Efficient Institutions and External Trade Policy Management Can Increase the Influence of a Small Country on the International Stage

Sabina Koleša
Ministry of Economic Development and Technology, Slovenia
sabina.kolesa1@siol.net

The paper focuses on a country's external trade policy management in relation to the processes within its sub national entities. Its main goal is to identify an optimal approach to realizing the national interests of a small EU member state at the international/sub national level. We argue that influence on certain decisions does not necessarily solely depend on the power (i. e., size) of a country, but also depends on other factors, such as the country's goals and ability to form alliances. We confirm that institutions are of key importance for efficient external trade policy management – *small countries in particular can increase their influence at the international level substantially if they are capable of efficient process management and forming alliances with sub national actors.* After analysing the systems in selected EU member states, we make proposals for enhancing the trade policy management process in Slovenia.

Key Words: international economic co-operation, external trade policy, external trade theories, economic diplomacy
JEL *Classification:* F13, F14

Introduction

Globalization has had a seminal impact on patterns of global economic co-operation and trade. Global economic integration is deepening, and more countries than ever are seizing the opportunities presented by globalization. Industrialization through joining global value chains became a new development paradigm (Baldwin 2012). While in the second half of the twentieth century OECD countries – especially Japan, the United States and those in Europe – drove the global economy, they are being joined in the first half of the 21st century by new economic powers such as Brazil, Russia, India and China (BRIC countries), and others (European Commission 2006). In 1980, developing economies only accounted for 34 per cent of world exports but by 2011, this figure had risen to 47 per cent. At the same time, the share of developed economies dropped from 66 per cent to 53 per cent (World Trade Organization 2013, 5).

In a global environment, intensified interdependency in international production through global value chains (GVCs) inevitably implies greater mutual policy dependency (Elms and Low 2013; OECD 2013). External trade policy has become increasingly interconnected with other policies (e. g., competitiveness, energy, the environment and sustainable development policies) and the number of actors involved in trade negotiations conducted at different levels (bilateral, plurilateral, multilateral) has also risen. *In our opinion it is therefore crucial that a coordination model is introduced that would enable a small European Union member state to implement efficient trade policy (process) management in order to realize its national interests at the sub national/international level and increase its influence/power.* We argue that institutions play a key role in efficient external trade policy management.

At the outset of this paper, reference is made to the economic theories in relation to the (changed) role of the state/institutions, and the actors in economic diplomacy (state and non-state) in external trade policy management. The role played by the state and institutions is then analyzed for different historical periods.

The focus then turns to the European Union's external trade policy process of coordination, the role of national and sub national (state and non-state) actors, and the extent to which the external trade policy is linked with other national policies. The complexity of the process of interactions between different actors, negotiating levels, and policies is revealed by using the World Trade Organization Doha Development Agenda case (WTO DDA), and the negotiation process within one of the negotiating groups is described (i. e., the European Union in relation to the WTO DDA). In our opinion, knowledge of these complex processes (the actors and levels involved) is an important precondition for proposing a coordination model that would enable a small EU member state to have more efficient (and effective) trade policy (process) management in order to realize its national interests at the sub national/international level and increase its influence/power.

The focus of the research then turns to the external trade management practices (processes) in five EU member states. The case studies include Germany, Ireland, France, Poland and Slovenia. Our goal is to discover whether, *in spite of the differences in size, economic structure and trade orientation of the countries analyzed,* there are some common characteristics that should be taken into account when making proposals to improve trade policy process management in Slovenia. This paper will attempt to provide empirical evidence that institutions and efficient process management increase the influence of a country at the international level.

The information published on the web pages of the relevant institutions engaged in external trade management (state and non-state) is examined, and four structured interviews with high ranking officials are carried out: the directors general responsible for trade policy of Germany, France, Ireland and Poland (and the EU Trade Policy Committee – full members). For Slovenia, the participant observation method is used (the author chaired the EU Trade Policy Committee – full members in the first half of 2008). The research questions in this paper are as follows: Are there strategic goals set on a national level? Which ministry is primarily responsible for trade policy? Are there regular (formal and/or informal) trade policy coordination procedures (provide a description)? Which (state and/or non-state actors) are involved? Does the coordination procedure include other economic policies?

