenia [9, p. 15]. This requires immediate action at all levels of governance.

In order to become more competitive, Slovenia needs to implement some economic reforms which should be consistent with each other, making them more effective and efficient [10, p. 101]. This is essential to increase public confidence in these reforms (especially during the current economic crisis) and to create an environment conducive to economic reforms which are necessary to adapt to changing economic conditions both at home and abroad. Additionally, this is essential to accelerate Slovenia’s foreign trade, which is crucial to improve labour market conditions in Slovenia and stop the ‘brain drain’ to more competitive countries. This is another reason for Slovenia to accelerate its foreign trade promotion. In doing so, it should follow the example of Chile (particularly ProChile [see http://www.prochile.gob.cl/]).

Economic diplomacy, which can help in entering foreign markets, is therefore becoming increasingly important for Slovenia’s economy, which is too dependent on trade with European countries (see figure 3).

![Figure 3: Slovenia’s exports and imports of goods by groups of countries, 2012](image)


Foreign trade is therefore an important factor in Slovenia’s economic relationships with other countries (mainly in Europe). Additionally, it is also an important factor in Slovenia’s economic security, the provision of which is essential to accelerate Slovenia’s economic growth and development. For a small country like Slovenia, economic diplomacy is particularly important because its economy is heavily dependent on other economies that are larger and stronger, making it more difficult for Slovenia to enforce its economic interests abroad. Establishing alliances is therefore particularly important for the country, although it can be a double-edged sword, especially when used as a device to ‘beggar thy neighbour’.

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6. Conclusion

Economic promotion is very important for Slovenia, which is a small open economy. There are several reasons for this. One of them is the contribution of economic promotion to Slovenia’s economic performance, especially during an economic crisis like the current one. However, it is not a panacea for all economic problems faced by Slovenia.

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8. References


