



“SLOVENIA ON THE WAY FROM THE FORMER SOCIALIST YUGOSLAVIA TO THE MEMBERSHIP IN THE EUROPEAN UNION”

Portorož, 22. October 2003

When I was asked to address this assembly I did not imagine how difficult a task that would be. What do you say about Slovenia to people who might invest in Slovenia? What do you mention besides macroeconomic indicators and the economic aspect of the country, which you certainly already know? This is a difficult task, even though I was President of this country for 12 years.

During this time Slovenia went through several very demanding processes, which were very closely interconnected and led to what Slovenia is today:

1. the process of political and economic transition
2. of europeanisation
3. of globalisation
4. the process of establishing our own state and its formation

1.

Concerning transition. Basically, this process contains the same characteristics as in all the other Central and Eastern European countries: the economy was transformed from a socialist to a capitalist one, from a planned to a market economy, from a distributive to a competitive one. From an economy where it was difficult to produce and easy to sell to an economy where it is easy to produce but difficult to sell. From a regional to an open economy. From an industrial to a post-industrial and service economy. From an economy that enjoyed guaranteed markets in the former Yugoslavia and in the Eastern Block countries to an economy that had to fight for its share of demanding competitive markets, where 2/3 of our GNP is generated today.

Ownership was transformed from social property belonging to all and managed on behalf of and in the interest of all by social enterprises, to property of private owners managed in their interest by professional management teams. Privatisation of the real sector is complete. Now the financial sector, banks and insurance companies, the energy sector, telecommunications and transport infrastructure are being privatised.

The transition of ownership and the liberalisation of capital enterprise required the setting up of a free market with all its mechanisms and institutions – financial institutions, a stock market, securities, oversight bodies. The transition of ownership

proved the most demanding operation of all. It has an impact on people's mentality, habits and values. It also places social security on a different foundation. We have gone from a system where social security, including employment, was provided by the state, to a system based increasingly on individual responsibility and a partnership between the state, employers and employees. Thus Slovenian society remains sufficiently stable and integrated, without massive social exclusion. The transition was carried out on the recognition that maximising profit and shareholder interests are not always the only valid motive of successful management.

The transition included the entry of foreign capital. The share of foreign investments amounts to 1900 Eur per capita. Slovenia has a system of incentives encouraging foreign investment.

Political transition was a soft process. It too, like other aspects of transition, enjoyed a political consensus among old and new political forces. This consensus was confirmed at the first democratic multiparty elections in the spring of 1990 and the adoption of the Constitution in the autumn of 1992, which comprises all the democratic standards of modern European society.

The political and economic transition in Slovenia were faster and less stressful than in countries under the influence of the Soviet Union. The reason for this is the more democratic nature of Yugoslav socialism and the much greater openness and connection of Slovenia to the western world.

2.

Europeanisation was a logical consequence of the opening up of Slovenian society and the links of the Slovenian economy with more developed markets. Already in 1990, when Slovenia opted in favour of independence and disassociation from the former Yugoslavia at a plebiscite, our country defined EU and NATO accession as its two strategic objectives. Both of them were successfully achieved. Our negotiations on EU membership were a success, and we are to enter the Union on 1 May 2004. Slovenia also received an invitation to join NATO.

In a geopolitical position that is strategically and transport-wise of great importance for political and commercial connections, Slovenia is highly interested in doing away as soon as possible with the consequences of past block divisions and in preventing new rifts, especially a division into a developed and an underdeveloped, a safe and an unstable Europe.

This would significantly reduce Europe's chances of being an influential and responsible factor on a global scale, in line with its economic strength and cultural tradition. These are the constants of Slovenia's political enterprise in Europe. With this in mind, priority is given to forging ties in Central Europe and the Balkans or South-eastern Europe.

Central Europe is a cultural, economic and social region where Slovenes were formed as a nation. This is where our historic roots and ties are. It is difficult to precisely define Central Europe geographically. Hungarian writer Konrad wrote that Central Europe is the current state of mind of the people living in this region. That was shown clearly after the fall of the iron curtain, which divided this region most savagely. When the

curtain fell, the region reintegrated immediately. The Visegrad group of countries came to life at once. Unfortunately, Slovenia is not a part of it. CEFTA and the Central European Initiative were created. Slovenia actively participates in these economic, cultural and political spheres, also with the Visegrad four (Poland, Czech Republic, Slovakia and Hungary). Slovenia's economic presence is of particular importance. Not only in terms of trade, but also through investments and joint ventures, as well as transfer of know-how. This applies also to Russia and the Central Asian states of the former Soviet Union, particularly Kazakhstan.

