

## SLOVENIAN DEVELOPMENT COOPERATION AND COMMERCIAL DIPLOMACY: TWINS OR RIVALS?

**Abstract.** *Slovenia's commercial diplomacy is older than 25 years, as is its international development cooperation, despite the fact Slovenia graduated from being a recipient to a donor in December 2004. One may have expected that, by now, the relationship between the two foreign policy instruments would be fully integrated into the institutional framework. Yet, as the article shows, this is not the case. Several factors impact and blur the relationship between them: the lack of a structural approach, insufficient institutional support, and fragmentation of both activities. With all three factors in mind, we analysed whether both can operate as complementary activities, even though they are currently regarded as supplementary ones. The expected policy coherence has not been automatically established between the two activities, as one might have assumed.*

**Keywords:** *Slovenia, international development cooperation, commercial diplomacy, policy coherence*

### Introduction

Small countries are encountering different challenges in today's globalised international arena and must find a way to effectively position themselves within this transforming world. Globalisation<sup>1</sup> is useful for strengthening the welfare of national economies in the global economy, but that does not mean it is fair to all. The tectonic changes occurring in the global economic, political and social systems, such as the financial crisis and post-crisis era, growing inequalities both between and within countries, trade wars, rising populism and the restructuring of world peace and security are just some of the factors impacting small countries more than their larger

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<sup>1</sup> Globalisation can be understood as a multi-dimensional process (Bernik, 2014) which includes economic, political and cultural elements that together constitute a new quality by deepening and spreading these activities all over the world, creating inter-relatedness, while integrating production and consumption (Svetličič, 2004; Svetličič and Lovec, 2014).

counterparts. In order to stay in 'the game', which is mostly controlled by bigger players, they must find innovative ways to position themselves in this multipolar, multilateral (and ever more protectionist) international society. As a small country, which Slovenia is, faces several resource constraints, especially human and financial ones, the optimisation and coherence of its foreign policy instruments is important for being competitive in international markets (Udovič et al., 2014). This means Slovenian foreign policy should frame, develop and use all of its instruments in order to realise its national interests.

The article analyses the level of convergence of two foreign policy instruments: commercial diplomacy (CD) and international development cooperation (IDC) which, if used appropriately, can lead to foreign policy goals being achieved and thereby realisation of the national interests. Three reasons explain the decision to undertake this analysis. First, at the global level, we may observe the stronger attention paid to "global partnership", especially as part of implementing the United Nations (UN) Sustainable Development Goals (SDGs). To ensure their timely implementation, it is necessary to pool all available resources (Chandran and Cooper, 2015). The cooperation of international organisations, national governments of developed and developing countries, the business sector, philanthropies and Non-Governmental Organisations (NGOs) is sought in a coherent and proactive manner. This suggests that today CD and IDC must address the additional challenge of working together effectively.

The second reason is that in 2004 Slovenia graduated according to the World Bank standards from being a receiver to a donor of development assistance (Bučar and Udovič, 2007; Udovič and Bučar, 2014; Udovič and Bučar, 2016) which, along with the process of joining the European Union (EU) accelerated the adoption of relevant documents in the field of international development cooperation; i.e. the Act on the International Development Cooperation of the Republic of Slovenia and the Resolution on the International Development Cooperation of the Republic of Slovenia until 2015 (ReIDC).<sup>2</sup> Third, in 2009<sup>3</sup> the commercial diplomacy system was revised and located within the Ministry of Foreign Affairs of the Republic of Slovenia. From that point onwards, commercial diplomacy became a priority of Slovenian diplomatic activities (Udovič, 2013, 257ff), leading to all representations abroad on commercial diplomacy developing a stronger

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<sup>2</sup> *The Act on International Development Cooperation of the Republic of Slovenia was adopted in 2006 (OG 70/2006), while the Resolution on International Development Cooperation of the Republic of Slovenia until 2015 was passed in 2008 (OG 73/2008).*

