

REX/077  
Slovenia on the  
road to accession

Brussels, 18 July 2002

**OPINION**  
of the  
Economic and Social Committee  
on  
**Slovenia on the road to accession**

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At its plenary session on 30-31 May 2001, the Economic and Social Committee, acting under Rule 23(3) of the Rules of Procedure, decided to draw up an own-initiative opinion on

*Slovenia on the road to accession.*

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 27 June 2002. The rapporteur was **Mr Confalonieri**.

At its 392<sup>nd</sup> plenary session of 17-18 July 2002 (meeting of 18 July 2002), the Economic and Social Committee adopted the following opinion with 100 votes in favour and two abstentions.

## **Introduction**

This document is the result of:

- discussion of the working document presented at the first study group meeting on 30 January 2002 in Brussels;
- discussion of the subsequent preliminary draft opinion, presented at the second meeting of the study group on 27 February 2002 in Brussels;
- hearings with representatives of Slovenian institutions and civil society organisations arranged by the study group on 13 and 14 March 2002 in Ljubljana;
- the meeting of the Section for External Relations in Brussels on 27 June 2002.

The background information and observations contained in the appendix constitute an integral and essential part of this document.

### **1. Progress towards accession**

1.1 Slovenia has shown utmost willingness and ability to forge links with the European Union in all aspects: politics and institutions, economy and society, culture and communications. This is confirmed by the fact that 90% of the chapters contained in the *acquis communautaire* have been transposed and implemented, and also by the development of trade and cooperation with the following countries in particular, in order of importance: Germany, Italy, France and Austria.

### **2. Strategic importance for the Balkans**

2.1 Slovenia – the only country of the former Yugoslavia on the road to accession to the European Union – has embraced the opportunities and potential available through EU policies to candidate and non-candidate Central and Eastern European countries. This is particularly valuable for

the stabilisation and cohesion of the Balkan region, where Slovenia, a member of the Stability Pact for South-East Europe, has proved to be an important bridgehead to the north, with Greece fulfilling the same role to the south.

### **3. Trade with the EU**

3.1 The above observations are echoed in the figures for trade. The value of exports from Slovenia has progressively increased and in 2000 approached 60% of GDP. Imports, however, still exceed exports by 16%. It is significant that early signs of an improvement in the trade balance were due to a net increase in trade with non-EU countries, especially with countries in the Balkan region, primarily Croatia. However, throughout the past years and for the foreseeable future the European Union will remain the main trading partner of Slovenia. In the year 2000, the EU accounted for 68% of Slovenia's imports and 64% of its exports, hence the country's 29% deficit in trade with the EU.

3.2 Thus Slovenia has asserted and is strengthening its position in markets of considerable interest to the EU. This should be taken into account in the accession treaty and, in particular, in establishing the country's financial contribution to the Union, in relation to EU financial aid programmes to Slovenia. This is one of the key issues currently in discussion, although on the basis of official declarations made by the European Commission, it is certain that, following accession, the EU will grant Slovenia financial aid – especially through the Structural Funds - which, together with aid from other programmes, will match Slovenia's financial contribution to the EU. This is in line with the European Commission's proposal that no new Member State should become a net contributor on accession.

### **4. Relations between populations in the run-up to accession**

4.1 Geographically and demographically (larger only than Luxembourg, Malta and Estonia in terms of population) as well as economically, Slovenia will count itself among the smaller Member States, which already outnumber the main founding members of the Union, themselves leading economies on the world stage. The balance between large and small countries will shift even further towards the latter after enlargement. This demands careful attention in the Convention for the reform of the EU, in which all concerned populations should now be involved. The public has already delivered some warning signs in several Member States, including those which have not joined the euro.

4.2 It is therefore necessary to make full use of appropriate tools and forms of communication, especially the mass media, television and the press, which have recently been the subject of widespread institutional reform in Slovenia. At the same time it is essential to strengthen direct, specific exchanges through cross-border partnerships between economic and social organisations capable of playing a significant role in preparing Slovenians for the referendum that they will be called upon to participate in before an accession treaty can be signed. Social and economic interest groups must be specifically consulted, not only the 60% that are currently in favour of membership (according to official figures), but especially the remaining 40%, which represent a significant share of the Slovenian population. There should be sustained support for the strategic role

which economic and social organisations, and non-governmental and religious organisations, can play in boosting direct communication between populations, which would itself deepen the Union's supranational cohesion. In this context, Slovenia should be welcomed into the EU as a new resource for the development of the Union.

