

2.6. *The Agency*

Meaningful consultation on this 'General framework' could be inhibited if more information on structure, function, role and resources of the Health and Safety

Agency is not given. The Committee refers, in this context, to its Opinion on the Agency of April 1992 (among others to the discrepancies identified between the extremely high ambitions expressed in the Commission's proposal and the modest funds available).

Done at Brussels, 28 April 1994.

*The Chairman
of the Economic and Social Committee*

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Opinion on relations between the European Union and Central and Eastern European States: Slovenia

(94/C 195/27)

On 19 October 1993 the Economic and Social Committee, acting under the fourth paragraph of Article 20 of its Rules of Procedure, decided to draw up an Opinion on relations between the European Union and Central and Eastern European States: Slovenia.

The Section for External Relations, Trade and Development Policy, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 18 April 1994. The Rapporteur was Mr Frerichs.

At its 315th Plenary Session (meeting of 28 April 1994), the Economic and Social Committee adopted the following Opinion by a majority with one abstention.

1. Introduction

1.1. Cooperation between the European Union and Slovenia rests upon the following agreements reached in the course of 1993: a trade and cooperation agreement, a financial protocol, a transport agreement and a joint declaration on political dialogue. They represent a revision and extension of the trade and cooperation agreement with former Yugoslavia applying since 1980. These agreements were signed on 5 April 1993 and came into effect on 1 September 1993.

1.2. Article 50 of the Trade and Cooperation Agreement contains a progressive clause, under which relations between the European Union and Slovenia will be extended as soon as possible by the conclusion of an association agreement (Europe Agreement). This Opinion is issued with a view to an early conclusion of such a Europe Agreement.

1.3. The ESC Study Group responsible for drawing up this opinion (on Relations between the European

Union and Central and Eastern European States — Slovenia) undertook a fact-finding mission to Slovenia from 9 to 11 February 1994, in the course of which intensive discussions were held with representatives of the Slovenian Government and of economic and social groups.

2. Geographical and historical profile of the country

2.1. Slovenia is a relatively small country in central Europe, on the southern flanks of the Alps. Its neighbours are Italy to the west, Austria to the north, Hungary to the east and Croatia to the south. Thus Slovenia is situated at an important crossroads between western Europe on the one hand and central and eastern Europe (more distantly the Middle East) on the other. It is particularly the transit traffic from European Union and EFTA countries to the central and eastern European states which makes Slovenia a very important partner for the European Union.

2.2. In climatic terms Slovenia can be divided into three main areas. Firstly, its Adriatic coastline, which

is about 40 km long. This includes the Mediterranean port of Koper which is important for Slovenia's trade. Along the coast stretches a gentle hilly landscape of lime/sandstone in which many stalactite caverns have been formed. To the north rise the steep slopes of the southern Alps, including Slovenia's highest mountain, Triglav (2864 m). The area includes alpine ski resorts. Finally, there is a fertile plain along the Sava, Savinja and Drava rivers in central Slovenia, stretching towards Hungary in the east.

2.3. The Republic of Slovenia has about 2 million inhabitants and a surface area of 20,251 km² (half of it wooded) and is thus about half the size of Switzerland. It includes a length of Mediterranean coastline on the Adriatic and a part of the Alps. The main cities are the capital, Ljubljana (about 300,000 inhabitants) and Maribor.

2.4. Slovenia has a very homogenous population. More than 90 % of the inhabitants belong to the Slovene nation. There are also small Italian and Hungarian minorities which together account for fewer than 0.5 % of the population and enjoy a special status which includes the use of Italian and Hungarian as official languages in border regions. About 10 % are economic migrants from less-developed parts of the former Yugoslavia. These figures do not yet include the approximately 30,500 war refugees from Croatia and Bosnia-Herzegovina.

2.5. The territory of present-day Slovenia was originally settled by the Celts. Under Roman rule the present capital Ljubljana had the name of Emona. The ancestors of the Slovenes arrived in the migration of the Slavic peoples towards the end of the 6th century AD. As early as the beginning of the 8th century a free kingdom of the Slovenes — Carinthia — was set up. Also in the 8th century, the Slovenes were converted to Christianity. To this day over 90 % of the population is Roman Catholic. Towards the end of the 8th century the Slovene kingdom came under Frankish rule and became part of the German Nation of the Holy Roman Empire under Charlemagne. From 1335 to 1918 the present territory of Slovenia was ruled from Vienna by the Habsburg monarchy. This Austrian influence is still easily discernible in the outward appearance of present-day Ljubljana.

2.6. When the Habsburg Empire disintegrated, the Slovenes decided to found an independent state together with the Serbs and the Croats — the Kingdom of the Serbs, Croats and Slovenes — which was renamed Yugoslavia in 1929. After Slovenia had resisted the German, Italian and Hungarian occupation during the Second World War, it became one of the six republics of the Socialist Federal Republic of Yugoslavia, within which it had its own constitution.

3. The road to independence

3.1. Slovenia was the wealthiest component republic of the former Yugoslavia. Its per capita income was roughly double the Yugoslav average. The Slovenian autonomy movement began as early as 1988.

3.2. In December 1990 Slovenia held a referendum on the subject of independence. 88 % of the population opted for independence (participation in the vote was about 93 %). Slovenia declared independence on 25 June 1991. Two days later the Yugoslav federal army marched in. After 10 days of war an armistice was brokered by the EC, the condition being that effective independence was postponed for 3 months. In that time the army withdrew completely from Slovenia.

3.3. On 8 October 1991 the Slovenian Declaration of Independence became effective. Slovenia introduced its own currency, the Slovenian Tolar. The official title of the State is 'Republic of Slovenia'. Official languages are Slovene (which belongs to the south Slavic language group and uses the Roman alphabet), together with Italian and Hungarian in the frontier regions inhabited mainly by these minorities (see above). The capital is Ljubljana.

3.4. Slovenia is the only country of the former Yugoslavia which has hardly been affected by the war and whose efforts to achieve autonomy have already been successful. As Slovenia has not been involved in the war since the entry into force of its declaration of independence, it is also exempt from the EU's trade embargo (but not from the arms embargo).

3.5. The new Slovenian Constitution was adopted on 23 December 1991. It guarantees the principle of the rule of law, human rights, citizens' rights and protection of minorities. Under the constitution the Republic of Slovenia is a pluralistic democracy. As well as the Parliament with 90 members, there is a second chamber, the National Council. The Government is led by a Minister-President, while the President of the Republic has purely representative tasks.