<sup>3</sup> *It is still unclear whether the economic crisis in the world boosted the Directorate for Commercial Diplomacy's establishment at the MFA or it was just a political decision by the government, which was then ascending.*

related focus, also including the priorities of Slovenian enterprises operating in those markets where Slovenia had embassies and consulates. The Minister for Foreign Affairs (MFA) promoted national economic interests during all of his official visits. Certain steps in this direction were also taken by the President of the Republic and the Prime Minister to support Slovenian CD in emerging markets etc. While these two reasons for studying the relationship between CD and IDC are 'practical', the third one is more symbolic. In 2009, the MFA comprehensively revised the Foreign Affairs Act (ZZZ-1C; OG 108/2009). Inter alia, Article 2 was revised by adding a new paragraph (now paragraph 3), stating:

*[T]he Ministry of Foreign Affairs shall coordinate the exercise and protection of the economic interests of the Republic of Slovenia abroad with other bodies and institutions responsible for the development and implementation of economic cooperation. The Ministry of Foreign Affairs shall coordinate international development cooperation and humanitarian assistance, promote intercultural dialogue and conduct cultural cooperation in foreign affairs.<sup>4</sup>*

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For the first time in recent Slovenian history, CD and IDC were given a relevant position in the national foreign policy system and diplomacy. This fact constitutes the core of our research. We argue that following the development of IDC and CD instruments and their symbolic inclusion in the Foreign Affairs Act further steps should be taken to develop IDC and CD as a single system, supporting each other, converging in their priorities, and acting simultaneously. But has this occurred? One decade after the IDC-CD system was established under the umbrella of the MFA, it is time to evaluate the value added brought by the two systems and their level of cross-cooperation.

To achieve this, we formulated two research questions:

R1: Since 2009, have the CD and IDC systems worked parallel to each other, providing mutual support, or have they followed a different path?

R2: Can one say the structure within the Ministry with respect to IDC and CD is stable, predictable and aimed at meeting the common goals (of foreign policy)?

To answer these research questions, we shall employ different methodological approaches. First, we will apply the historical-critical method to analyse, interpret and synthesise the findings available in the primary and secondary literature. The next method used will be participant observation,<sup>5</sup>

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<sup>4</sup> This unofficial translation of the English version is available on the MFAs' webpage.

<sup>5</sup> The authors of the article are members of different bodies at the level of the Ministry of Foreign Affairs and beyond.

with which we will procure data about the logic underlying the development of IDC and CD at the MFA. The third method will be to examine the data from interviews/unofficial talks/discussions conducted with certain relevant political decision-makers that is expected to point to the main issues in developing Slovenian IDC and CD.

The article has two parts. The first part presents the theoretical background and milieu to set the stage for a discussion on CD and IDC. This is followed by the second part, which is empirical and outlines the state-of-the-art along with the relationship, challenges and opportunities of Slovenia's IDC and CD. The article ends with a conclusion where we answer the research questions and suggest issues for future research on the topic.

### **Commercial Diplomacy and International Development Cooperation: Theoretical Framework**

The last decade has seen a renaissance of research and investigation concerned with CD and IDC (Rana, 2006; Yakop and van Bergeijk, 2009; Bayne and Woolcock, 2011; van Bergeijk et al., 2011; Reuvers and Ruël, 2012; Demena and van Bergeijk, 2016). This may partly be attributed to the 2008 economic crisis, which raised the question of the relevance of states for withstanding the shocks coming from asymmetric international economic relations. It may also be attributed to the altered tasks of diplomacy, becoming more and more depoliticised year after year (King et al., 2012). The diplomatic services are gradually including in their activities not simply the protection of domestic investments and export activities, but also their promotion. Parallel to the greater emphasis on commercial issues in states' foreign policy, the changes that came after the Cold War ended increased awareness of world economic imbalances, resulting in a stronger altruistic approach to development issues (especially in multilateral fora). Some believe that, in any case, countries never think altruistically (Benko, 1997). They combine altruism with their self-interest, meaning they try to combine the 'economic gains' of commercial diplomacy with the 'altruistic attitude' of IDC.