## **5. Historical and cultural identity and minorities in the run-up to accession**

5.1 Slovenia differs from other countries of the former Yugoslavia in that from the early Middle Ages it had uninterrupted links with the German-speaking part of the Holy Roman and Austro-Hungarian empires, from which the Slovenian population claimed autonomy due to their different linguistic identity. Recent conflicts in the Balkans have however shown the importance of historical and cultural links (religious more so than linguistic) in the transition to a pluralist democracy and western-style market economy. On the other hand, it is essential to transcend the static, dated and oversimplistic concept of ethnic groups. The differences between ethnic groups only truly become incompatible when, through lack of resources and no common authority legitimised by shared values, the pursuit of competitiveness dictated by the market economy takes precedence over solidarity.

5.2 Protecting linguistic diversity in a supranational union must be an essential pillar of the Convention for the reform of the EU to guarantee linguistic equality, particularly for languages such as Slovenian (a southern Slav language that uses the Latin alphabet), which on a European level are classed as minority. In this context, linguistic minorities can be more widely recognised on both sides of national borders, e.g. Italians and Hungarians living in Slovenia, and Slovenians living in Austria and in Italy. Cross-border cooperation must take significant account of these minorities.

5.3 It is precisely this cultural diversity, which transcends national borders, that underlies supranational unity of Europe.

## **6. The transition process: stability and cohesion, critical points and opportunities**

6.1 The relative demographic and cultural homogeneity of the population in Slovenia, as well as its position as an economic interface between the European Community and the former Yugoslavia (see the 1980 trade and cooperation agreement and the Alps-Adriatic Working Community founded in 1978), have enabled Slovenia to enjoy a smooth and relatively painless transitional period towards pluralist democracy and a market economy in a way that no other CEEC has. Since the Republic of Slovenia was founded in 1991, convergence policies focused on accession and received EU support, even though the Association Agreement (Europe Agreement) was not signed until 1996, having been stalled by the matter of restitution of pre-wartime property, which has still not been fully resolved. In the light of the Union's Stability and Growth Pact, it is significant that Slovenia is among the countries with the smallest public deficit which, despite having increased in 2000, stands at just 25.8% of GDP, caused for the first time by foreign rather than domestic debt.

6.2 Internal stability and cohesion have been and remain the government's prime concern, in line with the accession criteria established at the Copenhagen European Council in 1993. This has been most evident in the gradual nature of the reforms, which however has been identified as a critical

point in the transitional process, especially concerning privatisation, opening up to foreign investment and financing, property rights for foreigners and restitution of property expropriated after the war. The results achieved already should not be underestimated: inflation and unemployment have been contained (currently inflation is still higher in Slovenia than the EU average but unemployment is significantly lower), social security protection, defending Slovenian citizens' rights in privatisation, and protection from all forms of rampant capitalism and financial speculation. However, persisting obstacles to foreign investment and financing should not be ignored, since they delay the restructuring, innovation and competitiveness of businesses, and subsequently of the entire economy.

6.3 A large number of medium-sized industrial and agricultural businesses, although being public-owned, were under self-management by a system of cooperatives, as an alternative to Soviet statism. For the most part, privatisation for these cooperatives has meant assigning them to their former members, having broken them up into small-sized companies that now find it difficult to reform as cooperatives or as more modern forms of businesses, which they need to do in order to consolidate their capital and assert their place in the market.

6.4 The policy to safeguard employment levels in the early stages of the transitional period led to a degree of inflexibility of the labour market, which in turn curbed the process of restructuring the industrial sector. Traditionally, Slovenians have a relatively high level of secondary and university education and vocational training thanks to the pre-existing education and training system, which has adapted relatively easily to the new challenges through extensive reform.

6.5 Only recently have conditions prepared the ground for an opening up of the labour market to EU citizens. The recent law on employment relations ensures that the necessary framework is in place for this. Mutual recognition of professional qualifications has yet to be completed, as has the right to free establishment and practice of self-employed activities.

