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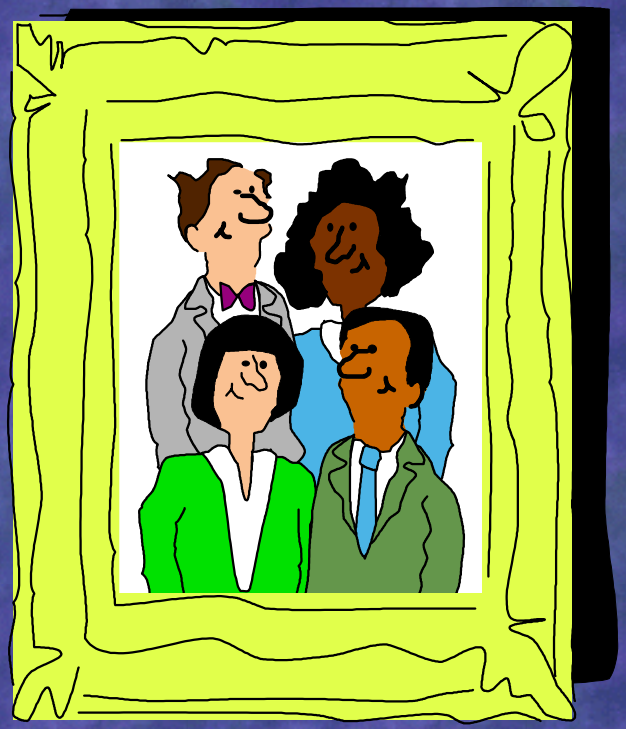
SLOVENIA

SLOVENIA ON THE WAY TO THE EUROPEAN UNION

IN THE FINAL PHASE OF ACCESSION

JANEZ POTOČNIK

HAAG - 12 November 2001



MAIN MACROECONOMIC DATA

MAIN MACROECONOMIC INDICATORS OF SLOVENIA

	1997	1998	1999	2000	2001
GDP GROWTH RATES	4.6	3.8	5.2	4.6	3.7
GDP/PC PPP (IN US$)	13200	13900	15000	16100	-
INFLATION (ANN.AV.)	9.1	7.9	6.1	8.9	8.5
UNEMPL. RATE (ILO)	7.4	7.9	7.6	7.0	6.3
GG BAL. (% OF GDP)	-1.2	-0.8	-0.6	-1.4	-0.9
CA BAL. (US$ MIL)	12	-147	-782	-594	-215