A leading country in applying a combination of CD and IDC to achieve its foreign policy goals is Denmark whose Foreign and Security Policy Strategy emphasises that "[the] government will work with the institutional investors to establish a Sustainable Development Goals Fund, linking business strengths with the UN sustainable Development Goals" (MFA of Denmark 2017: 23).<sup>6</sup> This shows that, as Udovič (2009: 148) suggests, the CD and IDC

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<sup>6</sup> *The OECD Peer Review assessed the Danish IDC policy has become increasingly integrated with foreign and trade policies within the MFA of Denmark, with new links across the government as well as greater opportunities for synergy (OECD, 2016: 18).*

are actually two sides of the same coin, meaning that states can link their IDC to their commercial interests or develop their commercial interests according to the already established IDC. On one hand, the IDC can operate as such in geographical areas where the state has developed its economic interests (Maizels and Nissanke, 1984; Benko, 1997; 2000; Alesina and Dollar, 1998; 2000) while, on the other, realising a country's political and economic interests requires the IDC's systematic content planning and direction of funds according to the foreign policy priorities and economic interests of a particular area (Bučar, 2011a: 736). Irrespective of which of these two variables we define as dependent, it is clear that both instruments should be used in a coherent way in the sense they must minimise the (economic and political) costs and maximise the national interest.<sup>7</sup> Yet the question is: How should policy coherence be understood in the field of CD and IDC?

The first step is to define policy coherence. As stated by the Organisation for Economic Co-operation and Development (OECD), policy coherence should be understood as the systematic promotion of mutually reinforcing policy actions across government departments and agencies, creating synergies towards achieving the defined objective (OECD, 2001: 11). Policy coherence therefore tries to find synergies and complementarities in order to fill the gaps between different policy areas, with the goal of achieving common objectives (OECD, 2012a). The OECD's definition of policy coherence was adapted for IDC by Picciotto (2005: 312), who identified four aspects of policy coherence in relations with IDC, namely:

- a) internal consistency between the goals and objectives within a single policy (e.g. aid programmes);
- b) intra-country coherence between policies that directly and indirectly tackle development in terms of their combined contribution to development;
- c) inter-country coherence between development and non-development policies across donor countries in order to contribute to development;
- d) donor-recipient coherence, where the donor government's policy is in harmony with the strategy of the recipient country.

The role of coherence was also elaborated by the EU, which in 2003 adopted the '3C criteria' for development assistance, namely, coordination, complementarity and coherence.<sup>8</sup> While very disputed due to the underdeveloped epistemology of the definition provided, Union documents indicate coherence should be understood as "the non-occurrence of effects of

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<sup>7</sup> *Policy coherence for development is a policy tool countries use to integrate the economic, social, environmental and governance dimensions of sustainable development in their domestic and international policymaking (EU, 2018).*

<sup>8</sup> *For more, see: <http://www.three-cs.net/3cs-defined.html>.*

policy that are contrary to the intended results or aims of policy” (ibid.). In the case of a country’s CD and IDC, this means that both policies should be developed simultaneously with the aim to support the country’s foreign policy priorities. Ensuring internal consistency, as Picciotto (2005) notes, is not a choice for a small state, but a ‘must’ since the lack of human and financial resources cannot justify the fragmentation of policies (within the foreign policy).

The internal consistency of CD and IDC means that the state, in line with its foreign policy goals, defines the activities and geographical coverage of its CD and IDC. Thus, an efficient way of conducting CD and IDC would entail adapting IDC for regions where enterprises from the state (and the state itself) can fulfil their interests (Gilpin, 2001; KostECKI and Naray, 2007; Udovič, 2011). Since IDC entails a partnership between the donor and recipient countries and because enterprises from the donor country have some specific interests in the other country, one may expect an IDC would be established within the framework of CD’s workload (Klingebiel, 2014). Yet, the situation is not linear and might also happen the other way around in that the IDC develops a friendly environment in the recipient country for enterprises from the donor country and enhances their internationalisation in these markets (Udovič, 2009; Bučar, 2011). In such a milieu, the IDC can be an ex ante activity of a donor country which holds an ambition to expand into these markets at some later stage. At the same time, CD can be an ex ante activity, especially when enterprises are investing not only in areas of their own interest but follow the interests of their host environment, producing higher returns than from socially-non responsible actions (Stopford and Strange, 1991; Lee and Hudson, 2004; Udovič et al., 2014; Ruel and Visser, 2012).<sup>9</sup>

## Slovenia’s commercial diplomacy and international development cooperation: state-of-the-art

### *Legal and paradigmatic (ideological) framework*

Slovenian IDC’s<sup>10</sup> main goals are stated in Article 2 of the Act on International Development Cooperation and Humanitarian Assistance of

<sup>9</sup> In the theory of economic diplomacy, this is usually called “business diplomacy” (Udovič, 2015).