6.6 It is now time to focus on the new opportunities available, so as to offer reliable and effective guidance for the EU's financial, business and professional sectors. However, steps must also be taken to anticipate and avert the potential risks to employment, working conditions and social security associated with the full transition to a market economy and the EU's monetary system. The annual reports produced by the government agency UMAR/IMAD (Institute of Macroeconomic Analysis and Development) on the general development of Slovenia devote significant attention to the effects of economic and social change on living conditions and human relations.

6.7 The general background to the transition process, to economic, business, infrastructure, regional, social and environmental policy, is set out in the appendix to this opinion, with special emphasis on the implementation of privatisation measures, free movement and the role of the public administration, the chambers representing the various sectors of the economy, the social partners and civil society organisations.

## **7. The role of the social partners and strategies for future development**

7.1 Slovenia ratified the revised European Social Charter in June 2001. The social partners are constantly involved in the legislative process by means of representation in the National Council, set up under the constitution as a consultative body of the parliament. The Chamber of Commerce has hitherto also represented companies in dealings with the government and in collective bargaining with trade unions. This has hampered trade union and contractual autonomy. However, tripartite negotiations on a governmental level still prevail over bilateral bargaining at sectoral or company level. In this context, a social contract for the period 2001-2004 is being established, setting out a package of standards applicable to pay, workers' rights, health and safety at work, social security and employment.

7.2 This contract is part of a series of strategic programmes and plans adopted by the parliament and the government setting out extensive guidelines for the future:

- The strategic objectives to develop the labour market up to 2006, approved by the parliament, focus on increased training, programmes to get the unemployed back to work, reducing regional imbalances and bringing the level of unemployment below the 6% mark. This action plan follows the joint assessment of priority employment policies, as agreed in 2000 between the European Commission and the Slovenian government.
- The Strategy for Economic Development 2000-2006 sees human resources as the key for the development of competitiveness. The government agency UMAR/IMAD is responsible for implementing this programme, which corresponds to the Commission's economic convergence programme. In tandem with its economic and labour market strategies, the government has recently drawn up an action plan on moving towards the Information Society, creating an efficient financial system and economic conversion and infrastructure. A specific plan for developing SMEs and entrepreneurship has been adopted by the government in connection with the EC policy on enterprise.
- The national plan for 2000-2003 on scientific and technological research for businesses, run by the Science Academy and the National Council for Research and Development, involves Slovenia's two universities and a number of applied research centres - some of them private - and targets integrated forms of public financing (already around the EU average) and private funding. Slovenian research centres have worked with efficiency in the EU's Fifth framework programme for scientific research and are represented in the Committee for scientific and technical development (CREST). Both the Commission and the Council are keen to see further cooperation between Slovenian institutes and their EC counterparts in the forthcoming Sixth framework programme.

7.3 However, urgent action is needed to strengthen institutional machinery at regional level and improve administrative capacity so as to ensure that the Social Fund, Structural Funds and Cohesion Fund are used properly. In this area, some chapters of the *acquis communautaire* relating to regional policy and direct payments to agriculture have not been achieved.

## 8. **Environment, transport, tourism, social services and consumer protection**

8.1 Achieving the level of productivity in Slovenia required by the EU's framework conditions for accession may initially have taken precedence over environmental protection. However, these framework conditions also contain EU environmental measures which Slovenia has now adopted, reaching a significant level of progress even compared to Member States. Thanks in part to economic relations that the former Yugoslavia had with France, the Krsko nuclear power station produces 20% of the electricity used in both Slovenia and Croatia. The power station continues to benefit from advanced safety applications developed and honed under the Euratom framework programme, to the general satisfaction of both national and international opinion. As in Germany, expansion of nuclear energy production is forbidden, and there are provisions to gradually phase this out in favour of developing sources of renewable energy. The national environmental action programme provides for the mainstreaming of environmental protection in a variety of policy areas: industry, transport, energy, agriculture and tourism. The national transport plan is a prime example of this since it gives priority to developing the two rail links (the east-west and north-south trans-European corridors), which cross in Slovenia and are deemed as strategic transport routes for the Union.