Institute of
Macroeconomic Analysis
and Development

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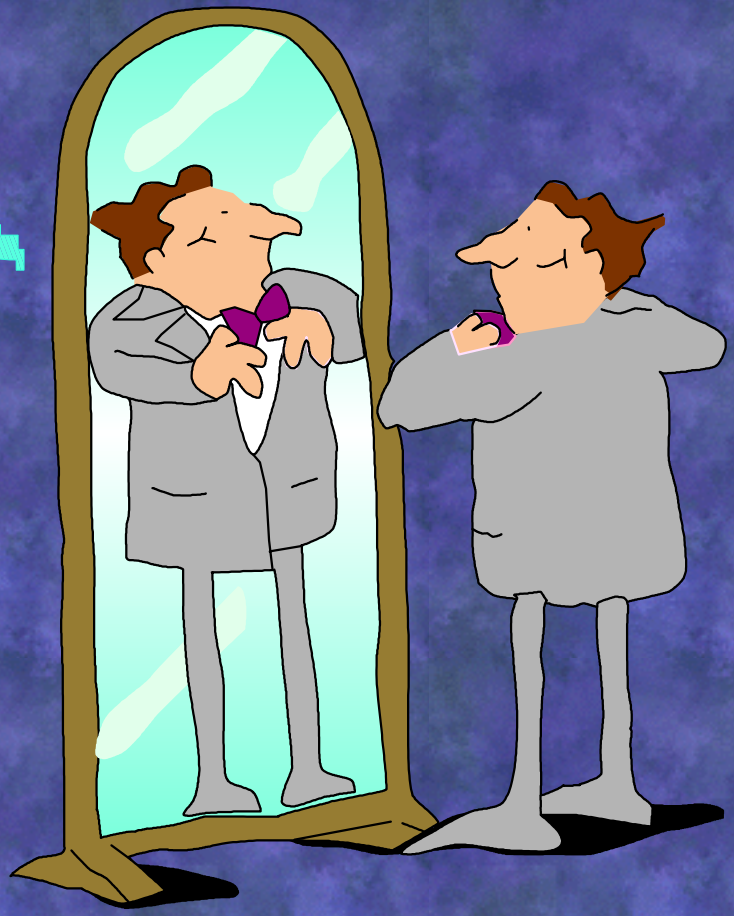
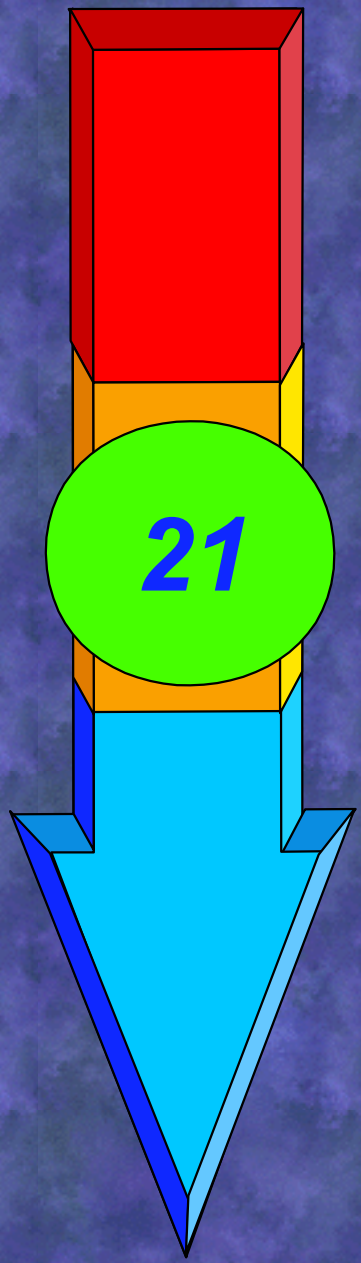
CURRENT STATE OF NEGOTIATIONS



PROVISIONALLY CLOSED CHAPTERS

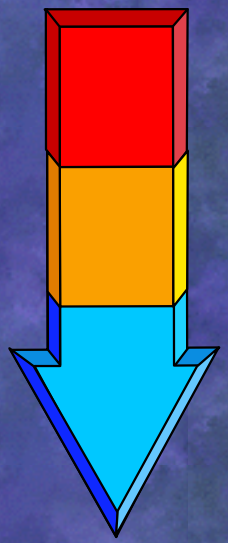
1 - FREE MOVEMENT OF GOODS
3 - FREEDOM TO PROVIDE SERVICES
4 - FREE MOVEMENT OF CAPITAL
5 - COMPANY LAW
8 - FISHERIES
11 - ECONOMIC AND MONETARY UNION
12 - STATISTICS
13 - SOCIAL POLICY AND EMPLOYMENT
14 - ENERGY
15 - INDUSTRIAL POLICY
16 - SMALL AND MEDIUM ENTERPRISES
17 - SCIENCE AND RESEARCH
18 - EDUCATION AND TRAINING
19 - TELECOM. AND INFORMATION TECHNOLOGY.
20 - CULTURE AND AUDIOVISUAL POLICY
22 - ENVIRONMENT
23 - CONSUMERS AND HEALTH PROTECTION
25 - CUSTOMS UNION
26 - EXTERNAL RELATIONS AND DEVELOPMENT AID
27 - COMMON FOREIGN AND SECURITY POLICY
28 - FINANCIAL CONTROL



CHAPTERS THAT CAN SOON BE PROVISIONALLY CLOSED

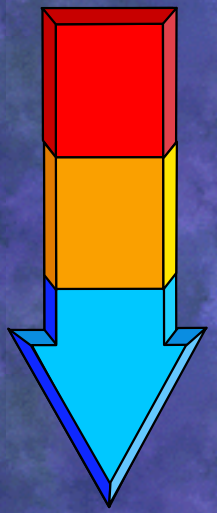
(ONLY A FEW PROBLEMS)