<sup>10</sup> “International development cooperation means the operation of providers in all areas that contribute to the elimination of poverty, the reduction of inequality and the promotion of sustainable development in partner countries, and includes also official development assistance, together with public awareness, other official and private flows that encourage it” (Act on International Cooperation and Humanitarian Assistance, 2018: Article 3a).

the Republic of Slovenia<sup>11</sup> (2018).<sup>12</sup> Like in the previous Act on International Development Cooperation<sup>13</sup> (2006), the geographical coverage of Slovenia's development cooperation or the priority countries are not defined; this is left in part to the ReIDC to determine (Article 4) and further elaborate in the Strategy<sup>14</sup>. When the National Assembly adopted ReIDC in 2008, the geographical and sectoral priorities as well as modalities of international development cooperation were specified. Slovenia identified its key regions as the Western Balkans (with an emphasis on Montenegro),<sup>15</sup> Eastern Europe and the Caucasus (Ukraine and Moldova) and African least-developed countries to be addressed through multilateral cooperation (ReIDC 2008; Udovič and Bučar, 2014). The basic objectives of ReIDC complied with the values and development orientations of Slovenian society and economy along with the objectives of the international community in the development field, particularly the objectives of the EU (EU Development Consensus, 2006) and the UN. Moreover, its objectives were supposed to be in harmony with the objectives of Slovenian foreign policy, of which IDC forms an integral part (OG RS 73/2008).<sup>16</sup>

It is interesting that between 2010 and 2015 Slovenia allocated 67% (EUR 51 million) of available funding for bilateral development cooperation to the Western Balkan countries, with Macedonia (23%), Bosnia and Herzegovina (20%) and Montenegro (18%) ranking among the top three recipients (MFA, 2016: 4). In addition, the OECD Development Cooperation Peer Review for Slovenia points out that Slovenia's bilateral ODA is very fragmented and

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<sup>11</sup> *Act on International Development Cooperation and Humanitarian Assistance of the Republic of Slovenia adopted on 11 May, Official Gazette of the Republic of Slovenia no. 30/18.*

<sup>12</sup> *The main objectives aim to combat poverty, reduce inequalities and promote the sustainable development of the partner countries. Moreover, other main objectives of humanitarian assistance are also identified, focusing on preventing and alleviating suffering, maintaining human dignity, reducing vulnerability and risking crises, strengthening resilience against crises and the capacity to respond to them (Act on International Development Cooperation and Humanitarian Assistance of the Republic of Slovenia, 2018).*

<sup>13</sup> *Act on International Development Cooperation of the Republic of Slovenia adopted on 23 June 2006, Official Gazette of the Republic of Slovenia no. 70/06.*

<sup>14</sup> *The Strategy of IDC is in an inter-ministerial consultation in Dec. 2018.*

<sup>15</sup> *Montenegro, Macedonia, Serbia, Bosnia and Hercegovina, Albania and Kosovo.*

<sup>16</sup> *Slovenia adopted a new Resolution on International Development Cooperation and Humanitarian Aid in 2017 in which some changes were made. The basic objectives comply with (i) the objectives of foreign policy of which IDC forms an integral part; (ii) international agreements and standards in the fields of IDC and sustainable development; (iii) the values and development orientations of Slovenian society and economy; and (iv) the experiences, comparative advantages and capabilities of Slovenia when it comes to implementing IDC. Further, Slovenia's key identified priority geographical areas are the Western Balkans, its European neighbourhood and sub-Saharan Africa, where the biggest focus is on least-developed countries ((ReIDCHA, 2017). In addition, the government of Slovenia also adopted the Slovenian Development Strategy 2030 in December 2017, which is an overarching national development framework that places the quality of life at the forefront (SVRK, 2017).*

