

Reconciling Institutional Actors of Economic Diplomacy: The Case of Slovakia

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ABSTRACT

In the centre of this essay is a tension that under certain circumstances may appear between various state actors involved in economic diplomacy. In the case of the Slovak economic diplomacy both the Ministry of Foreign and European Affairs and the Ministry of Economy are the main actors in external economic relations. The paper briefly describes the origins of the tension between them and the reconciliation process that took place in the 10 years since the last reform of Slovakia's economic diplomacy. The crucial reconciling role of the Government's advisory body, the Council on Export and Investment Promotion, co-chaired by the ministers of foreign affairs and economy, is explained within the presented descriptive case study in bureaucratic politics. The article contributes to the conceptual discourse on economic diplomacy, while extending the theoretical and empirical knowledge of the subject with regard to the behavior of its main power actors and the tensions between them.

KEYWORDS

economic diplomacy, foreign service, bureaucratic politics, Slovakia

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INTRODUCTION

It has been apparent for a long time that Slovakia's main state bodies with competences in external economic relations – the Ministry of Foreign and European Affairs (MFA) and the Ministry of Economy (MoE) – do compete for the leadership in economic diplomacy. However, recent years have been marked by many signs indicating a settlement of their old disputes. The intention of this article is to highlight a tension that is present in any bureaucratic system – the tension within the government itself. It seems that with regard to economic diplomacy, this kind of tension, which emanates from the institutional competition (or striving for power) between individual political centers within the given government, is underrepresented in the theoretical discourse, although it is recurrently indicated in empirical studies (SEE, E.G., HOCKING 1999). The objective of the paper is to examine the tensions among the leading institutional actors of Slovakia's economic diplomacy by means of a case study in bureaucratic politics aimed at the process of reconciliation. We will focus on the mutual relationship of the main actors within the institutional framework for the execution of economic diplomacy and analyze the role of a governmental (inter-ministerial) consultative body, the Council on Export and Investment Promotion, which helped to draft common policies and eliminate the tensions among the stakeholders. Thus, the main contribution of the article is sharing the Slovak experience of reconciliation of state actors within the institutional framework of economic diplomacy.

Resolving of tensions represents a forming factor for the effective shape of economic diplomacy in practice. As Woolcock (2012: 15) reminds us, *“the challenge in economic diplomacy is to find an agreed position among the various ministries, branches of government and stakeholders/sector interests and still be able to negotiate at an international level.”* In this context we regard an autopsy of the originally rather disturbed relationship between the main actors, as well as the process of their gradual reconciliation leading to a functioning and efficient collaboration, to be a relevant contribution to the conceptual discourse on economic diplomacy.

The presented paper consists of six sections. After a brief introduction, the theoretical background of the investigated subject is explained, followed by a literature review, which focuses on issues of decision-making

in economic diplomacy. Some methodological remarks are offered in the fourth section. The fifth – empirical – part includes an overview of the institutional development of Slovakia's economic diplomacy that explains the ambitions of both the MFA and the MoE to play a major role in it. This is followed by an analysis of the reconciliation process within the established framework of the Council on Export and Investment Promotion, which enabled the gradual reduction of their mutual tensions. Key conclusions from the process and the article's contribution to the conceptual discourse on economic diplomacy are presented in the final, sixth, section of the article.

SETTING THE FRAMEWORK: BUREAUCRATIC RIVALRY

The theoretical background of the article is twofold: although its general focus is related to economic diplomacy, its main object of interest is the process of decision-making in internal politics, which determines the conduct of economic diplomacy. Economic diplomacy, beyond any doubt, has been an established part of diplomatic and related studies for several decades now (SEE VAN BERGEIJK – MOONS 2018: 8–9). During the course of time various approaches conceptualizing economic diplomacy, or related topics of trade or commercial diplomacy, have been developed. Even many renowned contemporary publications on diplomacy do mention economic diplomacy, although only marginally and with noticeable differences in interpretation (BARSTON 2006; HAMILTON – LANGHORNE 2011; BERRIDGE 2015). More precise concepts have been presented by scholars focusing specifically on economic or trade and commercial diplomacy (ALPH.: BAYNE – WOOLCOCK 2011; BERRIDGE – JAMES 2003; CARRON DE LA CARRIÈRE 1998; KOSTECKI – NARAY 2007; LEE – HUDSON 2004; LEE – HOCKING 2010; NARAY 2008, 2011, 2012, 2018; OKANO-HEIJMANS 2011, 2016; RUËL 2012; RUËL – ZUIDEMA 2012; VAN BERGEIJK 1994, 2009; VAN BERGEIJK ET AL. 2011; VAN BERGEIJK – MOONS 2018; WOOLCOCK 2012, 2013; INCL. CZECH AND SLOVAK AUTHORS: CSABAY 2005, 2019; HLADÍK 2001; PAJTINKA 2007, 2016; RUSIŇÁK 2005; ŠTOURAČOVÁ 2008; ŠTOURAČOVÁ ET AL. 2010, 2012; TÓTH 1994; TÓTH – HORVÁTHOVÁ 2006). Without going deeper into the conceptual discourse, it is clear that economic diplomacy does not have a universally accepted definition, and different authors approach the subject differently, sometimes using the terms of economic, trade, and commercial diplomacy in an overlapping or even contradictory manner (COMPARE, E.G., VAN BERGEIJK 2009 AND BAYNE – WOOLCOCK 2011). We build here on the premise that economic diplomacy is an umbrella term (OKANO-HEIJMANS – RUËL 2012: 467) covering individual or partial segments of external economic-diplomatic co-operation. For the purpose of this article

we may simplistically understand economic diplomacy as an institutional system dedicated to the promotion of exports, investment, innovation and other forms of external economic cooperation.