Based on a critical review of the literature, analyses conducted, case studies, and a synthesis of the findings, this paper presents a proposal for an external trade policy management model (to be implemented in Slovenia, a small EU member state) in order to increase the country's influence/power at the sub national/international level.

Theoretical Background

External trade policy is an important element in industrial and (strategic) development policy. Therefore, for the purposes of the analysis herein, the strategic economic policy approach is relevant. This approach acknowledges the main role of the market (for the effective allocation of production factors), but at the same time stresses the importance of the government, its institutions and its systems of process management (Strašek and Jagrič 2004). The analytical concept formulated by Esser et al. (1996), stresses that dynamic economic development is not based solely on functioning markets and individual entrepreneurship, but also on a supportive environment for business development. Therefore, it is crucial to analyze not only the micro and macro levels (i. e., the markets and macro-economic conditions), but two additional levels should also be taken into consideration: *the meso and the meta levels.* The *meso level* addresses specific policies (such as technology policy, industrial policy, regional policy, etc.) and the institutional and organizational environment, which supports firms. The *meta level* addresses the capability of actors at the local, national or even supra-national level to create favourable conditions for industrial dynamism (i. e., strategies and coalitions). Interaction between factors at all four levels is crucial (including interaction between the different policies referred to at the meso level).

Since the aim of this paper is to identify an optimal approach to realizing the national interests of a small EU member state at the international/sub national level, specific focus is devoted to the various different theories referring to small countries. The most relevant theory for the purposes of this study is the finding of Baille (1998) who created a model for a small country's influence in the European Union. Baille argued that there were three explanatory variables for a small country's influence in the EU. First, a small country's influence is directly related to its particular historical context. Second, the level of the small country's influence depends on its institutional frameworks (the rules, procedures, norms, and principles) that facilitate the defence of its interests. Third, the negotiation behaviour of the small country, which is geared towards conflict-avoidance, has an impact on its political influence. Within the solutions as to how a small country can increase its influence, which are based on the Barston's study (1973) on nine small countries and how their foreign policy objectives are framed and what organizational structures they create, the forging of coalitions and the use of international organizations to generate support for their policies is relevant in this study.

In *The Competitive Advantage of Nations,* Porter (1990) stressed the importance of institutional mechanisms for national competitive success, but at the same time neglected the role of micro-economic policies and that of the state. Udovič and Svetličič (2007), who have analyzed in detail the international economic theories related to small countries, discovered that although no direct reference is made to them, there is no doubt that, in most cases, they stand to gain from international trade. Small countries may improve their international competitiveness by forming alliances and replacing mass production by investing in production process (lean and just-in-time production) in order to lower costs. Small countries are more dependent on international markets and their regimes, but they can achieve economies of scale through internationalization and economic policy measures that make their markets more attractive to foreign investors. Specializations and market niches are of great importance for small countries too.

When analyzing international trade it is important to focus on *interest groups, international structures and ideas.* Kennedy (2007) emphasizes the importance of interest groups and their efforts to exert influence on the international trade policy of a country. International trade is essential especially for small countries – i. e., small in a geographical sense. Shafaeddin (2003) stresses the importance of a liberal trade policy for developing countries – they have to implement economic policy and trade policy with clear goals (which are adapted to the development stage and industrial structure).

What is the Role of Economic Diplomacy in Relation to Trade?

This section utilizes the framework of analysis developed by Bayne and Woolcock (2003) in their book, The New Economic Diplomacy. According to the authors, the main groups of economic diplomacy actors engaged in negotiations are national/sub national state actors, nonstate actors and transnational actors (international organizations, nongovernmental organizations, etc.) They seek to reconcile three tensions: those between economics and politics, domestic and external pressures, and between government and other forces. This is important because these activities involve efforts to overcome political obstacles to international economic co-operation, and they require domestically agreed positions, their deployment in international negotiations and the engagement of different actors in economic relations (Bayne 2012).