3.6. The Slovenian legislative procedure gives a right of initiative in proposing laws to the Government, every individual member of Parliament, the National Council, and any group of citizens who have collected a certain number of signatures. After the debates in Parliament, draft laws are referred to the 40-member National Council for its Opinion. In this Council municipal interests are represented by 22 members, while the others represent the interests of the economy (employers through the Chamber of the Economy, farmers, professions, and workers through trade union representatives), as well as non-economic activities (public administration and social services).

3.7. The vote in the National Council can however be overruled by Parliament in its next vote adopting the law. On particularly important questions the National Council can call for a referendum. Laws come into force when they are published in the Slovenian Official Journal. It is possible for the Slovenian Constitutional Court to test their compatibility with the Constitution under certain circumstances.

3.8. The first free democratic elections in the post-war period took place in April 1990, when a centre-right coalition under the name of 'DEMOS' won a majority. The first Minister-President was Peterle, who was ousted in a vote of no confidence in April 1992, but is still Foreign Minister. The new government (a multi-party coalition of left, right and centre parties) is led by Janez Drnovsek.

3.9. The Republic of Slovenia was recognized as a sovereign state by the Member States of the European Community on 15 January 1992, and since then by more than 100 countries. Since 3 October 1993 the European Commission has been directly represented by a diplomatic delegation in Ljubljana.

3.10. Slovenia is already a member of a number of international organizations. These include the United Nations (since 22 May 1992), the IMF (since 19 January 1993), the World Bank (since 25 February 1993), the Council of Europe (since 14 May 1992) and the European Bank for Reconstruction and Development (EBRD, since December 1992). In early April 1994 Slovenia signed the NATO 'Partnership for Peace' initiative. Negotiations are still proceeding on accession to the GATT. In addition, Slovenia has acceded to certain international conventions. It is also considering closer cooperation with the Visegrad Group.

4. Economic profile of Slovenia

4.1. Slovenia's per capita income — US dollars 6,186 in 1993 (World Bank figures) — is below that of Ireland and above that of Portugal or Greece. Compared with other central and eastern European States, it is considerably higher than that of Hungary or the Czech Republic.

4.2. For a small country like Slovenia, external trade is extremely important. The export share of the gross domestic product was almost 60% in 1992. This makes Slovenia the most open economy in central and eastern Europe.

4.3. In relative importance of sectors, the Slovenian economy is gradually approaching western ratios. In 1992 agriculture and forestry accounted for 4.6% of the gross domestic product, industry for 39.4% (processing industry alone 30.9%) and the service sector for 56% (of which financial services 17.7%, commerce and tourism together 13.1%, transport and communications

6.8%). Public administration, with 20.2% of the gross domestic product, is still within reasonable limits.

4.4. In terms of employment, 5.7% are employed in agriculture and forestry (lower than the EU average), 45.6% in industry and 48.6% in the service sector, with the last-named tending to grow.

4.5. Tourism also constitutes a very important source of income for Slovenia. Holiday and spa centres have a tradition dating back more than 100 years. Slovenia's main tourist areas are the Adriatic coast, skiing and walking areas in the Alps, and some spas with thermal springs.

4.6. Turnover in tourism is estimated at 850 million US dollars for 1993. Slovenia is one of the few countries which saw an increase in tourism in 1993, in its case by more than 25%. Tourists come mainly from Hungary, Germany, Austria, Benelux countries, Switzerland, France, Britain and the USA. There are already seven Slovenian tourist offices abroad, which serve to raise awareness of the Slovenian tourist areas (e.g. in Rotterdam, Frankfurt/Main, Budapest and New York). Slovenia also has a national airline, Adria Airways, which has already been operating for 30 years.

5. Macro-economic trends

5.1. The Slovenian economy is now in the stabilization stage of the transition from a rather socialist-type partially planned economy to a full market economy on the western model. The cumulative fall in production from 1987 onwards was 21.6%. The fall in the GDP slowed significantly in 1992 and GDP stabilized in 1993. This indicates that important adaptation processes have already occurred.

5.2. The Gross Domestic Product, according to provisional estimates, grew in 1993 by barely 1% from the previous year's level, while 1991 had shown a fall of 9.3% and 1992 a fall of 6.5%. This stabilization is expected by the government to be followed in 1994 by a return to economic growth (+1 to 3%).

5.3. The fall in production is largely due to the abrupt severance of economic relations with the countries of the former Yugoslavia, as representatives of the Slovenian Government never tire of emphasizing. The Slovenian economy is suffering from the effects of the trade embargo imposed by the United Nations on what is left of Yugoslavia and of the persisting civil war conditions in other former Yugoslav republics. The fall in growth in Slovenia was not caused solely by the sudden loss of traditional outlet markets. Other possible

reasons are the loss of other trade, for example the loss of former suppliers in the production process, or blockage of traditional transport routes.

5.4. Nonetheless, Slovenia's fall in production is considerably less than that in most of the other Central and Eastern European States, which are involved in the process of adaptation from a (partly) planned to a full market economy. This suggests that Slovenia needs to apply less drastic adaptation processes to its production structure than do its East European neighbours, since Slovenia was already more orientated than these countries towards West European markets.

5.5. Investments fell in the last few years and now account for 17% of the Gross Domestic Product. However, they rose in the last six months. On the other hand, the proportion accounted for by consumption rose slightly: this was reflected in the composition of Slovenia's imports.

5.6. Slovenia's national finances are relatively healthy. In 1992 a budgetary surplus of the order of 0.3% of GDP was achieved for the central government budget and the budgets of the area authorities taken together, after a surplus of 2.6% for 1991. For 1993, because of the high expenditure on unemployment, a budget deficit of about 0.9% of the GDP was expected. Net borrowings were expected to amount to about 2% of GDP (of which 1.3% abroad).

5.7. Slovenia does not have a high national debt: altogether barely 1.8 bn. US \$. Even taking into account Slovenia's share of the federal debt of the former Yugoslavia, the proportion of national debt to GDP is just under 20%, which is fairly low. Slovenia has so far punctually met its payment obligations resulting from the national debt.

5.8. Subsidies paid directly to enterprises from the State budget are not excessively high at 3.8% of GDP. Some products are also subsidized for the end consumer. However, this affects only a small proportion of goods and certain services (public transport, railways and postal services).

5.9. The costs of the social security system in Slovenia account for a total of 28.2% of the GDP. Of this, sickness insurance has a 7.9% share of GDP, and the pension fund a 13.7% share. The latter is to be reduced to 12% by 1997. With regard to the pension system, Slovenians like others are aware of the general problem of the age structure of the population, with a population growth of only 0.7% per annum. At present the pensionable age is 63 for men and 58 for women. General ideas for a reform of the system have been put forward, but are not likely to be implemented for a number of years yet.