With economic relations among states becoming more and more complex, economic diplomacy has also evolved into a complex and multifaceted phenomenon with a large number of involved actors of different natures and a diversity of applied practices. The involvement of and relations between the main actors are explained from a theoretical perspective by Tóth and Horváthová (2006: 37–38) through two basic models: firstly, within an integrated model, economic diplomacy is managed solely by a ministry of foreign affairs, which, besides its traditional role in the management of political relations, is also responsible for external economic relations and external economic policy; secondly, in a dual model, competences in external economic relations (policy) are split between two (or more) ministries, usually a ministry of foreign affairs and an economic department. The current practice of economic diplomacy shows that also in cases where an integrated model is applied, the ministry of foreign affairs has to coordinate itself with a number of other stakeholders. Models of organization of economic work in diplomacy were also described by Rana (2007: 70–71), while business diplomacy management has been a matter of interest for Saner (E.G. SANER ET AL. 2000).

Naturally, when economic diplomacy involves a greater number of actors, an efficient functioning of the related decision-making system, both organizationally and with regard to its output for beneficiaries, becomes one of its crucial issues. Economic diplomacy does not differ from any other area of government from this perspective. Allison (1971: 3) posits that *“[t]reating national governments as if they were centrally coordinated, purposive individuals provides a useful shorthand for understanding problems of policy[...] it obscures the persistently neglected fact of bureaucracy: the ‘maker’ of government policy is not one calculating decisionmaker but is rather a conglomerate of large political organizations and political actors.”* Besides the traditional ‘rational actor’ model, Allison offers two other alternatives to explain the decision-making involving a greater number of actors: an ‘organizational process model’ and the ‘bureaucratic politics’ model. Simply put, while the former explains the output of the governmental decision-making process as a result of confronting organizational patterns of behavior, the latter

describes it as a result of internal politics and bargaining within the government. Following the bureaucratic politics model individual participants act according to various conceptions of national, organizational, and personal goals (IBID.: 144), which necessarily lead to tensions among them. Even in a case where multiple decision makers share the same goal, they may disagree about how to achieve them (BENDOR – HAMMOND 1992). Thus, the result of the decision-making process reflects their competing political and bureaucratic powers. Kellerman (1983) stresses that each of Allison's three models is intended rather to supplement the other two, not to replace them, and offers a second set of three additional models: a 'small-group process' model, a 'dominant-leader' model and a 'cognitive process' model. Government decisions are usually made within small groups, in many cases with a dominant leader with a strong impact on the decision-making process. These two observations represent the core of Kellerman's first two supplementary models. The last model points to the effect of the cognitive process on the decision-making behavior of all individuals. Based on the observation that humans are incapable of a completely unbiased evaluation of information it can be seen as an alternative to Allison's first model, which is based on rational behavior.

Policymaking is without any doubt affected by power relations within the public service. Bureaucratic rivalry among various government departments in the management of foreign affairs is not a new issue. The tendency of bureaucracies to expand in terms of ambition and resource need is well known (DITTMER 2020). Management of international relations is not an exception. Hocking (1999: 3–4), e.g., mentions that World War I enhanced the tensions between the Foreign Office and other departments and that management of international policy at that time accorded more to a pattern of intra-bureaucratic tensions than to the sole dominance of any one agency (IBID. 1999: 8). As was stated by Kissinger (1957: 326) in the context of his thoughts on the general concept of statesmanship, a policy needs to be legitimized within the governmental apparatus, which is a problem of bureaucratic rationality. Hocking and McGuire (2004: 15) posit with regard to trade diplomacy that *“the need to sustain internal as well as external coalitions means that negotiators need to engage simultaneously in ‘two-level games’, with both domestic constituencies and international negotiating partners.”* Although Olsen (2020) posits that MFAs are dependent on engaging in multiple flexible relations with a variety of state and non-state actors,

including other ministries, major business representatives, interest organizations, nongovernmental organizations and labor unions, in their quest to implement *geo-economic* instruments, we may argue that this counts for external economic relations in general.

We further build on one of the three analytical frameworks for economic diplomacy suggested by Bayne and Woolcock (2011) – the domestic one (the two others being the rationalist and constructivist ones). Domestic approaches are based on the process of national interest formation as an aggregation of various interest groups and institutions. Sector interests can be seen as a key independent variable (WOOLCOCK 2012: 26). As is indicated by Odell (2000: 57), “*when international market shifts affect different citizens of the same country differently, interest groups mobilize, and domestic politics shapes the government’s negotiating objectives and strategies.*” The two-way nature of the domestic political mechanism is the reason why external affairs can be affected by various interest groups. These usually have different relations with different individual branches of government. In the particular Slovak experience, most of the entrepreneurs turn rather towards the economic ministries (generally the Ministry of Economy, but, e.g., farmers usually turn towards the agriculture ministry, etc.) than the foreign ministry in their communications and lobbying. This tension is then transferred and added to the bureaucratic tension between individual departments.

TENSIONS AND RECONCILIATION IN ECONOMIC DIPLOMACY

The tension between private and public actors and the necessity of its reconciliation has been mentioned in the theoretical literature on economic diplomacy (SEE BAYNE – WOOLCOCK 2011); however, we have not found much evidence concerning the tensions within the given governments in conceptual works on economic diplomacy. Domestic political institutions usually receive attention with regard to decision-making (BAYNE – WOOLCOCK 2011) or ratification (SEE, E.G., ODELL 2000, HOCKING – MCGUIRE 2004, OR BAYNE – WOOLCOCK 2011). The empirical literature, however, does mention intra-governmental tensions with regard to economic diplomacy – e.g., in the context of a conflict between the Japanese Ministry of Foreign Affairs and the MITI¹ (HOCKING 1999: 11). Hocking in this context mentions that in order to resolve intra-governmental tensions, some countries “*alter fundamentally the structures of government concerned with the management of international policy*”,

e.g., through a merger of the international trade function with the foreign ministry, as has been done by Canada or Australia.