modest in volume (OECD, 2017). Namely, in 2015 Slovenia implemented 96 small projects in 25 countries altogether, whereby 32% of these projects were worth less than EUR 17,500 and 30% were worth between EUR 17,500 and EUR 45,000 (OECD, 2017: 40–45). In addition, the implementation of ODA was carried out by 15 ministries, 4 foundations and 11 NGOs, further indicating the programme's fragmentation and possible incoherence among all the actors involved (ibid.). Moreover, while the ReIDC formally covers three geographical regions<sup>17</sup>, the other two regions apart from the Western Balkans are somehow neglected,<sup>18</sup> receiving less than 5% of bilateral ODA in the period from 2010 to 2015 (OECD, 2017: 35). The internal consistency of the goals and objectives of Slovenia's development cooperation policy may therefore be questioned given that even the geographical execution is out of step with the objectives contained in the formal documents. Further, as identified by the OECD Peer Review (2017: 20), Slovenia should "tighten its thematic focus and geographic footprint /.../ and focus on its comparative advantage to increase" the impact of its development cooperation.<sup>19</sup>

The ideological framework is more specific when it comes to commercial diplomacy activities. For example, the Declaration of Foreign Policy of the Republic of Slovenia (DFP)<sup>20</sup> states that one activity of Slovenian foreign policy should be " /.../ consolidating political and economic ties /.../ in the Alpine-Adriatic-Danube region, with Central European countries and within Central European integrations /and/ increasing Slovenia's presence in the Western Balkans /.../" (DFP, 2015).<sup>21</sup> The Western Balkans' importance for

<sup>17</sup> Three aforementioned regions are 1) the Western Balkans; 2) Eastern Europe, the Southern Caucasus and Central Asia; and 3) Africa (ReIDC, 2008).

<sup>18</sup> For example, Moldova should become the third programme country according to a decision in 2011; however, no multi-annual programme has been agreed with it due to a reduction in Slovenia's overall ODA (OECD, 2017: 36).

<sup>19</sup> A further sign of the inconsistency is observed by Udovič and Bučar (2016) who in their analysis show that "[Slovenia directed] most of the funds to Western Balkan countries, but the manner in which this allocation was carried out was ineffective if seen from the objective of being a 'door-opener'. The absence of any comprehensive, long-term financial and contextual programming on a per country basis can be identified. It seems that the conduct of our international development cooperation was basically 'recipient-driven' [...] Slovenia responded to the needs, which emerged in different countries of the Western Balkans, but did not make itself more popular with its response (donor's interest)". This observation shows that the development assistance suffers from internal inconsistency since the donor country is unable to cope with the challenges present in the system of bilateral development assistance, but is a passive observer reacting only in cases triggered by the needs or wishes of the recipient country. Such an approach lacks a permanent and long-run action system and therefore inter alia establishes the preconditions for the internal and external inconsistency and the lack of policy coherence.

<sup>20</sup> The previous Declaration of Foreign Policy of the Republic of Slovenia was adopted on 17 December 1999 (Official Gazette of the Republic of Slovenia, no. 108/99).

<sup>21</sup> Slovenia's orientation and focus on the Western Balkans can also be confirmed by the Declaration on the Western Balkans (2010), the Brdo-Brijuni process and involvement in the South-East European



Slovenian national interests is revealed in Table 1 which shows that 68.5% of total Slovenian outward FDI is allocated to the Western Balkans, whereas 42.8% is allocated to the EU-28, of which FDI to Croatia represents 28.2%.<sup>22</sup> However, Slovenian exports to the Western Balkans only account for 20% of total exports, whereas 70% of total Slovenian exports is concentrated in the EU-28 (Bank of Slovenia, 2017).

*Table 1: SLOVENIAN FDI FLOWS (IN EUR MILLION)*

		2012	2013	2014	2015	2016
<b>EU-28</b>	<b>TOTAL</b>	<b>2,296.6</b>	<b>2,212.6</b>	<b>2,359.5</b>	<b>2,329.5</b>	<b>2,445.0</b>
<b>WORLD</b>	<b>TOTAL</b>	<b>5,709.9</b>	<b>5,178.5</b>	<b>5,335.0</b>	<b>5,508.4</b>	<b>5,713.5</b>
<b>Western Balkans</b>	Bosnia and Herzegovina	584.1	489.6	457.4	480.5	514.8
	Croatia	1,552.9	1,442.6	1,498.1	1,487.1	1,611.6
	Serbia	1,404.9	1,214.7	1,185.4	996.0	1,014.8
	Macedonia	359.7	400.8	402.0	395.9	415.5
	Kosovo	–	–	–	197.5	188.2
	Montenegro	118.8	134.4	167.2	157.3	172.8
	<b>TOTAL</b>	<b>4,020.4</b>	<b>3,682.1</b>	<b>3,710.1</b>	<b>3,714.3</b>	<b>3,917.7</b>

Source: Bank of Slovenia (2017, 31).