5.10. Monetary stabilization has so far been successful in Slovenia. The inflation rate of Slovenia's currency, the tolar, has already been substantially reduced through a very strict monetary policy. From 92.9% in 1992 the inflation rate had gone down to 21.9% in 1993, the lowest rate in the last eleven years. The Government wishes to continue the stabilization policy for the Slovenian currency. For 1994 an inflation rate of 15-18% is aimed at. For 1995, however, there could be a slight rise in inflation, due to the introduction of Value Added Tax planned for that year.

5.11. The Slovenian tolar is at present the strongest Eastern European currency (measured by the ratio of the official exchange rate to the exchange rate in purchasing power parities). Currency reserves have continuously risen since the introduction of the Slovenian tolar (at present 1.7 bn US dollars) and easily cover three months' imports. They are to be further built up.

5.12. The convertibility of the tolar was already achieved in October 1992 with regard to current account transactions. Thus Slovenia created an important precondition for increased trade with hard currency countries. Slovenian citizens can exchange tolar for private use freely for foreign currency. Only for capital account transactions in foreign currency are there still some restrictions in force.

5.13. The exchange rate for the tolar is flexible in principle. However, the Slovenian Central Bank occasionally intervenes to keep the exchange rate between the tolar and the German mark (Germany is Slovenia's most important export market) as stable as possible. 75 tolar are worth approximately one German mark (February 1994).

5.14. Slovenia's unemployment, according to Slovenian statistics, was 10.1% in 1991, 13.3% in 1992, 15% in 1993 (annual average), and 14.1% in March 1994. However, if the standard methods internationally recognized by the ILO are used, unemployment figures would be considerably lower, e.g. for May 1993 only 9.1% (official rate at that time 14%).

5.15. Youth unemployment (unemployed people younger than 26) was relatively high at 36% of the unemployed. Half of these were looking for a first job. The proportion of long-term unemployed was over 55%, mainly as a result of the economic restructuring process. 45% of the unemployed were unskilled. Women made up 44% of the unemployed.

5.16. The proportion of the population is 52% for women and 64% for men. Since women are mainly employed in the services sector, which is not as affected as industry by the economic restructuring process, the unemployment rate is lower for women than for men. In Slovenia the principle of equal pay for equal work is generally applied between men and women. Women

are employed mainly in the tertiary sector, where average wages are lower. Part-time employment is not very popular, covering only 2% of those employed.

5.17. The costs for financial support of the unemployed and for retraining measures accounted in 1993 for about 1.8% of the GDP. Of the unemployed 44.4% received unemployment benefit and 21.7% received unemployment relief. In addition, they can draw social assistance under certain circumstances. Slovenia already had a system of labour offices before it began the economic conversion process to a western-style market economy. The fact that it was unnecessary to set these up from scratch was an advantage to Slovenia in relation to other Eastern European countries.

5.18. 10% of the unemployed took part in State further education and retraining measures. Two-thirds of these programmes are short-term. There are State subsidies to firms specifically for school leavers to gain professional training. The cost of the training is paid for entirely by the State. About 10,000 young people benefited from this in 1993.

5.19. From 1994 onwards there is also a State programme to combat long-term unemployment. From a specially created fund, enterprises receive subsidies for the employment of the long-term unemployed who have been without work for more than two years. In addition, there is a range of State job creation measures. These include jobs for the unemployed in the social field, in environmental protection or in restoration projects for infrastructure and public buildings. About 6,000 unemployed people benefited from such measures in 1993. The option of early retirement is also being introduced to reduce long-term unemployment. About 2,000 unemployed availed themselves of this in 1993.

6. Slovenia's external trade relations

6.1. For Slovenia — a relatively small country with a limited domestic market — external trade plays an extremely important role. The Slovenian government therefore pursues an active external trade policy. To this end, the government is currently conducting negotiations for Slovenia's accession to GATT.

6.2. Bilateral trade agreements to improve market access have been concluded with the following partners: a trade and cooperation agreement with the European Union (see below for further details), free trade agreements with the Czech Republic and Slovakia, providing for the setting-up of a free trade area within two years (excluding agricultural products), a trade agreement with the former Yugoslav republic of Macedonia and another with Slovenia's neighbour, Croatia (already ratified by the Croatian parliament).

6.3. A free trade agreement with Hungary was signed on 6 April 1994. This should lead to a free trade

area within five to six years. In a regional cooperation context, Slovenia is also participating in the 'Alps-Adria' initiative (suggested by Italy) for cooperation among the countries of the Mediterranean littoral. Discussions on starting trade agreement negotiations are currently in progress with Poland, Lithuania and Romania, among others.

6.4. Slovenia's negotiations with EFTA on a free trade agreement were ended by EFTA. The reason given is that EFTA wishes to align itself with the deadlines for liberalization which the European Union will lay down in a new Europe Agreement with Slovenia — yet to be negotiated — in order to guarantee parallelism (taking account also of the forthcoming accession of certain EFTA countries). This underlines how important for Slovenia is the early conclusion of a Europe Agreement with the European Union.

6.5. Slovenia has the following trading partners: the European Union is by far Slovenia's most important trading partner, with a 58% share of Slovenian exports in the first half of 1993, followed by EFTA with a 7% share. About 16% of exports went to the countries of the former Yugoslavia.

6.6. On the import side: the European Union accounted for about 55% of imports, the EFTA countries 12%, the countries of the former Yugoslavia 11%, and the rest 22% (higher than for exports because of oil and gas imports). In terms of the value of trade, broken down by country, Slovenia's five main trading partners were Germany, Croatia, Italy, France and Austria.

6.7. For the European Union, trade with Slovenia is relatively important in comparison with trade with other Central and Eastern European Countries. The EU's bilateral trade with Slovenia is equivalent to 80% of trade between the EU and Hungary, 75% of EU/Czech Republic trade, larger than the EU's trade with Slovakia, and nine times its trade with Bulgaria. These figures show that Slovenia, although a relatively small country, is nonetheless an important trading partner for the European Union in Central and Eastern Europe.

6.8. The most important export sectors for Slovenia in 1993 were electrical equipment (16.1%), transport equipment (12%), chemicals (9.4%), metal processing (8.6%), wood processing and furniture (7%), mechanical engineering (5.7%) and textiles and clothing (3.3%). Job processing traffic accounts for 19.1% of Slovenian exports and hence also plays an important role.

6.9. The main imports in 1993 can be broken down as follows: vehicles (15%), machinery (9.2%), electrical equipment (10.5%), chemical products including oil/

gas (17.1%), food-stuffs (9.5%) and metal processing (8.7%). Such products imported under outward processing arrangements make up 13.4% of imports.