Organizational factors with regard to economic or commercial diplomacies are mentioned by Naray ^(2011: 140–143), who identifies basic organizational arrangement types of commercial diplomacy, stating that additional research might be needed *“to reflect the multiplicity of export-promotion agencies, including both the public and private sectors and how these co-exist, cooperate and compete in the same national context”*. Although he does not elaborate more on the competition issue, its mentioning indirectly implicates the existence of tensions among national actors. Similarly, Carron de la Carrière ^(1998: 177) evokes possible tensions between the MFA and other relevant ministries, noting that the distribution of negotiations and signatures can therefore be a subject of discussion, or even of tension, with other ministerial departments, and these rivalries are settled on a case-by-case basis. Government structure and the strength of the (responsible) ministry are mentioned by Stadman and Ruël ^(2012: 190) as being among the country characteristics that affect the policies and practices of commercial diplomacy, but these can be extrapolated to the broader concept of economic diplomacy as well.

Although Woolcock’s ^(2012: 29) notion that the efficiency of decision-making becomes an important factor in the effectiveness of economic diplomacy is meant to be in the context of the EU economic diplomacy, it can be extended to bilateral economic diplomacy as well. The efficiency of the economic diplomatic system relies on, i.a., a good level of coordination and cooperation between its institutional actors; moreover, it affects its credibility in the eyes of businesses (clients). Any discrepancy, not to mention any open disagreement between the actors, may lead to a decrease of its trustworthiness and others’ willingness to use its services. The requirement of a conflict-free and complementary performance of functions by individual actors is also mentioned by Štouračová et al. ^(2012: 140), who states that a corrupt communication can potentially cause a paralysis of the whole system ^(IBID.: 157). Štouračová et al. also mention the human factor and personal relations between the representatives of individual actors as important aspects as well as the necessity of a continual dialogue at the government level.

More on the topic can be found if we reach to the related areas of export and investment promotion. Several models of an organizational set-up for diplomatic support of export and investment promotion have been described by Rana (2007: 70–71). Cruz et al. (2018: 101) state that a large majority of export-promoting agencies have some sort of monitoring system in place to track their performance. Similarly, and possibly closest to our perspective, Vergara Caffarelli and Veronese (2018) analyze the Italian economic diplomacy through the prism of the *national promotional system*, which includes two coordinating bodies – one at the inter-ministerial level and one for the public-private dialogue on internationalization matters. They also highlight the fact that the allocation of responsibilities among ministries is complicated by the absence of a “*forum of direct dialogue between the [...] ministries, regarding the definition and implementation of policies*” and that the only fora for dialogue in this respect are the two wider coordinating committees populated by a large number of public and private entities. A crucial role in this process is played by the chiefs of diplomatic missions as they ensure that all the activities are coherent (VERGARA CAFFARELLI – VERONESE 2018: 210). Similarly Kopp (2004: 9) states that organizational problems largely disappear when an issue is placed at an embassy abroad. From the empirical point of view Vergara Caffarelli and Veronese (2018) present in the cited work various promotional systems in major European economies. Stadman and Ruël (2012) compared commercial diplomacies in EU member states. Tsyhankova and Bezverkha (2017) examined the transformation of the model of the Ukrainian commercial diplomacy. However, we are not aware of a relevant empirical study on coordination mechanisms, or any study on reconciliation processes in economic diplomacies.

We may extract from the practice of economic diplomacy a rudimentary core of a possible theoretical model in which coordination mechanisms, including a reconciliation among various actors, happen on either a governmental (inter-ministerial) level, a ministerial level, an inter-agency level, an intra-agency level (e.g. through the composition of the agency’s board), or a regional level, or possibly through a combination of two or more of these levels. An example of the inter-ministerial level of coordination (combined, however, with an inter-agency level) is the Trade Promotion Coordination Committee established in the U.S. in 1993. This committee “*was intended to reduce friction among the agencies, enhance coordination, reduce duplication of effort and develop a ‘strategic plan’ for*

the government's efforts in export promotion and export finance" (KOPP 2004: 9). Intra-agency coordination can be illustrated on the example of Business France and its governing board composed of representatives of the state and businesses, although the French coordination system combines various levels, too. In his case, the minister responsible for external trade chairs on a quarterly basis a consultative committee with advisory functions composed of high government officials and business representatives (SEE THE DECREE OF THE MINISTER OF ECONOMY NO. 2014-1571 FROM DECEMBER 22, 2014 ESTABLISHING THE AGENCY BUSINESS FRANCE). As for regional coordination, it may take place in cases where regions (or federal constituencies) have their own trade or investment promoting agencies (e.g. in the UK).

From the above-mentioned it is clear that coordination among all kinds of stakeholders plays an important role, but for the operational efficiency of economic diplomacy it is critical that it happens first of all among the state actors. It also implicates that in case of tensions a process of reconciliation is necessary. Of course, the central question here is what shall be understood under the term 'reconciliation'. For the purposes of this article we may assume that it is the removal of both formal and informal political, institutional or bureaucratic barriers, including – in their extreme form – a reluctance to cooperate, preventing efficient decision-making, policy-drafting and implementation of economic diplomacy. Thus, we intend to elaborate herein on an additional tension within economic diplomacy besides those investigated and described in the literature (SEE BAYNE – WOOLCOCK 2011: 10–13), which include tensions between economics and politics; domestic and international pressures; and government and other forces.

METHODOLOGY AND DATA

The prevailing methodological approach applied in this paper is a case study. Based on the generally accepted theoretical concepts (E.G. ODELL 2001; GEORGE – BENNETT 2005; FLYVBERG 2006; GERRING 2017; YIN 2018), a case study can be regarded as a research approach that is used for an in-depth analysis and for gaining a multifaceted understanding of a complex current real-life issue that provides a significant amount of diverse types of empirical data. Despite many misunderstandings related to the general acceptance of case studies' application in a variety of scientific areas, different interpretations regarding the particular methodology, as well as controversies

emanating from drafting conclusions from generalizations based on a single or even a few cases, we agree with Cavalcanti Muniz ^(2018: 71) that “*case studies are a relevant methodology particularly for emerging fields such as Economic Diplomacy.*”

From the perspective of decision-makers it is of utmost importance to have systems – and economic diplomacy is, i.a., an administrative (bureaucratic) system – defined in a way that would comply with the essential requirements and character of the public service with its clearly outlined responsibilities and straight lines of command. According to Bayne and Woolcock ^(2011: 4) “*economic diplomacy is best defined not by its instruments, but by the economic issues that provide its content.*” This prevalingly procedural approach, which encompasses a variety of state and non-state (private) actors, as well as a spectrum of theatres where different actors pursue economic diplomacy in their own innate manner, clashes with the need to synthesize a clear hierarchical institutional picture as a prerequisite for its efficient governance. The presented paper is based on an approach that is rather institutional in order to be able to explain the organizational aspects of economic diplomacy from the perspective of state actors, as well as being based on a strong linkage with negotiations.