6 - COMPETITION AND STATE AIDS
9 - TRANSPORT
10 - TAXATION
24 - JUSTICE AND HOME AFFAIRS



CHAPTERS WHERE MORE NEGOTIATIONS WILL BE NEEDED

2 - FREE MOVEMENT OF PERSONS
7 - AGRICULTURE
21 - REGIONAL POLICY AND COOR. OF STRUC.INS.
29 - FINANCIAL AND BUDGETARY PROVISIONS



2

FREE MOVEMENT OF PERSONES

2 WHO ARE POTENTIAL MIGRANTS?

- UNEMPLOYED
- HIGH EDUCATED (BRAIN DRAIN)
- DAILY CROSS BORDER MIGRATIONS
- PERSONALLY DIFFICULT DECISION: WAGE COMPARISON IS SIMPLIFYING THE SERIOUSNESS OF THE PROBLEM

2

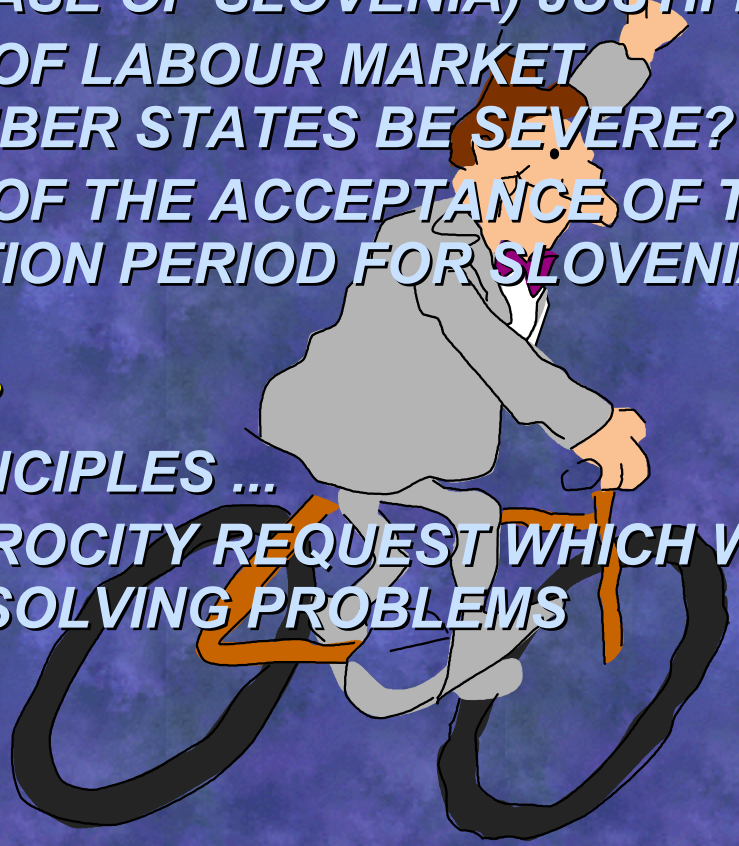
AND THE CASE OF SLOVENIA

- 2 MIO POPULATION
- HIGHER AVERAGE OF GDP/PC PPP THAN SOME OF THE ALREADY EXISTING MEMBER STATES
- LEVEL OF UNEMPLOYMENT LESS THAN EU AVERAGE
- DIFFERENCES BETWEEN THE CAPITAL AND BORDERING REGIONS SMALLER THAN IN OTHER ACCESSION COUNTRIES
- NON MIGRATING POPULATION
- NET IMMIGRATION COUNTRY FOR DECADES
- ALL ANALYSES SHOW THAT WE CAN NOT EXPECT ANY CONSEQUENCES WORTHWHILE TO BE MENTIONED AFTER THE LIBERALISATION OF THE LABOUR MARKET

2

BASIC QUESTIONS...