6.10. Thus, Slovenia's comparative advantage lies with 'medium-tech' products and with semi-processed goods and job-processing in the processing sector. Hence there is considerable complementarity between Slovenia and the European Union, which mainly exports 'high-tech' products to Slovenia for investment projects to expand and restructure Slovenian industry. The composition of trade has changed over recent years.

6.11. So-called traditional industries, such as textiles, shoes and wood products, have declined in importance. Other, more technically demanding industries, (electrical goods, vehicle production, basic chemicals) have become more important. This development was possible not least because of the relatively well-trained Slovenian workforce. Moreover, a glance at the above list of export and import sectors shows that a large part of Slovenia's external trade is intra-industrial trade, which again confirms the relatively western-type development of Slovenia's economic structure.

6.12. The figures for external trade were not so favourable for Slovenia in 1993 than in the previous two years. After two years of slight nominal growth in exports, there was a fall of 8.9% in 1993. On the one hand this was a result of the rise in wage costs in Slovenia, which thereby lost some of its competitiveness in relation to its Central and Eastern European neighbours. On the other hand, Slovenia also suffered, as an economy closely linked with Western markets, from the recession in the European Union and the EFTA countries, to which over 65% of Slovenia's exports go. Slovenia's exports to the EU, however, fell by 7% less than its general export fall.

6.13. Slovenian imports rose by 5.7% in 1993 as compared with the previous year. This was mainly due to the greater demand for consumer goods (thanks to higher real wages) and investment goods. Imports from the EU increased by as much as 16%. As a result, Slovenia's trade balance moved from a surplus in 1992 to a deficit of US \$ 400m. Slovenia has a trade surplus with the countries of the former Yugoslavia, but a trade deficit with all other trading partners, including the European Union.

7. The Government's reform policy

7.1. The cornerstone of Slovenia's macro-economic stabilization policy is a very restrictive monetary policy. The Slovenian Central Bank is independent of govern-

mental direction with regard to its monetary policy. It has a range of monetary policy instruments broadly corresponding to that of the Central Banks of the Member States of the European Union.

7.2. The introduction of the tolar was the first step towards emancipation from the hyper-inflation of the Yugoslav dinar. The subsequent restrictive monetary policy led to relative currency stabilization, as shown by the figures on the reduction of inflation to its present level of about 21% per annum. On the other hand, it pushed up the unemployment figures.

7.3. The Slovenian Government has already adopted the most important key laws to create the institutional framework for a market economy. Thus Slovenia follows a path of reform independent of IMF rules. The constitution itself guarantees private property. The government regards its policy mainly as one aimed at creating the necessary administrative framework. This includes, for example: the law on forms of enterprise (Spring 1993) drawn up on a German industrial pattern; the law on protection of industrial and commercial property (March 1992); the law on rendering of accounts (1993); and a law against unfair competition.

7.4. In June 1991 Slovenia adopted a new banking law. It includes recapitalization or liquidation in the event of bankruptcy. There are about 33 banks, 15 of them newly set up.

7.5. The Slovenian financial system still bears the burden of the old debts of the former state enterprises which in recent years were largely making a loss. About a third of all outstanding liabilities of the banking system would have to be written off. The Slovenian Government has begun a bank rehabilitation programme, initially involving the two largest banks, with a combined market share of 50%. The programme will transform the written-off liabilities into thirty-year state loans. The cost of the programme is being met partly by the state budget and partly from a World Bank loan.

7.6. Since March 1990 there has also been a stock market in Ljubljana. The volume handled was 1.5 billion DM in 1993 — small by western standards, but the highest per capita volume in central and eastern Europe. At the beginning of 1994, 50 securities were quoted. An upturn in the securities market is expected with the progress of privatization.

7.7. A third of the housing stock was transferred to private ownership in an organized sale in Spring 1993. To that end, the Slovenians used their own savings in German Marks which they had kept at home. Thus the measure served at the same time to stock up the currency reserve of the Slovenian Central Bank.

7.8. The conversion of the Slovenian economy to private property is proceeding slowly. The law on privatization was delayed by a wide-ranging discussion on compensation for expropriations, so that it was not adopted until November 1992. It is called 'the law on conversion of property relationships', and this title takes account of the special relationships in the field of enterprises which were widespread in the former Yugoslavian economic system. In particular, account is taken of the relative degree of autonomy enjoyed by managers of enterprises.

7.9. Of the total of 29,500 enterprises in Slovenia, 2,600 large publicly owned enterprises are affected by this law. These amount to slightly more than 10% of the actively operating enterprises, but account for 60% of total turnover and 79% of employment. These figures show the relative importance of the publicly-owned enterprise sector. Among these enterprises, some branches such as banking and insurance, agriculture and forestry, the lottery and enterprises for which bankruptcy proceedings had already been started are exempted from privatization.

7.10. The State privatization agency carries out the government's privatization programme. All enterprises affected must draw up an opening balance sheet as at 1 January 1993, giving a value for the 'capital in public ownership'. After that every enterprise must submit a privatization plan by 31 December 1994 at the latest, and this plan must be approved by the State privatization agency. In doing so it takes account, inter alia, of maintaining jobs on regional policy and social grounds.

7.11. If a privatization plan has not been drawn up by the end of 1994 (which will apply to about one-sixth of all the enterprises), the privatization agency will itself draw up a privatization plan. The agency then monitors the implementation of the privatization plans. In most cases the form of the enterprise is changed to that of a limited company (joint stock company) at the start of the process. In the case of non-viable enterprises, the privatization agency handles the sale of the capital.

7.12. Although in principle the privatization of these publicly-owned enterprises is to be completed by the end of 1995, a range of problems can arise which could delay the timetable. Before the opening balance sheet of an enterprise can be drawn up, capital must be partly transferred back to restore the original conditions. About one-sixth of all firms are affected by this. For a further sixth of the firms, ownership conditions are unclear because of continuing compensation claims by former owners. Finally, it is also to be expected that

the shortage of credit and capital in Slovenia will make sales to Slovenian entrepreneurs more difficult.

7.13. Privatization of publicly-owned Slovenian enterprises is in a mixed form composed of free distribution to Slovenian citizens and sales. The basic plan is as follows: 10% of shares in an enterprise go to the Slovenian pension fund, 10% to the compensation fund for expropriations, 20% to an enterprise development fund, 20% for internal distribution within the enterprise on special conditions, and 40% are available for free sale.