In the presented case study, we focus on the behavior of the main governmental power actors of economic diplomacy in Slovakia. This predominantly descriptive and analytical approach, in our opinion, suits the objective to investigate an additional tension in economic diplomacy’s practical implementation – the tension between competing government bodies within the domestic analytical framework. The chosen single case design combines the nature of a descriptive case study with a preliminary illustration of a contribution to the conceptual discourse. The historical account of the development of the mutual relations between the two main stakeholders will be supplemented by an overview of documents negotiated and approved by the actors both individually and collectively in the government sessions as well as on the officially established consultative platform. We also pay attention to selected institutional aspects – in particular to the question of how the main actors were anchored to the system that was established for the purpose of their reconciliation. We agree with Reuvers and Ruël ^(2012: 21) that since (commercial) diplomacy is subject to change, longitudinal studies help to identify the direction of the transformation.

In line with this observation, our case study describes the adaptation of the institutional system of the Slovak economic diplomacy in time through the analysis of the reconciliation process between the main actors. In order to present the reconciliation process as plastically as possible, the empirical part focuses on several aspects which we deem relevant, ranging from the institutional origins and the historical context of the tensions, through the impact of the 2011 reform of the economic diplomacy and the establishment of an inter-ministerial consultative body, to its agenda and the decision-making model.

The data used in our study are predominantly unstructured and in the form of electronic and printed documents mainly from the collection of the Ministry of Foreign and European Affairs of the Slovak Republic, the Ministry of Economy of the Slovak Republic, and the Government Council for Export and Investment Promotion – a consultative body co-governed by the two aforementioned ministries. These documents together with the personal professional experience of the authors and unpublished internal ministerial documentation complement an overview of resources on economic diplomacy and select works on decision-making in the political process.

THE ORIGINS AND RECONCILIATION OF THE TENSIONS IN THE SLOVAK ECONOMIC DIPLOMACY

The Institutional Origins of the Slovak Economic Diplomacy

The Ministry of Foreign and European Affairs of the Slovak Republic derives its powers both from the customary practice in the conduct of international relations giving ministries of foreign affairs the competence in the administration of all external relations, and from Act No. 575/2001 Coll. on the organization of government activities and the organization of the central state administration, known as the ‘Competence Act’. According to this very same legislation, the Ministry of Economy of the Slovak Republic (MoE) exercises, i.a., powers related to external economic relations in the areas of foreign trade, foreign trade policy, investment and industrial innovations. This division of labor, associated with a rather forced but necessary cooperation, naturally led to frictions between these two main actors. Several changes of competences resulting from

the ambitions of both ministries in economic diplomacy took place in the course of the existence of the independent Slovakia, most recently those in 2010–2011 (SEE CSABAY 2014).

The economic diplomacy of the Slovak Republic finds its origins in two streams. Firstly, it is a successor to the former federal Czechoslovak Foreign Service, which in the late 1980s consisted of the Federal Ministry of Foreign Affairs and the Federal Ministry of Foreign Trade, both with their own economic diplomatic representations abroad – the former sending economic diplomats and the latter trade diplomats (or commercial diplomats, as in this case it is not possible to distinguish these diplomatic types due to linguistic reasons). Secondly, it follows the unsuccessful proposal to establish a Ministry of Foreign Affairs and External Economic Relations after the foundation of the independent state in 1993 on the basis of the Ministry of International Cooperation (MIC), which was governing the international relations of the – at that time – Slovak part of the common state between 1990 and 1992 (SEE, E.G., MOJŽITA 2019). Such an integrated ministry covering both political and economic relations of the state would have possibly prevented the discussion on the matter of who is actually the master of economic diplomacy; unfortunately, it never materialized. With the dissolution of the federation, the competences in external economic relations went to the Ministry of Economy of the new state, with the Ministry of Foreign Affairs focusing on a more traditional role despite inheriting the section for economic co-operation from the mentioned MIC.

These two foundations represent different institutional concepts – or organizational models – on the basis of which economic diplomacy can be formed, and are at the same time the source of the tensions that have affected the Slovak economic diplomacy ever since. Although we are aware that economic diplomacy itself involves a larger number of actors and activities, the ‘possession’ of the economic diplomacy’s ‘institutionalized’ network abroad became a key symbol of the managing competence.

The Historical Context for the Institutional Tensions

The Ministry of Economy governed and financed a network of ‘trade counsellors’ almost independently despite their diplomatic status and inclusion in the MFA’s diplomatic missions via the so-called trade-economic

sections until 2010. These combined trade-economic sections (*obchodno-ekonomické oddelenia* in Slovak, casually abbreviated as *OBEOs*) were a reminiscence of the former economic sections and trade sections administered separately within the former federal foreign service. It was the financial, administrative and managerial independence of the *OBEOs* that caused most of the troubles in the MFA and MoE's mutual relationship. Most of the relations between the economic sections and embassies were highly professional and effective, but there was definitely no efficient institutional instrument to prevent or punish any non-compliant behavior of trade counsellors in the rare cases when it appeared. The system technically enabled a foreign service within a foreign service, which alone was a source of a tension.