Rana (2002) argues that economic diplomacy has become the centre of diplomatic activities, and proposes four main pillars for these, i. e. international trade promotion, investments promotion, attracting FDI (technology), and the management of the power/influence of a country. On the other hand, Sanner and Yiu (2003) claim the main task of economic diplomacy is representation and to influence decisions made within international organizations (e. g., WTO – World Trade Organization, UNCTAD – United Nations Conference on Trade and Development, UNIDO – United Nations Industrial Development Organization, etc.), at the same time making efforts to influence the policies and positions of other countries engaged in economic diplomacy tasks. The authors also differentiate between multilateral and bilateral levels of negotiation.

In recent years, scholars of diplomatic studies have debated extensively on the ways in which diplomacy has changed in response to a series of factors that have been occurring since the mid-twentieth century. From this debate, a new paradigm of sorts has emerged in diplomacy scholarship with regard to analyzing and understanding contemporary diplomacy (Pigman and Vickers 2012). Whereas a century ago diplomacy was conducted primarily between the representatives of nation-state governments, non-state actors are increasingly becoming involved. Many multinational companies negotiate regularly with governments or multilateral institutions. 'Postmodern diplomacy' involves increasingly complex patterns of interaction between the state and a shifting range of other actors in both public and private arenas. The roles played by diplomats have moved to coordinating state based actions and facilitators in the construction and operation of multi-actor policy coalitions (Batora and Hocking 2007).

Bayne and Woolcock (2003) define economic diplomacy under three main categories: actors, instruments, and market influence. Successful diplomacy manages contacts efficiently and forms alliances with government and non-government actors. External economic policy (and international trade policy) is performed based on the influence exerted by interest groups. In short, *the actors in economic diplomacy play a significant role in trade policy issues* (on national and sub national levels), in international trade and investment promotion, negotiations, in terms of representation and in relation to influencing decisions made within international organizations, forging alliances, etc.

European Union External Trade Policy Coordination Process: Interactions between Different Actors, Negotiating Levels and Policies

This section will describe the process of coordination within the European Union – including in relation to the case of the World Trade Organization Doha Development Agenda (WTO DDA). The goal is to identify all key (state and non-state) actors at a national and sub national level and their interactions in the process of negotiations (bilateral, plurilateral, multilateral). The focus of this section is the coordination process within the EU, and an analysis is carried out on the role of different EU actors within the WTO DDA negotiations (at the July 2008 Ministerial Meeting in Geneva). The analysis is conducted on the basis of information published on the web pages of the European Commission, the WTO, etc., and the participant observation method.

The negotiation process within the WTO was extremely complex (with negotiations performed at different levels – multilateral, plurilateral, bilateral) as the institution reaches decisions in accordance with the principle of consensus among all of its members. This process of trying to come to a consensus could be described as negotiating in concentric circles, where the TNC – *Trade Negotiating Committee* coordinated the work of

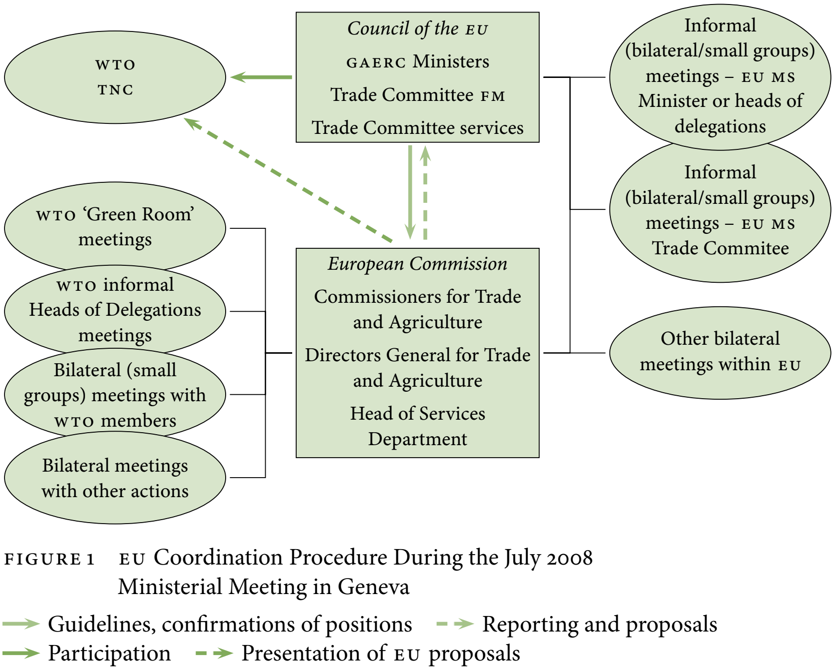

FIGURE 1 EU Coordination Procedure During the July 2008 Ministerial Meeting in Geneva