Slovenia also has a special interest in the Balkans, in the countries that were formed on the territory of the former Yugoslavia. This is an area we know very well, since we lived in it for 70 years. Slovenia played an active role in seeking solutions to the crisis and stepping away peacefully. It continues to have initiative in the search for a political future for the Balkans and participates in all international activities in the region. Slovenia is aware of its responsibility for a peaceful and safe life in this area since it borders the region directly with Croatia. We have maintained alive our links with these countries, including economic ones. Their economies were complementary to Slovenia's. After the end of armed conflict trade flows were re-established. Slovenia is an important investor in these countries and Slovenes own a significant number of companies there or are co-owners together with local ones. It is important that Slovenia cooperate with these countries with its experience from EU negotiations, helping them prepare for membership of this integration structure.

3.

Globalisation embraced Slovenia first in the economic sphere through the globalisation of capital. Slovenia had to penetrate international markets if it wanted to survive. Hence it opened up to international capital flows. That was unavoidable also in order to change the unfavourable industrial structure with a high share of labour-intensive industries – textile, leather, wood processing. It was urgent also in order to modernise technologies, computerisation, information and process technologies, modern organisation and education of management.

With the entering of Slovenia's economy into the process of globalisation, Slovenia is recognising the advantages and opportunities of this process, but also its challenges and threats. I am referring mainly to the increasing separation of the world into a rich and a poor part, to international organised crime, to international terrorism, to weapons of mass destruction, to environmental disasters, to illegal migration, etc. Globalisation is not followed quickly enough by effective global governance, which is also why global responsibility and solidarity required by the great interdependence of our modern world are running behind. Slovenia participates in activities within the UN, the EU, NATO and other institutions in the search for answers to this crucial question of our time and of our common future.

4.

The process of forming our state. This is what distinguishes Slovenia most from other transition states. Also because this process coincided with the violent break-up of the former Yugoslav state caused by the arrogance and the unwillingness of the erstwhile Belgrade regime for a peaceful and democratic disassociation. Slovenia adopted the decision to exercise its right to self-determination and to form its own state only after it became evident that the life span of Yugoslavia, a consequence of the outcome of two

world wars, has expired due to the political, economic and moral crisis and the inability to find solution. Slovenia justified its decision with the plebiscite of 1990. Its outcome of over 80% in favour was implemented by proclaiming independence in 1991. We strived to do so without conflict, in agreement with other republics and by regulating all the relationships stemming from our past life in the common state. The wars in Bosnia, Croatia and Kosovo made this more difficult, but now this process is virtually complete. Only negotiations concerning property succession are still under way.

Following the proclamation of independence, Slovenia had to set up its entire state infrastructure – the diplomatic network, the army, police, customs, tax administration. It had to achieve international recognition. It became a member of international organisations. First the UN, where it has already proven itself as a successful and active member of the Security Council.

Slovenia has a comprehensive legal system, harmonised with EU law. It has a justice system and institutions overseeing the securities market, preventing competition distortion, corruption and money laundering. It is a member of international organisations like the WTO and EFTE, we are on the threshold of the OECD, the IMF and the World Bank and we fulfil the obligations stemming from those memberships.

Now Slovenia is preparing to provide for the Union's security as an EU member state on its southern border, which is becoming the EU's Schengen border. Hopefully not for long, with Croatia following Slovenia soon.

Allow me to conclude here. In my view Slovenia is a successful and safe country guaranteeing high levels of legal and social security. It has its problems, especially with high public expenditure and inflation. But it knows its problems, it disposes with instruments for their solution and it is resolving the problems. Having realised its strategic objectives of EU and NATO membership, having thus at its disposal the instruments of these organisations, it is defining new objectives to pursue with these instruments. Among these objectives are certainly a more rapid economic integration and opening up to the world. Also assistance to countries of the former Yugoslavia, to help prepare them as soon as possible for life in these integration structures. I wish to emphasise that we shared the same points of departure with these countries. We took different paths. The Slovenian choice has proven successful. According to the UN Human Development Report, Slovenia is ranked 28 out of a total of 173 countries. We feel the responsibility to help them with our experience. Also to help others who wish to get involved economically in these countries, if they want to do so together with us, if they want to have us as partners.

If in any way I was able to incite your curiosity I would be glad to satisfy it by answering your questions. Thank you.