The mutual tensions occasionally also initiated some reactive efforts to eliminate at least the most visible extremes. One of the efforts to streamline the system of economic diplomacy was an agreement between the MFA and the MoE, especially its amendment from April 2006, which formally confirmed the full institutional embedment of the trade-economic sections within diplomatic missions as their integral part. However, it did not change anything in terms of their almost exclusive methodical and operational management from the side of the MoE, as well as their financial independence from the MFA. It was at that time very symptomatic that any of the dealings between the two main actors did not involve any of the other stakeholders. Allison assumes at least a minimal level of interaction between individual participants in the process of decision-making in the above-mentioned models; however, at this time, the MoE was *de facto* the sole decision-maker with regard to the 'institutionalized' economic diplomacy. This marginally changed for the first time in 2007 with the government's adoption of the MoE's *Export-promoting policy for the period 2007–2013*, which provided a broader scheme of actors, although mainly from the perspective of export promotion, which was not (and in our opinion correctly shall not be) regarded as a synonym for economic diplomacy. On the other hand, this was one of the early documents that indicated a rising interest of the MFA in expanding the economic dimension of diplomacy under their auspices, although predominantly in territories without an MoE representative. To provide a more colorful picture of the mutual relations between the two main actors in these times, this was also a period in which the MoE was ambitious enough to draft a policy document on the

strengthening of economic diplomacy within the single (as it was called) foreign service without even consulting the MFA. Anecdotally, the document was blocked by the MFA and never reached the government session.

The Impact of the 2011 Reform of Economic Diplomacy

A major reform in 2011 returned the trade counsellors to the MFA, but under the new designation of 'economic diplomats'. What did not change much was the instruments the two main actors possessed. The Ministry of Economy has always had under its supervision and still governs (directly or via its agencies) most of the tools (e.g. bilateral commissions for economic co-operation; fairs and exhibitions; being able to organize business to business, business to government, and other sub-contracting events; being able to organize business missions accompanying state representatives; export and investment advisories, etc.). The MFA on the other hand governs the most valuable institutional part, which enables a direct assistance to businesses abroad – the network of economic diplomats – although this has been so only since the mentioned reform of 2011. This basic institutional structure is further enhanced by the activities of the Ministry of Investment, Regional Development and Informatization, which has recently managed a pilot project in innovation diplomacy, the Ministry of Transport and Construction, which is responsible for tourism promotion, and the Ministry of Agriculture and Rural Development, which is responsible for the promotion of food and agricultural exports.

The transfer of economic diplomats significantly expanded the MFA's portfolio, which, until that moment, had comprised the hardly centrally organized activities of ambassadors, consuls-general and honorary consuls in the area of economic diplomacy, as the the MFA prevalingly relied on their individual willingness to be involved in economic affairs. This resulted in ambiguous results and an unfavorable general perception of the MFA in the eyes of entrepreneurs, who, but with a few exceptions, doubted the capacity of the ministry to provide services in the field of economic diplomacy. The expanded network promised a change in this regard. Two other issues that were in a far from optimal state before the reform were the co-ordination and co-operation among the involved actors. Originally trade counsellors – who were nominated and financed from, and reported to, a different ministry, as well as admittedly being frequently the only

ones who understood the practices of international business at embassies – habitually acted more independently, which was appropriate. Although it is *de jure* not even imaginable, this included occasional demonstrations of their *de facto* independence from the head of the mission. This naturally led to criticism from the MFA and their firm belief that the system was unsustainable and had to be changed. The origin of the tensions between the two main actors thus went back almost two decades at the time of the last institutional reform and it was as multifaceted as it could be.

The reform alone brought institutional changes, but to overcome obstacles in mind-settings, and thus achieve a functioning system of economic diplomacy, further steps were required. Firstly, the MFA had to undertake a twofold capacity building process: it had to develop an efficient relationship with businesses, to which it, as a purely political power-ministry, had no traditional institutional linkage; and it had to achieve a staff reinforcement enabling an agile operation. The former has been tackled through the establishment of the so-called Business Centre, which serves as an information gate between businesses, the MFA's economic diplomats and other actors. The latter issue of personnel was solved almost immediately, both through the absorption of trade counsellors who were serving abroad at the time of the reform (oddly leaving most of those who were at the MoE headquarters where they were), and through a hiring process for 'new blood' from outside the public service. However, several of the 'old' MoE trade counsellors succeeded in filling the new positions. Besides that, the MFA capacities have been following the acquisition of the competence in economic diplomacy, which was also reinforced through the establishment of several 'economic' ambassadors-at-large, such as the one for energy security, or the one for science and innovations. The other challenge was a more demanding one: to reconcile all the actors involved in economic diplomacy in order to stabilize the new institutional framework and prevent an outburst of tensions caused by the politically initiated takeover of economic diplomacy.

We would like to highlight here that the transfer of economic diplomacy has not been a result of a bureaucratic reform. The origins of the idea can be traced to the MFA's ambassadorial élite; however, it required the political power of a former double prime minister turned Minister of Foreign Affairs in the 2010 government to persuade a coalition partner in

charge of the MoE to yield. Nevertheless, the inter-institutional tensions have not been removed; moreover, new internal tensions within the MFA appeared. These were caused mainly by differences in what can be called the 'corporate culture' between the political diplomats heading the missions and the newcomers from the MoE and from outside the public service, who joined the MFA as economic diplomats. Under such circumstances, after a new government was formed in 2012, all the stakeholders agreed that a systemic change was required.

The Establishment of the Council for Export and Investment Promotion

In order to coordinate the actions of individual actors, the Government Council for Export and Investment Promotion, which was co-chaired by the Ministers of Foreign Affairs and Economy, was created in late 2012, effectively starting its operation in early 2013. Alongside the mentioned co-chairs, several other cabinet members have become part of it together with some Directors-General of government agencies and top business representatives. A strong involvement of business representatives was considered both natural and necessary, although the number of their seats in the Council was rather unorthodox as it comprised the heads of four different business associations – the Federation of Employers' Associations of the Slovak Republic (*Asociácia zamestnávateľských zväzov a združení*), the National Union of Employers (*Republiková únia zamestnávateľov*), the Slovak Chamber of Commerce and Industry (*Slovenská obchodná a priemyselná komora*) and the club of the largest employers, Klub500, with the former two being also part of the social dialogue with the government and trade unions. The original four have even been later expanded to six with the third participant in the social dialogue, the Association of Industrial Unions (*Asociácia priemyselných združení*), and the representative of the small and medium enterprises, the Slovak Association of Small and Medium Enterprises and Self-Employed Persons (*Slovenská asociácia malých a stredných podnikateľov a živnostníkov*).