the nine working groups. A small group of countries attempted to reach agreement before bringing the position/proposal to progressively larger groups of countries – and then finally presenting it to the entire membership at the TNC meeting (see the WTO web page http://www.wto.org for more details). The European Union (EU) represented one of the negotiating groups within the WTO DDA. However, it should be noted that the process of coordination within the integration was also complex – it involved many (state and non-state) actors with different interests.

In terms of trade policy, the Commission, which is mandated by the Council, is responsible for negotiating and managing trade agreements involving tariff amendments, customs and trade provisions, and protective measures in consultation with the 'Trade Policy Committee,' a Council committee of high-level trade officials. Within the WTO, the Commission negotiates on behalf of the Union. In the interests of continuity for EU Council business, the six-monthly presidencies work together closely in groups of three. These three-presidency teams draw up a joint program of Council work over an 18-month period.

The EU negotiating format for the 2008 WTO Ministerial meeting is presented in figure 1.

The European Commission (EC) was negotiating at the WTO on behalf of EU member states. The guidelines for negotiations and the mandate to the European Commission were given by the Council of the EU (GAERC – General Affairs and External Relations Council, now the FAC – Foreign Affairs Council) and in consultation with the Trade Policy Committee (figure 1). Numerous meetings were held at different levels and in different formats, comprising formal meetings (Trade Committee meetings and GAERC meetings) as well as informal meetings among 'like-minded' members of the EU, and meetings with non-EU member states with similar interests. At the WTO TNC meetings, the position of the EU member states was presented by the European Commission. The Commission also held several formal and informal meetings with other non-EU actors (WTO 'Green Room meetings,' WTO Heads of Delegation meetings, bilateral WTO members meetings, and others).

In addition, the structure of each member state's delegation should be also considered. Member states (MS) were represented by ministers/high officials from their respective capitals and from a variety of ministries (however, mainly those responsible for economy/trade and agriculture), representatives of permanent representations in Brussels and representatives to the WTO in Geneva. Before becoming involved in international negotiations, the position should be discussed and agreed internally. The complexity of internal coordination procedures will be shown in a case study on some EU member states in the following chapter.

External trade policy is not isolated, but is instead interconnected with several other policies (competition, energy, environment and sustainable development policies). Therefore, the need for co-operation and consistency among a high number of actors is gaining increasing relevance. We have already identified key actors in the formal process of creating EU external trade policy (i. e., the Council of the EU, European Parliament, European Commission, state actors in member states and several non-state actors at the (sub) national level. Within the European Commission, DG Trade is officially responsible for external trade policy but, owing to interconnections with several other policies, the external trade policy is drafted by seven additional directorates (DG for Agriculture and Rural Development (AGRI), Climate Action (CLIMA), Competition (COMP), Enterprise and Industry (ENTR), Environment (ENV), Europe Aid Development & Cooperation (DEVCO) and Taxation and Customs Union (TAXUD). The role of the European Parliament with regard to external trade gained importance after the Lisbon Treaty had entered into force.