Slovenia's Foreign Policy Strategy, entitled Slovenia; safe, successful and respected in the world – Foreign Policy of the Republic of Slovenia (2015), specifies that the commercial diplomacy supports companies in the diversification of Slovenian exports and foreign investments. In cooperation with companies and other actors in the business sector, CD coordinates the stakeholders operating in the field of international economic cooperation.<sup>23</sup> Moreover, CD's role is to identify new, specific and potential business opportunities and set out priority geographical areas in close cooperation with other institutions in the economy, taking into account the priority markets and political and security considerations. CD is supposed to create a supportive environment for Slovenian enterprises in the recipient countries by networking and gathering information of an economic and business nature.<sup>24</sup>

*Cooperation Process. For more, see [http://www.mzz.gov.si/si/zunanja\\_politika\\_in\\_mednarodno\\_pravo/zahodni\\_balkan/predsedovanje\\_seect/](http://www.mzz.gov.si/si/zunanja_politika_in_mednarodno_pravo/zahodni_balkan/predsedovanje_seect/).*

<sup>22</sup> *Before 2013 when Croatia joined the EU, the share of Slovenian outward FDIs in the Western Balkans was more than 75%.*

<sup>23</sup> *In the previous DFP from 1999, no special attention was paid to commercial diplomacy.*

<sup>24</sup> *However, Slovenia's number of economic counsellors/attachés dropped from 2011 to 2018, from 26 (MFA, 2015a) to 22 economic counsellors/attachés (MFA, 2018), despite the fact that commercial diplomacy is identified as a primary activity of Slovenia's foreign policy.*

*Structural Cooperation of Commercial Diplomacy and International Development Cooperation: Complementarity, Supplementary or Subordination?*

Even though we can identify certain links between the guidelines of individual documents regarding CD and IDC, there is no clear structural approach to ensuring the policy coherence of the two areas. The EU's report on policy coherence for development (MFA, 2015b) shows that Slovenia is focused on five strategic challenges (trade and finance, climate change, food security, migration and security) defined by the EU, yet no specific actions for how to address them are clearly identified (OECD, 2017: 25). Only in mid-2018 did the discussion start on providing for policy coherence. On the other hand, DFP and the strategy for Slovenian foreign policy recognise policy coherence in development as being fundamental for its development cooperation (OECD, 2017: 25). It is noteworthy that in the new Slovenian Development Strategy 2030 (SVRK – Government Office for Development and European Cohesion Policy, 2017) a commitment for coherent and centralised policy planning for sustainable development is expressed and a (new) Council for Development is foreshadowed to be established to make policy proposals, including interlinkages between the economic, social and environmental policy dimensions (OECD, 2018a). Moreover, in 2017 the government even established the Permanent Interministerial Working Group on Development policies, which is a focal point for development policies and the 2030 Agenda for Sustainable Development (OECD, 2018a). Concentrating almost exclusively on achieving the 2030 Agenda goals, it does not report on specific areas where policy coherence has been achieved (OECD, 2017). It only looks at coordinating policies in the area of development, leaving aside coordination between all aspects of a country's foreign policy priorities, which supports the OECD's observation (2017) that policy coherence in Slovenia has been very broadly understood and applied, without actually identifying and defining what constitutes it.