Besides the inclusive approach towards its membership, institutional aspects of the Council's functioning have also played a significant role in the reconciliation process. The Council's secretariat was created under the MFA's Section for Economic Cooperation, with its Director-General as its head. The supervision from the relevant MFA section reflected the recently

acquired competence in economic diplomacy together with the secretariat's direct chairmanship of one of the Council's three Working Groups – the 'Working Group on the Coordination of the Council's Activities' – whose title contained an obvious reference to the political coordination role fulfilled by COREPER prior to EU Council meetings. The role of this unorthodox working group was apparently intended to prevent institutional frictions and unsolicited political surprises from reaching the executive level at the Council itself. Thus, it shall be regarded as proof of the low level of relations that existed before the Council's establishment as well as of the concerns the stakeholders had in this regard.

The MFA also chaired the 'Working Group for the Coordinated Presentation of the Slovak Republic Abroad' with a then recently incorporated nation branding agenda. However, it was the MoE that chaired the substantial 'Working Group for the Strategy for External Economic Relations of the Slovak Republic for the Period of 2014–2020', which at one point consisted of as many as 28 members representing all relevant public and private stakeholders of economic diplomacy. It was this particular working group that provided the forum for all the lengthy expert discussions on every issue that was on the Council's agenda (with the exception of the coordinated presentation agenda, which had its own working group). The extensive formal discussion during the working group sessions together with the informal communications, comments and suggestions exchanged during the preparatory work done before the submission of every initiative or requested agenda led to a clarification of positions and a mutual understanding of the involved actors. We may state that the essential part of the reconciliation process was done here.

The Agenda of the Council

The initiative to create the Council came from both the government and business representatives, who felt that an institutional alignment and grinding of historical edges requires a formal platform under public supervision. During the twenty Council meetings between the years 2013 and 2020, dozens of documents and initiatives have been discussed or adopted. An important part of the agenda consisted of discussing materials destined for government approval, which were mainly issued by the MFA and the MoE, and were typically reports such as 'The analytical assessment of

the results and trends of the foreign trade of the Slovak Republic for the year 2012' (discussed at the session of the Council in June 2013) but also programs and strategic materials such as the 'Program of foreign trade support for the year 2013' (March 2013). Another category of discussed topics was the materials presented by members of government to the members of the Council in order to receive their comments and thus improve processes and raise effectiveness. Such materials included 'Streamlining of the system of participation in international fairs abroad' (DECEMBER 2013, MOE) or 'Streamlining of the sessions of intergovernmental and ministerial committees for economic cooperation' (NOVEMBER 2013, MOE).

Similarly, some of the topics on the agenda stemmed from government resolutions imposing the presentation and discussion of materials such as the 'Concept of support of the realization of major export projects' (PRESENTED BY THE MOE, OCTOBER 2014) or the 'Proposal of priority coordinated activities of international economic cooperation and the presentation of the Slovak Republic abroad for the year 2015' (PRESENTED BY THE MFA, DECEMBER 2014). One of the rare initiatives arising from the Council itself was the October 2013 adoption of a resolution binding both the MFA and the MoE to jointly propose a system of coordinated preparation of business missions that would accompany Slovak constitutional representatives on their foreign visits, as well as a system of coordinated preparation of Slovak business fora to be organized on occasions of visits of foreign high representatives in the Slovak Republic. The first draft was rejected by one of the Council members representing business organizations; the second draft was then presented and adopted unanimously in April 2014.

Another major part of the agenda consisted of information sharing, whether it was presentations of strategies of relevant government agencies (SARIO, SACR), sharing of relevant information from the ministries (e.g., the 'Information about the state of preparation of the Slovak Republic for the EXPO 2015 in Milan', which was discussed on multiple occasions in 2014 and 2015, or the presentation of the 'Strategy of development of the creative industry', December 2014) or discussions on current topics shaping the foreign trade and investments of the Slovak Republic. The Council thus discussed the impact of Russian sanctions, the TTIP, Brexit, etc. (e.g., 'Information about the EU-Russia sanctions', October 2014, February 2015, September 2015; 'Information about the state of negotiations on

the Transatlantic Trade and Investment Partnership Agreement between the EU and the USA', February 2015). The drafting and approval of the above-mentioned strategic and informative materials required extensive communication and bargaining on both the functional and the political level. The scope of the agenda itself stimulated a gradual acknowledgement and convergence of positions among the Council members.

The Process of Reconciliation

One of the first tasks of the newly established council was the drafting and adoption of new conceptual documents in the area of external economic relations. Following an almost one-year process organized by an MoE-led working group, the 'Strategy for External Economic Relations of the Slovak Republic for the Period of 2014–2020' was approved by the government in March 2014. The 'Focus of economic diplomacy in the field of bilateral and multilateral relations until 2020' – a conceptual document of the MFA – then followed in 2016. Preparatory work on these two and many other documents related to external economic relations, an enforced high-level co-ordination on a quarterly basis, and the alternating chairmanship and hosting of the Council meetings alongside the activities of three working groups on an operative level, led to a completely new quality of co-operation in the area of economic diplomacy. While the 'Strategy for External Economic Relations' mainly defines the export-promoting policy at the core of the external economic policy, the 'Focus of economic diplomacy' outlines the key principles and objectives of its organization based on the mutual consensus between the main actors.

Especially the common drafting process of the Strategy tested the ability of both of the main actors to co-operate on all levels and, moreover, it brought them together in the process while advocating the joint concept vis-à-vis other Council members, the export-oriented business community and the general public. This was even more important in the context of the fact that in order to soothe the MoE after the reform, the MFA had to bear a political cost in the form of a memorandum giving the MoE a rather extensive participation in the governance and evaluation of economic diplomacy, which, however, was not fully implemented. The Memorandum on co-operation between the Ministry of Economy of the Slovak Republic and the Ministry of Foreign Affairs of the Slovak Republic

in performing the tasks of economic diplomacy within the framework of the Foreign Service of the Slovak Republic was signed in 2012, i.e. before the establishment of the Council. The Memorandum, i.a., stipulates that economic diplomacy is an integral part of the main political activity of the diplomatic mission, and that the head of the mission is responsible for its performance. Daily operations and staff management are in the competence of the MFA, which should rely on the concepts and tasks of the export-, investment- and innovations-promoting policy drafted by the MoE. The MoE's operative involvement through activities like the nomination, selection, and evaluation of economic diplomats, as was defined in the Memorandum, happens though only seldom.