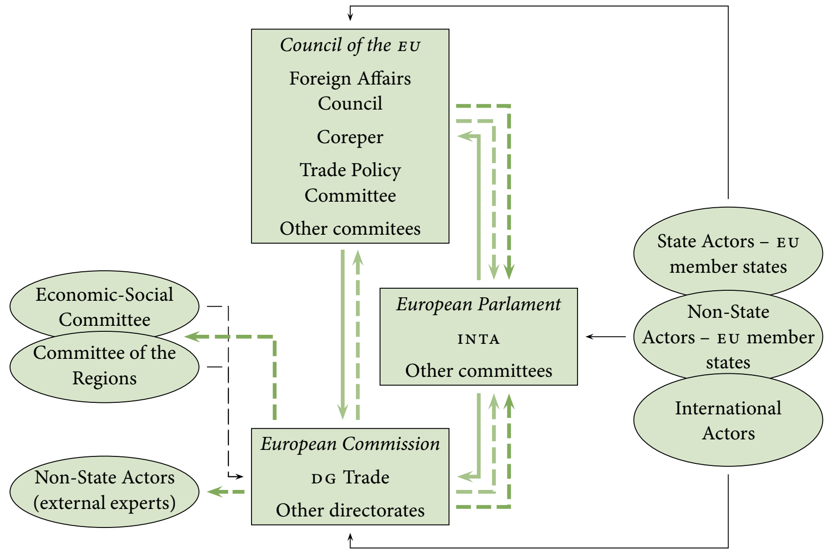

FIGURE 2 Actors in the Formal Process of Negotiations within the EU

⟶ Influence on formal process – → Opinion - -➔ Information
- -➔ Proposals ⟹ Confirmations

Now the agreement/confirmation of the EP is required for all trade negotiations – another actor to be considered.

Non-governmental organizations have gradually become more active. To name just a few within the EU: UNICE – Union of Industrial and Employees Confederations, Eurochambers, ERT – European Roundtable of Industrialists, AMCHAM EU – American Chamber of Commerce to the European Union, several sectoral associations, etc. Not only do they present their positions in non-formal processes, they are often members of advisory committees within the EC. The Commission can, however, influence them by financing certain activities (Bomberg and Stubb 2003).

In the formal process of negotiations within the EU, four groups of actors can be defined (figure 2):

1. EU Institutions and Bodies: European Commission, European Parliament, Council of the EU, European Economic and Social Committee, and Committee of the Regions);
2. EU member state governments;
3. Different interest groups, organized at the EU or member state level;
4. Non-EU actors.

According to the Rules of Procedure, the EC negotiates on behalf of 28 member states based on the mandate given by the Council of the EU. Only key formal decisions (approving the mandate to negotiate and the final text at the end of negotiations) are approved by FAC. After the Lisbon Treaty entered into force in 2009, the European Parliament (i. e., INTA Committee) also became part of the formal process (Deckwirth 2005).

The external process begins with the EC's proposal for commencing the negotiations. The Council of the EU then authorizes the EC to start negotiations (and gives the institution relevant guidelines). Based on consultations with the Trade Committee, the EC can thus begin the process of negotiating with external partners. When agreement is reached, the EC presents the draft text to the Council of the EU for approval. The approval of the EP is also required. The opinion is often also presented to the European Commission by the European Economic and Social Committee and Committee of the Regions.

As the analysis has shown, the EU and its member states (as a collective external trade policy actor) operate alongside, across from and in tandem with one another. The associated patterns of diplomacy reflect the complexity of communication within the integration and in relation to the WTO. The interaction between national diplomatic systems and the regional and global diplomatic networks are a reflection of the changes in the environment. The EU comprises a complex diplomatic environment in which multilateralism and bilateralism are intertwined. At the same time, much of the inter-governmental communication between member states is increasingly conducted directly between different levels of national public administration. These facts will be taken into account when the proposals are made.

Analysis of the External Trade Policy Management (Process) in Some EU Member States

After analyzing the decision making process at the EU level (also in relation to the WTO in the WTO DDA case), the focus of this paper will now shift to the practices of external trade management in the EU member states selected (Germany, France, Ireland, Poland, and Slovenia).

The main research questions are whether there are strategic goals set on the national level and whether defined (and implemented) formal and informal co-ordination procedures for external trade policy management exist and, if so, which actors are involved in the process. In addition, the question as to whether there is a co-ordination procedure with other relevant policies will be investigated. Our case study is based on analysing the systems in five different countries – different in terms of size, external trade orientation (mainly liberal or protectionist trade policies), industry structure, and time of EU accession. The aim is to define potential common characteristics that these countries should take into account in their external trade policy co-ordination models (irrespective of their size, external trade orientation or industry structure). In addition, empirical evidence will be provided to confirm that institutions and efficient process management increase the influence of a country on the international stage.