7.14. The Slovenian population is directly involved through registered certificates giving rights to former public property; these can be obtained by every Slovenian citizen. The value of the certificates varies according to age. The certificates are not transferable but can be inherited. The owners can either transform these title deeds into shares in the course of internal distribution within a firm, sell them on the open market or acquire shares in an investment fund in exchange.

7.15. Foreign investors can in principle participate in the privatization. However, participation of foreign capital exceeding 40% of the shares available for sale requires the approval of the State privatization agency. Similarly, investments exceeding the value of ECU 10 million require the approval of the Government. However, in general, even 100% participation by foreign capital is possible. Of course, in addition to participation in privatization, the other usual forms of external capital investment are available.

7.16. The investment of foreign capital is welcomed by the Slovenian Government and by industry, since it can considerably improve the competitiveness of the Slovenian economy externally, and the domestic employment situation. Foreign capital's share of the Slovenian economy is at present still small.

7.17. Liberal legislation on foreign investment in Slovenia was adopted at the end of 1991. It meets international standards. Among other things, it guarantees the right to 'national treatment', the right to transfer capital and profits and the right to participate in management in proportion to the share of capital invested. Foreign investment is possible in all sectors except those expressly excluded on grounds of national security (military goods, telecommunications, etc.).

7.18. From 1988 to September 1993 a total of one billion ECU of foreign capital had been invested in Slovenia, of which 110 million ECU in 1993 (January to September). Foreign investment in Slovenia is possible in principle in four forms: as a joint venture with a domestic partner, as an injection of capital into an existing domestic enterprise, as acquisition of a share

(up to 100%) of a domestic enterprise and, finally, to establish a new enterprise. The form usually chosen for foreign investment was that of joint ventures. The establishment of 100% subsidiaries was still relatively low, with barely 2% of the total. Of all foreign investment since 1988 almost 500 million ECU-worth were contractual joint ventures, 200 million ECU-worth were acquisitions, and 135 million ECU-worth were investments for new manufacturing plant ('greenfield investment').

7.19. The average sum invested per project was rather small, since investment tended to go primarily to services and commerce. However, there are a few sizeable foreign projects in the processing industry. Among the approximately 40 countries of origin of foreign capital, the main ones are Germany (44.9%), Austria (20.7%), Italy (16%) and France (7.1%). Thus, just under 70% of foreign capital invested in Slovenia comes from the countries of the European Union. Despite the rapid rise in foreign investment over the last two years, its importance for the Slovenian economy in terms of scale and proportion has so far been rather slight.

7.20. Ownership conditions: in the middle of 1993 there were 23,298 actively operating firms in Slovenia, of which 82% were privately owned, (a large number of them new firms). The private sector accounts for an estimated 10% of the working population, and State-owned large and medium-sized firms for 72% of those employed, producing 60% of the turnover. The private and mixed sectors produce about 25% of the total turnover. In addition there is a statistically uncertain number of cross-frontier (mostly commuting) workers who work in Italy or Austria, some without official work permits.

7.21. The restructuring of the economy has a high priority in Slovenia. Two programmes are intended to contribute to it: the already-mentioned privatization programme, and a programme to revitalize and develop enterprises. The revitalization programme at present covers 100 firms. A development fund is to grant viable firms the necessary bridging loans for stabilization. It should also facilitate liquidation for firms with no future.

8. Economic and social groups in Slovenia

8.1. In comparison with the other former socialist planned economies, Slovenia has an advantage in its entrepreneurs. This derives from the widespread system of socialist self-management of enterprises found only in the former Yugoslavia. Managers of enterprises were relatively autonomous. This explains the great readiness to establish independent firms (see above for the large number of newly-established firms). This will

greatly facilitate the process of adapting the Slovenian economy with a view to international competitiveness.

8.2. Slovenia has a relatively well-trained labour force. As well as compulsory schooling there is a system of specialized high schools preparing people for individual trades. In addition there are secondary schools, universities and special training centres for scientific and technical professions. In the craft sector, there are 37,100 registered masters and 32,500 other employees.

8.3. The legal working week is between 36 and 42 hours, with a minimum of 18 days' holiday per year. (The present normal working week is 40 hours.) The hourly wage is below that of Portugal, which is at present the country with the lowest wages in the European Union. There are also extra wage costs, which are not excessively high in relation to wages. Compared with other countries of central and eastern Europe, Slovenia's competitiveness in this respect has suffered through its relatively strong currency.

8.4. The approximately 39,500 independent enterprises in Slovenia are organized into the Slovenian Chamber of the Economy. At present about 23,000 of these can be regarded as active enterprises. The Chamber of the Economy is an independent, non-political organization. Membership of the Chamber is obligatory by law; it includes joint ventures insofar as these are established as legal persons under Slovenian law.

8.5. The Chamber of the Economy is sub-divided into 13 regional chambers. In addition there are 23 specialized associations, e.g. for industry, trade, banking, tourism, textiles, electronics, etc. The Chamber of Crafts is one of the subsidiary organizations of the Slovenian Chamber of the Economy, and has existed for about 140 years. (See above for the number of craft workers.)

8.6. The tasks of the Chamber of the Economy include promotion of international cooperation, disseminating information on specialized trade fairs abroad, professional training and further training, mediation of conflicts between enterprises. The Chamber of the Economy has three training centres where further training seminars for middle management and senior management are held. The international activities of the Chamber are supervised from Ljubljana.

8.7. The Slovenian Chamber of the Economy is an associate member of Eurochambres and can therefore participate in some of Eurochambres' activities. It also cooperates with the organizations for European standardization and product standards. It is not as yet directly represented abroad, so there is only a limited

possibility of canvassing for foreign direct investment in Slovenia.

8.8. In February 1994 efforts were being made to found an employers' association outside the Chamber of the Economy. By the middle of February the founding initiative had been signed by the managers of about 1,500 firms, employing about 58% of all workers. This new association should then exclusively represent the employers' side in wage negotiations — hitherto represented by members of the Chamber of the Economy. In addition, this employers' association could establish official relations with the ILO (International Labour Organization).

8.9. Wage negotiations take place between the Chamber of the Economy, representing the employers' side, and 4 trade union umbrella organizations representing the workers. The workers' right to strike is laid down in the Slovenian constitution. Legal counter-measures on the employers' side, such as lockouts, are however not in any way provided for by law.

8.10. The level of trade union organization in Slovenia is relatively high at 70%. The four active trade union umbrella organizations are: 1) the Association of Free Trade Unions; 2) the PERGAM trade union (printing and paper); 3) the Trade Union Alliance 90; 4) the Independent Alliance of New Slovenian Trade Unions.