The next problem with the relationship between CD and IDC is the internal structure of CD and IDC within the MFA's organisational set-up. As noted by Udovič and Lovec (2014: 52), "the characteristics of the institutional organisation of Ministries of Foreign Affairs (MFAs) enable to reflect on the general conditions influencing the operation of the foreign ministries and on the way the institutional profiles as such influence the foreign policies of individual countries". This means the inner structural logic of each ministry reflects not only the importance of the topic for the particular ministry and minister, but also shows a country's foreign policy priorities.<sup>25</sup> In the

<sup>25</sup> That is why after the appointment of a new minister, the organograms of the ministries are usually changed.

case of Slovenia's CD and IDC, their relationship has always been some sort of 'love-hate' relationship in which CD decision-makers have always opted to have IDC under their umbrella, while IDC decision-makers have insisted IDC be separated from CD since they have different visions of cooperation in foreign states. The most important shift leading towards more intensive cooperation between CD and IDC came in 2009 when the government established the Directorate General for Commercial Diplomacy and International Development Cooperation (Udovič, 2013) in which CD and IDC were regarded as twins. The Directorate had three sectors: the Sector for Commercial Diplomacy, the Sector for Development Cooperation, and the Sector for Cultural Diplomacy. Although all three sectors were understood as equals, there were grumblings (among the IDC people) that the CD and IDC sectors should not be brought under the same umbrella because development is about altruism and help, while commercial diplomacy is about selfishness and profit (Udovič and Bučar, 2016).

This view was implicitly supported by some leading decision-makers within the MFA, in 2011 leading to the decision that a new Directorate for Development Cooperation and Humanitarian Assistance be formed containing two sectors: the Sector for Development Assistance, and the Sector for Humanitarian Assistance.<sup>26</sup> At the same time, the Sector for Cultural Diplomacy was extracted and merged with the Public Relations Office. CD thereby remained alone, but retained its own directorate, later being divided into two sectors: the Sector for Public Diplomacy and Bilateral Commercial Cooperation, and the Sector for Commercial Promotion. In 2015, the MFA structure was re-organised to "achieve greater responsiveness and increase the horizontal harmonisation" (MFA, 2015a: 75). Within this reorganisation, the Directorate for Development Cooperation and Humanitarian Assistance was abolished and a new Sector for Development Cooperation and Humanitarian Assistance was formed, yet positioned under the Directorate for Multilateral Relations, Development Cooperation and International Law. On the other hand, the Directorate for Commercial Diplomacy was empowered by having the Sector for Public Diplomacy and International Cooperation in Culture also fall within its patronage. Yet, this was not the only shift; the Directorate for Commercial Diplomacy was positioned below the state-secretary for "bilateral relations", and development cooperation was placed under the authority of the state-secretary for "multilateral relations". This division was not only impractical (lacking in coherence), but also held a symbolic value (Arbeiter and Brglez, 2017), creating the idea that

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<sup>26</sup> *In the Slovenian public administration system, two sectors are an implicit precondition for establishing a directorate.*

CD and IDC have nothing in common. Another step towards CD's increased importance relative to IDC in Slovenia was the policy applied by former foreign minister Karl Erjavec (2012–2018). Erjavec always emphasised that commercial diplomacy is the priority of the Ministry and the diplomatic activities of our embassies (Udovič, 2015).

The shifts described above de facto and symbolically show that CD and IDC in Slovenia are not regarded as complementary activities and, at best, work as supplementary ones. This is the outcome of the lack of clearly defined priorities for Slovenian foreign policy and of poor understanding of the two concepts. If IDC's aim is support socio-economic development in the partner countries, CD can clearly follow and complement the results achieved by development cooperation. The only way IDC projects can achieve sustainability is for them to be followed by commercial undertakings, which generate income for the local population.<sup>27</sup> Moreover, the fragmentation of CD and IDC activities is limiting opportunities to fund development cooperation through innovative financing.<sup>28</sup> Instead of convergence, Slovenia faces the trend of its CD and IDC activities diverging. This is reflected in certain statements Udovič (2011) collected in which those representing commercial diplomacy state that “the humanitarians<sup>29</sup> do not understand that in the modern economy, aid and business go together”, while those from the development cooperation typically lament that “businessmen<sup>30</sup> do not understand that the development assistance has its humanitarian and development role and should not be only a platform for new business opportunities”. These two statements not only highlight the gap in understanding of the two activities by staff at the two branches, but also illustrates that the Ministry itself has failed to build a bridge between IDC and CD. The internal organisation of each has resulted in rivalry, not cooperation, between the two branches.