The key findings of our analysis, which are based on four structured interviews with high-ranking officials – the directors general responsible for the trade policy of Germany, France, Ireland and Poland (and the EU Trade Policy Committee – full members) and the participant observation method for Slovenia as well as information published on the web pages of relevant institutions (the European Commission, ministries of the economy, the World Trade Organization, etc.), engaged in external trade management in the countries analyzed (for more details see Koleša 2012) are as follows:

- Ireland, France, Germany and Poland have economic and trade policies with clear objectives in order to achieve their goals at the international level. The importance of these is also stressed in theory (Shafaeddin 2003).
- Ireland, Germany and Slovenia have a mainly liberal external trade orientation, while France and Poland are mainly protectionist oriented. Based on the information gathered in the interviews, we discovered that trade policy orientation does not have a direct impact on the coordination system.
- The external trade policy is coordinated by ministries responsible for the economy in all the systems analyzed. The process also involves the Ministry of Foreign Affairs and other ministries responsible for strategic policies (Ministry of Agriculture, Ministry of Finance, etc.). Empirical evidence confirms the theoretical arguments put forward by Hocking and Spence (2005) that the importance of the role of ministries of foreign affairs is decreasing, while the importance of the role of other ministries (responsible for strategic policies) is increasingly on the rise.
- All the analyzed countries have implemented a coordination model

(with some specifics according to the institutional structure of each national system), where all the relevant ministries (responsible for external trade and other relevant policies) are involved in the process, and the permanent representations in Brussels and Geneva also play an important role. They serve as a 'bridge' between the national and sub-national actors. They are required to possess knowledge of national interests and priorities as they influence the decisions of the European Commission. On the other hand, they act as an information channel for national capitals – informing government actors of the policy proposals of EU institutions and the positions of other member states. In Slovenia, however, we noticed some deviations (e. g. a lack of horizontal coordination and analytical studies, often changes of experts, etc.)

- According to the information gathered by the interviews, informal coordination with different non-state actors is also important. This enables countries to take a consistent national position within different working bodies in Brussels and form national and sub-national alliances based on national interests and priorities.
- Ireland, a small country in terms of geographic size, significantly increased its international power after liberalizing its external trade in 1950 and after acceding to the EU. An important role was played by the government in this transition in terms of its strategic orientation as well as the co-ordination among the different policies and relevant actors. Empirical evidence confirms the theoretical arguments put forward that institutions play a key role in the economic performance of a country (Barston 1973; Baille 1998; North 1990; Strašek and Jagrič 2004).
- Based on the information published on the web pages of relevant state actors (the ministries responsible for trade policies) and from the interviews, the key weaknesses in Slovenia's current coordination system can be identified (partly due to constant reorganizations and changes in the responsibilities of state actors) when compared with other analyzed countries (Ireland, France, Germany, and Poland). They are as follows: a lack of horizontal coordination and synchronization of policies (between different working groups); some of the relevant actors are not included in the formal process; there are insufficient analyses used as a basis for decision making; informal communication with different (state and non-state, national

and sub national) actors with a view to forming alliances is weak, and investment in knowledge and skills is also insufficient. There is no direct proof of negative economic performance owing to the above listed weaknesses but, according to theory and the interviews, the coordination of actors and policies is (perceived to be) the main precondition for efficient external trade policy management. Efficient and effective institutions are a key element in achieving competitive advantages (Porter 1990; Esser et al. 1996; Barston 1973, etc.).

Key elements of our analysis are shown in table 1.

Proposals

Based on a critical review of the literature, analyses conducted, case studies of the selected EU member states, and a synthesis of findings, this paper presents a proposal for an external trade policy management model. The model, which is based on the good practices of the EU member states analyzed, suggests incorporating all key (state and non-state) actors in the formal and informal co-ordination processes.

When drafting a model for a country, we should take the following into account: institutions and their key role in the economic performance of a country (North 1990; Esser et al. 1996); external trade policy measures, relevant other policies and their influence (at the EU and member state level); the principle of policy consistency (horizontal and vertical) at the EU and national levels; formal structures and processes within the EU and at the national level; and the good practices of other countries.