8.11. By far the largest trade union organization, with 437,000 members, is the Association of Free Trade Unions, which emerged from the former socialist trade union (with compulsory membership). Its organizational structure is based on the former trade union system. The remaining umbrella organizations are still in the process of organizing themselves. At present a split is under way, with trade unions specific to economic branches or undertakings splitting off from the old trade union. However, the signs of a new trend are emerging, in which individual plant-based trade unions are once again coming together on a branch-wide basis in order to strengthen their position in wage negotiations.

8.12. The dialogue between the social partners on a solidarity pact had already begun about one and a half years ago, before the Slovenian privatization programme started. However, negotiations are still very difficult because of the delicate nature of this subject (drawing up of wage guidelines and minimum thresholds for wage/salary rises), so that no practical results have been achieved so far.

8.13. The influence of the trade unions on legislation is limited to a hearing by the Parliament on legal initiatives and the right to participate in working groups. For the largest trade union there is also the

possibility of influencing the National Council where it holds a tenth of the votes. However, a vote by the National Council can be overruled by Parliament.

8.14. There are various types of wage agreements: skeleton agreements, sectoral agreements, and agreements for public and social services. As well as the overall skeleton agreements, there are also branch-wide wage agreements, e.g. for textiles, and plant agreements in large enterprises.

8.15. The principle of the wage autonomy of the social partners has not yet been fully recognized by the government, since in 1992 and 1993 it repeatedly used legal measures to break off wage negotiations. Despite the freezing of nominal wages by law for a period of three months (March — June 1993) there was still an overall rise of more than 10% in real wages in 1993.

8.16. This led to a worsening in the competitiveness of Slovenian products. Because of higher wage costs and its strong currency, Slovenia has already lost some job processing operations to its central and eastern European neighbours with lower wage levels.

8.17. In particular, wage agreements within firms contributed to this rise in real wages, which often exceeded the rise in productivity. Because property relationships were often still unclear before the privatization of publicly-owned enterprises, managers agreed to higher wages to the detriment of the longer-term prospects of the firm, and this in its turn led to an inflation of the volume of credit in the banking system.

8.18. Even the wage agreements negotiated between trade unions and the Chamber of the Economy provided for at least one indexation of wages to the rise in the price level. Because of the liquidity problems caused by the current restructuring process in the Slovenian economy, however, many firms did not keep to these wage agreements or did not feel bound by them.

8.19. In addition to their above-mentioned tasks, provision of legal assistance in the field of labour law is seen as a primary task of the trade unions. However, legislation in this field in Slovenia is not yet very extensive. There is a serious bottleneck in the labour courts, which have a staff shortage, so that even uncomplicated cases can often drag on for a number of years. The law on reform of labour jurisdiction has already been before Parliament for two years. Even after it has been adopted, about 4-5 years are likely to pass before implementation of the new law.

8.20. On the subject of workers' participation in the running of firms, a law was adopted in 1993. It provides for workers' representation in the supervisory board of

a limited company or cooperative society, and for co-determination through works council or ombudsman in questions directly touching upon the workers' area of work. Individual workers also have certain rights of proposal. However, Slovenian trade unions are not yet in a position to exercise their legal rights to the full.

8.21. Works councils are now being set up for the first time in most enterprises. Because the law is so new, consultation of the workers' representatives by management is not yet a matter of routine. A number of years are likely to elapse before co-determination involving workers becomes an established component of Slovenian enterprise culture.

8.22. The self-employed play a special role in the Slovenian economy. Small and medium-sized enterprises (SMEs) constitute more than 70% of the enterprises registered with the Chamber of the Economy. In craft industries and other sectors, they are organized into cooperatives.

8.23. The Slovenian Government is making an effort to promote SMEs. To this end, it has a separate ministry for SMEs and a government-financed fund for their promotion. This fund makes available fixed-term credits, grants interest subsidies for investment projects and underwrites guarantees. In addition the business returns for SMEs are monitored, and promising projects directed towards the internal market of the EU are promoted.

8.24. The Slovenian Chamber of the Economy also assists the self-employed, partly by organizing training seminars for managerial staff. Despite the existing measures the funds available for this purpose are still rather small in relation to the needs. The Chamber of the Economy is also responsible for running the dual training scheme.

8.25. For export promotion there is a special credit programme in Slovenia, under which export credit guarantees are given through the banking system. In addition firms can receive subsidies from a special fund for investment likely to increase exports to western markets. In principle Slovenia is following an export-led growth strategy. At present something over 30% of industrial production is exported. In the long term this percentage should rise to 60-70%. In the light of these aims, however, the funds currently available for export promotion are too small.

8.26. Company taxation includes a uniform corporation tax rate of 30%, so that Slovenia is one of the countries with a rather low company taxation level. For reinvestments, the tax base can be reduced by 20%,

and when a part of the profits is put into reserves the tax base can be reduced by 10%. There is also tax relief for newly established firms (in the first year 100%, in the second 66% and in the third 33%). Similar reductions are possible for firms in specially assisted regions.

8.27. Paid-out profits and dividends are subject to a 15% tax at source. In addition, firms make obligatory contributions to social security amounting to about 25% of gross wages.

8.28. There is a progressive personal income tax. The lowest tax rate is 17% and the highest 50%. However, tax evasion is still a relatively widespread problem.

8.29. In indirect taxation, Slovenia wishes to introduce value-added/turnover tax on 1 January 1995, using the system which operates in the Member States of the European Union. At the moment there is a single-stage consumer tax payable at the stage of sale to the final consumer. The general tax rate is 20%. The reduced rate is 10% and covers building materials, coal, wine, clothing and other categories. A rate of 5% applies for example to used cars, fertilizers and agricultural machinery. A top rate of 32% on luxury articles applies to carpets, jewellery and similar products. Exports are tax-free.

8.30. Consumers' interests are defended in Slovenia by a consumer protection association founded in 1990. At present this association has 3,500 members (private persons). It is financed by a membership contribution, but receives project-related funds from the government, e.g. for the publication of a consumer protection magazine. The major part of the association's work is carried out by very committed volunteers. Consumer information contributes to understanding of the market-economy system and of free price formation. Through a network of no-charge telephone information services, consumers can obtain information on goods for sale, and raise objections or make complaints. The consumer protection association is a member of the international consumer organization and the first eastern European member of the international product-testing organization.

8.31. Agriculture in Slovenia consists of 80% small and medium-sized holdings run by families, and 20% large undertakings. In 1993 barely 4% of the Slovenian population was working in agriculture, and 2% in fisheries.

8.32. Crops include maize and other cereals, hops, potatoes, sugar beet, many kinds of fruit and every kind of vegetable. There is a good centuries-old tradition of wine-making (white and red). The quality of Slovenian wines definitely equals that of the best wines from the large European wine-growing areas.