We find the process of decision-making within the structures of the Council to be crucial for reconciliation. Every issue on the Council's agenda has to pass through discussions and a review process at the 'professional' working group level, followed by the COREPER-like confirmation at the 'political' Working Group for the coordination of the Council's activities, before it got to the ministerial level at the Council itself.

The change of attitude has been achieved firstly by the public oversight, both the direct oversight from participating business representatives and the indirect oversight from the general public, due to the fact that all Council sessions were attended by media representatives, thus making any conflict or non-cooperation unsustainable. Secondly, the accountability and target-oriented approach of all the participants bound them to the system. Thirdly, linking the coordination platform to the Office of the Government as its advisory body made the participating members of government more compliant. And – last but not least – the enhanced formal and informal communication (on all levels, from clerks through directors and directors-general to state secretaries and ministers) created a cooperative and inclusive environment for policymaking concerning economic diplomacy. Of course, this happened against the background of a strong message from the MFA leadership, which has been extended to the rest of the stakeholders repeatedly: a reversal of the reform was deemed not acceptable. Although the reform was designed and initiated during the coalition government between 2010 and 2012, the subsequent one-party government in the period from 2012 to 2016 made it only more impossible to bring a reversal to the table politically.

Key Outcomes of the Reconciliation Process

It is the MFA which is currently responsible for all activities of economic diplomacy abroad. The activity mix in economic diplomacy varies for different diplomatic missions and is either based upon obtained instructions, or at the discretion of the ambassador. At the same time, it seems that all the other actors – including the MoE – accepted this solution and try to affect it exclusively through standard procedures within the coordination system, thus deviating from previous non-cooperative practices. The criticism from business representatives became less vocal both within the Council and elsewhere.

It is interesting to note that the tensions that existed between the MFA and the MoE in terms of economic diplomacy have not been reflected on the parliamentary level. A possible explanation of this fact is the structure of the parliamentary committees within the National Council of the Slovak Republic and their thematic focus. External economic activities, including topics related to economic diplomacy, rarely make it to plenary discussions and are thus discussed almost exclusively on the committee level, especially in the Foreign Affairs Committee (FAC) and the Committee for European Affairs (CEA). The Economic Committee of the National Council, which would naturally constitute a very pertinent forum for such discussions, covers a wide scale of topics that fall under its sphere of agency, ranging from industry, economy, business, and investment to energy and transports, thus generating a substantial amount of domestic legislation that needs to be discussed and voted on. Both the FAC and the CEA, on the other hand, have only a short domestic legislative agenda to cover, and thus they focus on all aspects of foreign policy, including relevant topics in the field of economic diplomacy, with a more informed perspective, most often generating consensus on both sides of the aisle.

Over the eight years of its functioning a notable shift indirectly indicating an advancing process of reconciliation, could have been observed within the Council on several levels. Firstly, there was a significant reduction in the number of members with a right to vote, which was established by a government decision from Nov. 2nd, 2016 (the reduction from 16 to 10 members concerned mainly government representatives). Secondly, the frequency of the meetings, which started on a bi-monthly basis in 2013,

has been gradually reduced to a single meeting per year. The number of items on the agenda has been declining as well, dropping from as much as 10–13 in the early years of the Council’s activity to no more than five in its most recent years. By this time, most of the disputed issues have been settled, a long-term policy has been adopted and roles of individual stakeholder were set. This development has been enabled by the change in attitude of the actors, which was directly forced by the cooperation within the Council and its working groups. The above-mentioned developments indicate a gradual shift towards an increased effectiveness of cooperation on the functional level, meaning more direct operational interactions (both formal and informal) between Council members, which are unaffected by inter-departmental tensions, thus making a formal political platform involving government members obsolete. Hence, it can be concluded that the Council has fulfilled its role, and when it did so, its existence under the established format was no longer necessary. As a result of the current co-operation standard between the two former rivals, the Council for Export and Investment Promotion has been dissolved in December 2021 and replaced by the more macroeconomically focused Council for Competitiveness and Productivity. Economic diplomacy stakeholders are still coordinated within the working groups of the new council as well as within the newly established “Team Slovakia” platform at the MFA.

Another interesting result of the previous reconciliation process was the recent decision by the MFA and the MoE to adopt a common political document which integrates the external economic policy with economic diplomacy for the period 2022–2030. Although this mainly reflects recommendations from entrepreneurs, it is at the same time a sign that the established mechanism has fulfilled its objectives within the 10 years since the last reform in that it has resolved major systemic deficiencies in the management of economic diplomacy and reconciled its major actors. The Slovak empirical evidence supports the notion that the multidimensional nature of economic diplomacy requires a whole-of-government approach for developing forward-thinking, consistent and effective policies (LSE IDEAS 2021: 28). The activity of the Council can be regarded as exemplifying such an approach.

CONCLUSIONS

It seems that the discussions and tensions about the design of the economic diplomacy were not preventable, not only for the reason of institutional rivalries but also because of the trivial fact that it had to be developed practically “*as a greenfield project*” (RUSIŇÁK 2005: 124) with many stakeholders. The reconciliation process lasted for several years, though it brought some interesting results, especially in the mindset of the main actors of the economic diplomacy. The MFA, which was reluctant to accept attempts by any other actor to develop a specific network abroad, including at least three attempts of the MoE to establish a complementary network of commercial diplomacy under the SARIO trade and investment promoting agency, recently accepted the establishment of innovation diplomacy under the Ministry of Investment, Regional Development and Informatization. Moreover, it invited other government departments to create specifically focused economic postings within the foreign service, which is something that could possibly be prevented only by fiscal restrictions as a consequence of the Covid-19-related crisis. The process has demonstrated the possible importance of coordinating bodies like the Government’s Council for Export and Investment Promotion, which played an irreplaceable role in the streamlining of the Slovak economic diplomacy.