Our proposal for the drafting of an external trade policy management model (for developing a dynamic comparative advantage for the economy) is as follows (fugure 4):

- As the influence exerted on certain decisions does not necessarily depend on the power of the state, but also on other factors, such as the country's goals, focus and ability to form alliances (Barston 1973; Baille 1998; Udovič and Svetličič 2007, etc.) we suggest *drafting a document with national policy priorities (a strategy) and clearly defining the (offensive and defensive) goals of the external trade policy (on the basis of a national strategy, and the structure and interests of industry) and implementing a formal system of horizontal and vertical coordination* (upgrading the processes, if required) in order to consistently present positions and forge relevant coalitions (forming alliances). The *tasks, responsibilities and procedures should be clearly*

TABLE 1 Key Elements of Our Analysis in Some EU MS

Elements	Ireland	Germany	France	Poland	Slovenia
Size of the country	Small	Large	Large	Large	Small
External trade policy orientation (mainly)	Liberal	Liberal	Protectionist	Protectionist	Liberal
Coordination of EU policies	Ministry of Foreign Affairs	Ministry of Foreign Affairs, and Ministry of Economy	Special EU coordination Body	Committee for EU Affairs	Ministry of Foreign Affairs
Coordination of External trade policy	Ministry of Economy	Ministry of Economy	Ministry of Economy	Ministry of Economy	Ministry of Economy
Key actors involved	State, non-state, international	State, non-state, international	State, non-state, international	State, non-state, international	State, non-state, international
Key activities within the coordination process	Coordination meetings, analyses and interests of industry as a basis for decision making	Coordination meetings, analyses and interests of industry as a basis for decision making, reporting to parliament and industry	Coordination meetings, analyses and interests of industry as a basis for decision making, reporting to parliament and industry, negotiation, delegation structure depends on the issue discussed	Coordination meetings, sharing information and coordination of positions	Coordination meetings, main information channel web pages of the ministry responsible for external trade

NOTES Adapted from European Commission (2006) and Koleša (2012).

defined and a list of relevant contacts made in order to achieve the country's goals and increase its international influence.

- According to the theoretical arguments (Hocking and Spence 2005) and empirical evidence (interviews with high-ranking officials in EU member states), we also suggest *implementing a system of infor-*

mal coordination (not only within a country but also on a sub national level).

- The Permanent Representations in Brussels and in Geneva should have good contacts with the EC, other member states and other (state and non-state) actors and support capitals with the provision of relevant information.

Based on the good practices of the EU member states analyzed (information gathered by interviews) we also suggest:

- Establishing a relevant analytical basis for decision making;
- Constant investment in the knowledge and skills of personnel (including mentoring);
- Setting up a (regularly updated) portal/database, accessible to all relevant actors;
- Providing information and the promotion of activities (internet, round tables, etc.)

We are of the view that a co-ordination system such as this, which incorporates all the key (state and non-state) actors and policies, would be more transparent and enable the country to effectively and efficiently manage its external trade policy (in connection with other policies and in line with its strategic goals and industry interests). We also stress the importance of the individuals involved in the formal external trade policy management process possessing adequate knowledge and skills, the importance of the relevance of two-way communication channels, and that the essence of the decision making process is based on analytical studies conducted in co-operation with external experts. The proposal includes vertical and horizontal connections/interactions between actors and policies, two-way communication channels, defined national priorities and external trade interests (offensive and defensive), which should be based on the proposals and interests of the business sector as well as empirical analyses.

Conclusion

In the global economic environment, a country can gain a competitive advantage through efficient and effective government institutions. This is especially important for small countries as they can compensate for their size by establishing efficient institutions. Innovative institutions are a precondition for successful economic development and increased international competitiveness (Svetličič 2005; Senjur 2002; Kuznets 1955). The