8.33. The greater part of agriculture in Slovenia is now in private hands. About 20 years ago agricultural cooperatives ceased to be set up. After that, land ownership rights were restricted to 10 hectares per person. This figure was raised to 20 hectares per person at the end of the 1970s. There is now no area restriction on ownership of agricultural land for Slovenian citizens.

8.34. It is to be expected that even the surviving agricultural cooperatives will gradually lose their *raison d'être*. This trend was begun by the law on denationalization. Subsequently much agriculturally usable land was given back to former owners. In particular, they include the Roman Catholic Church which claimed its — once very extensive — rural and forestry possessions.

8.35. Slovenia has a separate ministry for environmental protection, which cooperates with the labour ministry and other bodies in implementing regional programmes. At the final consumer stage, certain recycling measures are beginning. For example, the collection of used paper, glass and batteries is already common in the cities. There are also projects for removing litter from the sides of roads, which should lead in the primary schools to children becoming environment-conscious consumers.

8.36. Vehicles with built-in catalytic converters benefit from tax concessions, and unleaded petrol is available at nearly all filling stations. As yet, there are hardly any environmental provisions covering emissions in the industrial production process and other waste substances. The threshold values for maximum permitted pollution are relatively high in comparison with the strictest provisions in the EU (those in Germany).

8.37. Slovenia has one nuclear power station with the capacity to meet about 20 % of the country's energy requirements. Since it is of a type which does not conform to the latest safety standards, some groups of environmentalists are calling for it to be shut down.

9. Legal framework for cooperation with the European Union

9.1. As part of the former Yugoslavia, Slovenia had already developed its trading relations with the European Community under the trade and cooperation agreement applying from 1980 onwards. The disintegration of the former Yugoslavia and Slovenia's declaration of independence necessitated a revision of that agreement. The new agreement was signed on 5 April 1993.

9.2. On 1 September 1993 the new Trade and Cooperation Agreement between the European Community

and Slovenia came into force. In many fields (telecommunications, statistics, approximation of laws, etc.) there is to be intensified exchange of information, and cooperation will be encouraged. The agreement now includes a human rights clause which also covers protection of minorities.

9.3. In trade policy, the agreement lays down the immediate abolition of quantitative restrictions and measures of similar effect for industrial products. For other products, access to the European internal market for Slovenian products is facilitated. The rate of duty varies according to class of product. For some products there is a customs ceiling with a higher rate applied if the ceiling is exceeded. For agricultural products certain quotas apply, which arose from a division of the former overall quota. Particular attention to wine is advisable in future negotiations.

9.4. For certain sensitive products such as steel, there are special rules. Thus, on 23 July 1993, a new textile agreement involving special rules was initialled, in which, for example, quotas are replaced by a customs ceiling and a double-checking system. This agreement grants more concessions than the Trade and Cooperation Agreement. Implementation was brought forward to 1 January 1994. Instruments for protection against unfair trading practices (anti-dumping duties, retaliatory duties and other protection measures) can still be applied in reciprocal trade in justifiable cases.

9.5. The cooperation agreement includes a financial protocol. Under this the European Union is to make available to Slovenia by the end of 1997 a total of ECU 150 m. in the form of European Investment Bank (EIB) loans. These loans are intended for improving transport routes, in which the European Union has an interest because of Slovenia's strategic position as a transport crossroads. The loans are to benefit from a 2% interest rebate. The funds for this (ECU 20 m.) will come from the European Union budget. The EIB has made available an initial loan of more than ECU 47 m. in December 1993 for the renewal of the most important Slovenian rail route, between the Italian border near Trieste and Maribor.

9.6. A transport agreement with Slovenia has also been signed and has been in force since 1 September 1993. Its provisions are linked with those of the financial protocol. Under this agreement, Slovenia grants the road haulage vehicles of the European Union free transit through its territory in return for financial help. In addition, frontier formalities are to be simplified, and Slovenia undertakes to accede to certain international conventions in the transport field (including the AETR).

9.7. At the same time as the Trade and Cooperation Agreement, Slovenia and the 12 Member States of the EU signed a joint declaration on a political dialogue. The aim of this is to consolidate relations between the EU and Slovenia in order to support the political and economic changes there and develop new forms of cooperation. The first official meeting under these arrangements took place in December 1993.

9.8. Since 1992 Slovenia has also been receiving funds from the Phare programme (European Union assistance programme for restructuring the economy in Central and Eastern European Countries). Under the first programme for Slovenia the European Community provided a total of ECU 9 m. in 1992, of which ECU 6.7 m. consisted of technical support, with the other funds being provided under the Tempus programme. In 1993 the European Community provided Slovenia with ECU 11 m. of Phare funds, of which ECU 7.5 m. was for technical assistance. Because bilateral cooperation is operating well, it is planned almost to double the previous amounts in 1994. ECU 12.5 m. are to be made available for technical assistance, ECU 2.5 m. under Tempus and a further ECU 4 m. for other technical programmes to promote regional cooperation (e.g. Eureka, ACE).

9.9. The Slovenian Government has set the following priorities for the use of Phare funds: economic restructuring and privatization (of enterprises and the financial sector), restructuring of the public sector (energy, transport and telecommunications) and closer economic integration with the European Union. One example of the use of Phare funds is the modernization of Slovenian thermal-spring spa resorts to make them reliable in the long term for Slovenia's important income from tourism. However, socio-economic groups in Slovenia would like the Phare programme to have more transparency and improved information on projects.

9.10. In addition, the European Union, through its various institutions, maintains contact with various Slovenian ministries and authorities, and from time to time organizes opportunities for dialogue and exchange of information. One example of this is a seminar organized by the European Commission in Brussels at the end of November 1993, in which representatives of various Slovenian ministries were able to participate.

9.11. Slovenia is also already involved in a number of other Community projects. One example is the agreement signed with Eurostat in January 1994 on cooperation in the statistical field. Under this Slovenia, along with the six Central and Eastern European States which have already concluded Europe Agreements with

the European Community, is to receive technical assistance for harmonizing Slovenian statistics with those used in the European Union. To this end, part of the funds available to Eurostat for this purpose (ECU 5.5 m.) can be used in Slovenia.

10. Proposals for a future Europe Agreement

10.1. The Trade and Cooperation Agreement concluded with Slovenia includes a progressive clause. Article 50 provides that the contracting parties will examine the possibility of concluding a Europe Agreement (association agreement) at the earliest opportunity.