## Conclusion

One might expect a small country to have an easier job when it comes to ensuring policy coherence.<sup>31</sup> Yet, as the case of Slovenia demonstrates,

<sup>27</sup> The OECD DAC definition of ODA clearly states that “ODA flow (a) is administered with the promotion of the economic development and welfare of developing countries as its main objective” (OECD, 2018b).

<sup>28</sup> According to the World Bank, “innovative financing involves non-traditional applications of solidarity, PPS and catalytic mechanisms that support fundraising by tapping new sources and engaging investors beyond the financial dimension of transactions, as partners and stakeholders in development or deliver financial solutions to development problems on ground” (Sandor, Scott and Benn 2009, 3).

<sup>29</sup> This refers to people who are part of the development cooperation sector.

<sup>30</sup> This refers to people employed in the commercial diplomacy directorate.

<sup>31</sup> Katzenstein (1985) suggests that small countries can benefit from globalisation by specialising in

with only modest awareness of the importance of the issue at hand, even coherence in implementing the same (in this case, foreign) policy can be difficult to bring about. If we consider the definition we presented at the start of this paper, it would seem most opportune for the two sectors of the MFA, the Sector for Economic Diplomacy and the Sector for Development Cooperation, to cooperate closely in a coherent manner, along with all other Ministry departments<sup>32</sup>. In a small country with limited human and financial resources, such cooperation should come 'naturally'. However, as our analysis shows, Slovenia does not employ this logic. The answer to our first research question concerning whether since 2009 the CD and IDC systems have worked alongside each other, given mutual support, or followed a different path is therefore negative. While in theory, both CD and IDC are political instruments of foreign policy, diplomacy could therefore create opportunities for IDC under the ex-ante principle, helping to create an environment in which to develop economic relations between countries. After that, CD seeks tangible economic opportunities in the host country, which are forwarded on to interested business entities in the sending country. Commercial diplomacy is therefore a continuation of international development cooperation that initiates international (economic) relations with other countries. Yet, what we observe in Slovenian practice is just the opposite. Each sector is trying to demonstrate its own validity with its implementation of the foreign policy objectives, often resulting in less efficient activities and with significantly less impressive results. This type of separate activity not only reduces their overall impact, but supports the arguments of critics claiming that both activities waste valuable resources that otherwise could be deployed more productively elsewhere.

In the development context, all relevant policies should contribute to and reinforce each other in implementing the development objectives (Bučar, 2011b). Since the objectives of the two activities, as noted in the introduction, are to support economic development in the home and the host countries, one might assume that policy coherence here would be automatic. Since this is not the case, we can speculate where the reasons lie. No doubt, some causes may be found in the areas of policy formulation and coordination as well as in shortcomings in the structure and process

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*areas where they have a comparative advantage, by being flexible and reacting quickly to changes, and when they aim for greater social cohesion that then enables more effective adoption and enforcement of different policies.*

<sup>32</sup> *Not only are CD and IDC not cooperating in a coherent way, but there are also several other instances of evident incoherence within the Ministry and even within the government when it comes to IDC. The MFA regularly organises Cooperation Days with various regions (Africa Days, Latin America Days). While these are clearly developing countries, the IDC Department has so far never engaged in their implementation. Several other cases of incoherence can be demonstrated.*

of policy coordination. These could be overcome by policy learning from other more experienced countries (good practices, like those of Denmark), but also by systematically evaluating own practices and achievements and developing the internal learning process.

Still, we believe the causes of the poor policy coherence also occur at the conceptual level<sup>33</sup> with, on one hand, the increasing complexity of the development agenda and development process as such and, on the other, knowledge gaps existing at the level of those who design and plan the implementation of the two activities. Each is devoted exclusively to promoting their own policy, with little regard to seeking synergies and complementarities. In fact, our second research question also brings a negative response: we can indeed say that, with its instability, non-predictability and limited common goals (of the foreign policy strategy), the very structure existing within the Ministry regarding IDC and CD is the key barrier to any more coherent policy. If coherent cooperation is not embedded in the process from the outset, the result can only be sub-optimal implementation of the objectives of each individually, and also of overall foreign policy.

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<sup>33</sup> Here we are paraphrasing Ashoff's (2005) definitions of policy incoherence.

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