8.2 This is furthermore in line with the Convention on the Protection of the Alps, which Slovenia signed with Austria, France, Germany, Italy, Switzerland and the Principalities of Liechtenstein and Monaco, and which it chaired for a long time. Despite the fact that the EC became a member of the Convention in 1991 and that it affects at least a third of Slovenia, including the Triglav national park (2,864 m) - Triglav mountain peak forms the national emblem - there is no reference to the Convention in the Commission reports. A package of specific measures on tourism was also set up in the framework of the above Convention. However, the Commission's analysis of tourism focuses solely on the economic aspects and lacks a broader outlook on the environmental impact, on the effects tourism has on the labour market and on the potential for market distortion in areas bordering the EU.

8.3 The most pressing need is for information and action concerning social services and the health system in particular, which in the past excelled in certain forms of surgery, so much so that it attracted doctors and patients from Italy and Austria. However, nowadays this trend has been reversed, due to the curb in public spending in this sector. Somewhat worrying, therefore, is the fact that the Commission merely states that "Slovenia also still needs to start implementing the planned health reforms to alleviate the burdens on the budget and ensure long-term sustainability". By the same token, the Commission gave a positive assessment of the new law on old-age and disability pensions simply because it had cut spending by 0.7% of GDP in 2000 (in practice the result of offering early retirement as an alternative to redundancy during the main phase of restructuring).

8.4 The national consumer protection programme for 2001-2005 includes specific measures and direct action to be carried out by specialised government bodies with the constant high-level involvement of non-governmental consumer organisations recognised and financially supported by the government.

## 9. **Strategic role of public and private management**

9.1 The national programme for the adoption of the *acquis communautaire*, based on the 1999 Partnership Agreement and revised on 31 May 2001, provides a detailed time-schedule for achieving the priority objectives. The Commission Report of November 2001 and the subsequent Laeken European Council emphasise the urgent need to enact the *acquis* coherently and efficiently, which Slovenia has almost fully achieved. To this end, the Commission and the Council have called for early reform of the public administration and civil service, and adoption of the proposed law on public agencies.

9.2 Developing and training public management is of fundamental importance, and Slovenia has established a Secretary of State to fulfil this role within the government and an administrative academy, which has adopted a detailed training plan. In turn, the Commission has supported twinning projects, many of which have already been successfully concluded with many more in the pipeline. The aim of these projects is to assist in achieving the most pressing and important chapters of the *acquis communautaire*. Planning and carrying out these projects is done in cooperation between Slovenian experts and European partners who offer considerable expertise in the relevant fields. In this domain, the organisations representing the public service have a major task ahead of them and must be ready and able to cooperate at transnational and European level, also with a view to harmonisation of EU public administrations.

9.3 Strengthening and training private sector management is equally necessary to develop existing businesses and create new entrepreneurial initiatives able to efficiently and effectively seize the opportunities and potential offered by a market economy and by full accession to the European Union. The respective trade unions and business associations, in cooperation with their cross-border and European counterparts, could play an essential role in achieving this.

9.4 The free professions and their professional bodies are an integral part of this process. Some professions have cultivated fruitful cross-border relations for many years already, notably with the aim of ensuring reciprocal recognition of the right to practise in their respective countries.

9.5 In view of the close link between modernising public administration and economic innovation, the public and private sectors should work in tandem to ensure that rights and duties are properly apportioned among all parties. Training in specific areas could be organised jointly for the relevant sectors of the public service, private enterprise and free professions – all of whom are represented in the European Economic and Social Committee.

10. **Final considerations**

10.1 The transformation from a monocracy to a pluralist democracy, from a state economy to a market economy, and the subsequent changes to society, social relations and the needs and aspirations that shape both individual and collective behaviour have all been guided by existing models, for better or for worse. With this in mind, it is important to cast a critical eye over the EU itself and consider whether the policies it pursues in all areas (politico-institutional, economic, social, environmental and cultural) are compatible with a competitive market economy that pursues high social standards and sustainable development, from the standpoint of the candidate countries.

10.2 Finally the EESC is of the opinion that the integration of Slovenia, like that of every country of South East Europe, requires a comprehensive regional approach, appropriate instruments for the implementation of a regional "policy" and the encouragement of regional cooperation.

Brussels, 18 July 2002.

The President  
of the  
Economic and Social Committee

The Secretary-General  
of the  
Economic and Social Committee

**Göke Frerichs**

**Patrick Venturini**

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