10.2. A Europe Agreement would in many ways be considerably more wide-ranging than the existing trade and cooperation agreement. In trade policy, it would involve a gradual dismantling of reciprocal customs duties and other restrictions on trade, going as far as the setting-up of a free trade area. This liberalization of trade would cover most of the reciprocal trade and would be implemented gradually over a transitional period.

10.3. In addition, a Europe Agreement would normally contain provisions on an institutionalized political dialogue, on freedom of establishment for firms and the mobility (usually subject to numerical restrictions) of workers (rights to 'national treatment'), cooperation on environmental protection, inter-cultural exchanges, etc.

10.4. In addition to this extensive liberalization of reciprocal trade, a Europe Agreement would above all contain a reference to the full membership of the European Union aspired to by the associated country. In a Europe Agreement the associated state undertakes to approximate its legislation to that of the European Union.

10.5. Since the associated state has included in such an agreement a written statement of its wish to accede, this gives a stronger incentive to this important harmonization of legislation.

10.6. For its part, Slovenia has expressed its desire to begin negotiations as soon as possible on a Europe Agreement with the European Union and to conclude these before the end of 1994. In the medium term Slovenia aspires explicitly to full membership of the European Union, with all the resulting rights and obligations.

10.7. On the internal procedure in the European Union it should be noted that the European Commission, for its part, has already sounded out Slovenia on a Europe Agreement in December 1993. These soundings showed that no serious complications were to be expected in negotiations.

10.8. In its Decision of 8 February 1993 the Council gave the EU the green light to allow all the States meeting the necessary conditions (including those which were formally part of Yugoslavia, thus in particular Slovenia) to apply for membership of the European Union. By way of preparation, the Council held out the prospect of the necessary supporting measures (Europe Agreements). In April 1994 the Commission will ask the Council for a negotiating mandate for a Europe Agreement, so that the negotiations on a Europe Agreement with Slovenia can be started around May 1994.

11. Recapitulation and final recommendations

11.1. In terms of per capita income and living conditions, Slovenia is the wealthiest of all Central and Eastern European Countries. The country has a long tradition as part of the heart of Europe, clearly reflected in the culture, mentality and lifestyle of the population. Through its autonomy and the particular features of the socialist system in the former Yugoslavia, economic managers and administrators in Slovenia are more used to taking responsibility than in any other central or eastern European country.

11.2. Pluralistic democracy, the rule of law, and respect for human and minority rights are guaranteed in the Slovenian constitution and are also fully implemented. The most important framework laws for the creation of market economy institutions are already in force in Slovenia. Moreover, the country has taken effective measures to modernize and restructure its economy. The government's macro-economic stabilization policy has so far been successful, so that, inter alia, the Slovenian currency is the most stable in central and eastern Europe.

11.3. Slovenia is seeking very intensively and conscientiously to align itself quickly with the European Union. These efforts include seeking to harmonize legislation with that of the EU, subscribing to European standards and cooperating in all other possible areas.

11.4. The European Union is by far the most important trading partner of Slovenia. For the European Union itself, trade with Slovenia is definitely important in scale when compared with trade with other central and eastern European Countries (the value corresponds to 80% of the EU's trade with Hungary, or nine times that of its trade with Bulgaria).

11.5. There is complementarity in external trade between the European Union and Slovenia, thanks to the differing comparative advantages and the lower wage level in Slovenia.

11.6. Geographically Slovenia is situated at a strategically important point for the European Union in terms of completing the internal market. Slovenia is also an important transit country for the European Union's trade with the countries of Central and Eastern Europe.

11.7. From all these considerations it emerges that a Europe Agreement is a legal framework which Slovenia still lacks for strengthening its economic and democratic position and deepening the integration it seeks with the European Union.

11.8. The Economic and Social Committee welcomes initiatives such as the seminar organized by the European Commission for representatives of the Slovenian ministries and administration. It regards as useful the continuation of such informative contacts with the various levels of Slovenian authorities, in order to facilitate adaptation in Slovenia and help decision-makers to remain on the right track in the process of further integration.

11.9. The Economic and Social Committee recommends that the European Union should soon begin negotiations for a Europe Agreement with Slovenia. It hopes that these negotiations will be completed by the end of 1994.

11.10. Since the economic and social groups in Slovenia are already quite well developed and influence decisions important for the country's economy, the Economic and Social Committee thinks it useful to provide a forum for regular cooperation with the economic and social groups of the EU represented in the ESC. Such cooperation should help draw attention in particular to problems in Slovenian economic life in connection with economic relations with the EU, and thus facilitate a convergence with the structures and economic life of the European Union.

11.11. The Economic and Social Committee therefore proposes that a Joint Consultative Committee be set up as an institutional aspect of the future Europe Agreement. To this end, the Europe Agreement could include an article worded along the following lines.

Proposal for an article to be inserted in the Association Agreement (Europe Agreement) between the European Union and Slovenia — on the setting up of a Joint Consultative Committee

1. A Joint Consultative Committee of the economic and social groups of the European Union and Slovenia shall be set up, with the task of promoting dialogue and cooperation between them.
2. It shall be composed of six members of the Economic and Social Committee of the European Union

and six members of comparable economic and social groups in Slovenia.

3. The abovementioned dialogue and cooperation shall cover all economic and social aspects of relations between the European Union and Slovenia, with particular reference to the fields mentioned in the Europe Agreement.
4. The Joint Consultative Committee shall draw up its own Rules of Procedure.

11.12. The Economic and Social Committee considers that the negotiations on a Europe Agreement should serve as a preliminary run for later negotiations on accession to the European Union. All the important points which could arise in later accession negotiations should therefore be covered in the negotiations for a Europe Agreement.

11.13. In the ESC's view, the assessment of Slovenia's readiness for full membership of the European Union

should be based only on its own stage of development and its successes in the reform process. In particular, no parallels should be drawn with other countries of the former Yugoslavia. Nor should the assessment be made dependent on political developments in relation to the other countries of central and eastern Europe.

11.14. The Committee considers that Slovenia, after a properly prepared transition period under the Europe Agreement and after full completion of the free trade area with the EU, will be in such a state of readiness that no further transitional period would be required after its accession to the EU. Thus, at an appropriate time, Slovenia could directly become a member of the European Union with all the usual rights and obligations and without the otherwise usual chronological reservations and restrictions.

11.15. The Committee also considers that the reaching of such a Europe Agreement with the Republic of Slovenia can have a stabilizing role to ensure peace in the whole Balkan/Mediterranean region, and can contribute to gradually increasing economic prosperity.

Done at Brussels, 28 April 1994.

*The Chairman
of the Economic and Social Committee*

Susanne TIEMANN