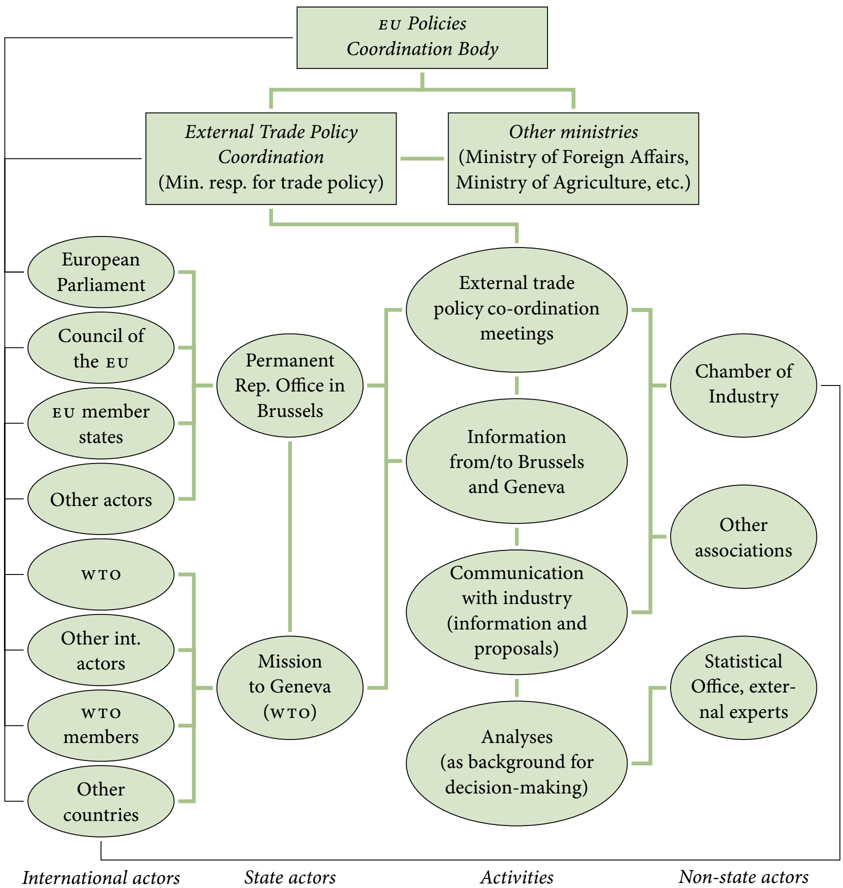

FIGURE 3 Proposal of an External Trade Policy Management Model
— Two-way communication

importance of institutions is stressed by institutional theory (North 1990 and Esser et al. 1996). The World Economic Forum (2010) and IMD also define the business environment and institutions as key determinants of competitiveness. Liberal trade supports the innovativeness and competitiveness of a country, but at the same time, it is important that countries have defined national priorities and external trade interests (offensive and defensive) based on the proposals and interests of the business sector and analyses conducted. External trade policy should also be coordinated with other national policies. In addition, the coordination and synchronization of policies at the EU level are necessary. After analysing the coordination systems in the selected EU member states, we can conclude there is *no unique model of coordination.* The processes in EU member states depend on their institutional structure. Nevertheless, we can define some common characteristics (based on the interviews and information published on web pages): in all cases, countries have strategic goals set on a national level, with the main coordinators defined and formal procedures set. Building coalitions on a sub national level also plays a key role (Barston 1973; Baille 1998). Ireland is a good empirical example of a small country that has managed to increase its international power/influence by introducing a clear strategy, focus, and by forming alliances. On the other hand, we see the potential for Slovenia to enhance its external trade policy management model and increase its influence on the international stage.

The model, which is based on the good practices of EU member states, suggests incorporating all key (state and non-state) actors in the formal and informal co-ordination process, which also requires enhancement and increased transparency. This requires the vertical and horizontal connections of actors and policies, two-way communication channels, clearly defining national priorities and external trade interests (offensive and defensive), based on the proposals and interests of the business sector and empirical analyses. We also stress the importance of adequate knowledge and skills possessed by the individuals involved in the formal trade policy management process, the relevance of two-way communication channels and the essence of decision-making process to be based on analytical studies conducted in co-operation with external experts.

We are of course aware that we cannot generalize the findings simply by analysing the systems in four countries. Further comparative analyses should be carried out among small EU member states. A comparison of the processes within other small countries, which are not members of the EU, could provide further insight into the research. In our opinion, the model is relevant as it takes into account different levels, different policies, and the role of economic diplomacy with regard to external trade policy and the views of institutional theory, the key role played by government/institutions, policy co-ordination, and the forging of alliances. In our view, this is vital for countries that are small in terms of geographical size and which rely heavily on international markets.

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