However, besides the extensive agenda reaching from export and investment promotion through tourism to the coordinated presentation abroad, it has been the three-level institutional design that led to the systemic reconciliation of the main actors at both the political and functional (bureaucratic) levels. Putting aside the Working Group for the coordinated presentation with its specific and rather limited agenda, every other issue on the Council’s agenda had to pass through discussions and a review process at the Working Group for the external economic relations strategy and then the COREPER-like confirmation at the Working Group for the coordination of the Council’s activities before it got to the political level at the Council itself. As we assumed that the additional tension between the key domestic actors of economic diplomacy was not only at the level of political leadership but has also been embedded in the bureaucratic apparatuses of the competing ministries, we may state that this procedural system addressed the frictions at both stages.

It seems that both Allison's 'bureaucratic politics' model and Kellerman's 'small group process' can be applied to this case in order to explain the streamlining of the decision-making process concerning economic diplomacy and the broader policy of external economic relations. Although MoE and MFA representatives used their political and bureaucratic influence to bargain on policy proposals, at the same time they were forced to behave rationally in a setting that suppressed conflicts. Small group process regularities as described by Kellerman (1983) helped to improve the decision-making process and intensify the cooperation among the stakeholders. Especially with regard to the 'range of alternatives' as an organizing concept of the small group process, the Council's framework of governmental and non-governmental members, and the political reality of a one-party government in the period from 2012 to 2016, allowed no space for failure or confrontation.

In general, many reasons for conflicting interests or even power struggles can be identified in economic diplomacy, in which various interest groups ranging from individual businesses through business associations to non-governmental organizations are confronted with political interests and bureaucratic tensions among different branches of government. The reconciliation process described in this paper has not resolved all the tensions in the examined case, as some of them persist. In the particular Slovak experience, most of the entrepreneurs direct their communications and lobbying rather towards the economic ministries (generally the Ministry of Economy, but, e.g., farmers would rather communicate with the agriculture ministry, etc.) than the foreign ministry, which is responsible for the economic diplomacy. This tension is then transferred and added to the bureaucratic tension between individual departments. However, this friction is being resolved rather within the system than through its disruption.

The article contributes to the discourse on the theoretical concept and analytical framework of economic diplomacy in a particular part of tensions which have to be reconciled, as this concept was mentioned by Bayne and Woolcock (2011). The tensions include three types of tensions: the tension between economics and politics; the tension between domestic and international pressures; and the tension between the government and other forces. Based on the presented case study we may add a fourth tension, which is within the governmental apparatus. Although a part of

this tension can be just a projected tension of various private interests via advocacy from different government branches, it seems undeniable that political and bureaucratic interests within the public service can also have their own momentum. Although both theoretical (KOPP 2004; TÓTH – HORVÁTHOVÁ 2006; RANA 2007; NARAY 2008, 2011; ŠTOURAČOVÁ 2012) and empirical studies (HOCKING 1999; RUËL 2012; TSYHANKOVA – BEZVERKHA 2017; VAN BERGEIJK – MOONS 2018) do mention various organizational aspects of economic diplomacy and the participation of diverse actors in it, even highlighting the necessity of their coordination, they do not analyze the process of decision-making or the process of elimination of possible conflicts among governmental stakeholders.

Applying the case study methodology brings with itself, obviously, the temptation to generalize. However, a single case study should be, in our opinion, used to produce generalizations solely in the event of its negating an already generalized or generally accepted idea – or when the case study serves as a means of its validation. Although we are aware that many other states use consultative bodies, such as various government councils or working groups on export promotion, in order to coordinate the numerous stakeholders involved, we do not intend to generalize the Slovak experience into a theoretical model. However, we agree with Lequesne (2020: 8) that “[a]ll of these questions related to the diplomat-politician nexus have to be theorised on a comparative basis[...] research should not be limited to the nature of the relations and tensions, but also evaluate the effect of turf wars on the diplomatic outcomes produced by states.” Further comparative research analyzing the corresponding experience of other countries would be required in order to extract a theoretical concept; however, this was not the ambition of this paper and shall be a matter for additional research. We regard this article rather as an empirical contribution to the conceptual discourse on economic diplomacy with regard to the behavior of its main power actors. Tensions between them, as well as their reconciliation, constitute a forming factor for the execution of economic diplomacy. The article identifies a possible application of consultative government bodies not only in the role of effective coordinators, but also in the role of reconciliation intermediaries in economic diplomacy. What we can extract from the Slovak single case study is the potential of coordinating bodies in the management of the expanding agenda of economic diplomacy through a variety of determinants. These include, e.g., the status of the Council as an advisory body of the government, which provides it with the highest political

influence; the small group process, which may provide the framework for efficient decision-making; the pressure from non-governmental actors, who rightfully demand an efficient and tension-free functioning of the public sector; the atmosphere of there being no political alternative, which vocally reflects the importance and priority given to economic diplomacy; the extent of the agenda, which gives the stakeholders enough space for bargaining; and the decision-making model, which reflects the necessity of a participative and controlled approach.

 ENDNOTES

- 1 The MITI – the Ministry of International Trade and Industry – was a ministry of the Government of Japan from 1949 to 2001, when it was merged with other government agencies into the METI – the Ministry of Economy, Trade and Industry.
- 2 The complete agenda of the Government Council for Export and Investment Promotion can be found on its webpage: https://www.mzv.sk/podnikajme_v_zahranici/rada_vlady_sr_na_podporu_exportu_a_investicii.
- 3 Among the MoE's agencies involved in economic diplomacy, we may find the Slovak Investment and Trade Development Agency (SARIO), which is active in the areas of export and investment promotion, and the small and medium-sized enterprises-focused Slovak Business Agency (SBA). Neither of them has representative offices abroad.

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