- DO THE FEARS REALLY EXIST?
- ARE THEY (AT LEAST IN THE CASE OF SLOVENIA) JUSTIFIED?
- WOULD THE CONSEQUENCES OF LABOUR MARKET LIBERALISATION FOR EU MEMBER STATES BE SEVERE?
- WOULD THE CONSEQUENCES OF THE ACCEPTANCE OF THE PROPOSED FLEXIBLE TRANSITION PERIOD FOR SLOVENIA BE SEVERE?
- **WHAT IS THEN THE PROBLEM?**
  - ► IT IS THE QUESTION OF PRINCIPLES ...
  - ► AND ARE WE (AFTER RECIPROCITY REQUEST WHICH WILL FOLLOW) CREATING OR RESOLVING PROBLEMS



7

AGRICULTURE

INTRODUCTION

- SHARE OF AGRICULTURE IN GDP 4%, COMPARABLE STRUCTURE TO EU, NET IMPORTER, PRICE LEVELS COMPARABLE TO EU
- PROBLEMS: SMALL FARMS (LAND MAXIMUM), HIGH LANDED FARMS (MOUNTAINS)
- MAIN GOALS: UNCHANGED FARMER INCOMES, PRESERVATION OF THE LANDSCAPE, MAINTAINING THE PRODUCTION (AND CONSUMPTION) OF THE FOOD WITH TASTE
- THIS IS ONE OF THE MOST DIFFICULT NEGOTIATING CHAPTERS (SCOPE OF PROBLEMS, IMPORTANT BUDGETARY ITEM, POLITICAL SENSITIVITY OF THE CHAPTER, INTEREST OF THE SOCIAL PARTNERS, ETC.)

7

CAP REFORM AND NEGOTIATIONS

- NEGOTIATION POSITION
  - ► EQUAL STATUS TO EXISTING MEMBER STATES
- AGENDA 2000:
  - ► FUTURE MEMBER STATES ARE NOT ELIGIBLE FOR COMPENSATION PAYMENTS
- THE CHANGE OF CAP IS NEEDED
- ESTIMATED DIRECTION OF THE CAP REFORM
  - ► IN FAVOR OF SMALLER FARMERS, PRESERVATION OF LANDSCAPE, ECO ORIENTATED PRODUCTION;
  - ► THE POSSIBILITY OF THE RE-NATIONALISATION OF THE POLICY IS NOT HIGH
- MAIN DILEMMA
  - ► WHEN THE MAIN DIRECTIONS OF THE CAP REFORM SHOULD BE AGREED - BEFORE THE END OF NEGOTIATIONS OR AFTER
  - ► INNOVATIVE AND FLEXIBLE APPROACH IS NEEDED

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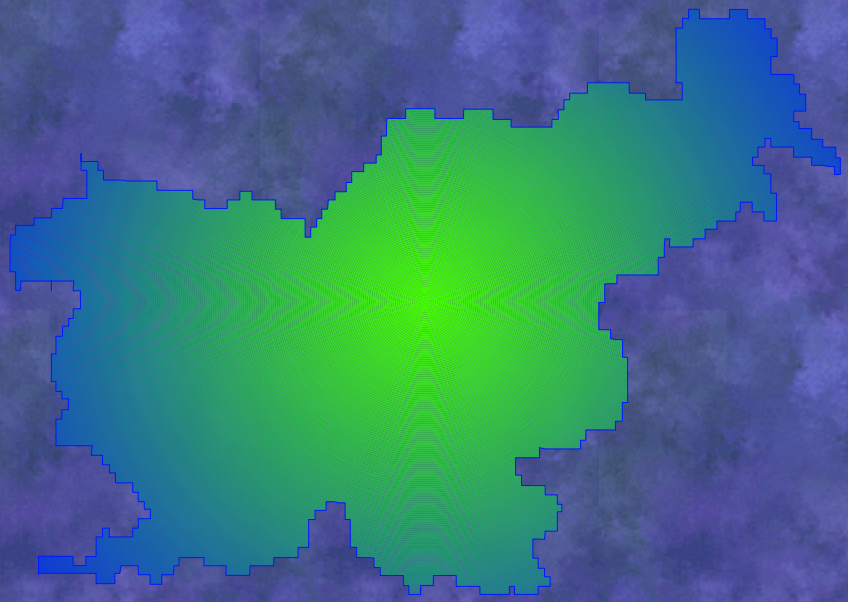
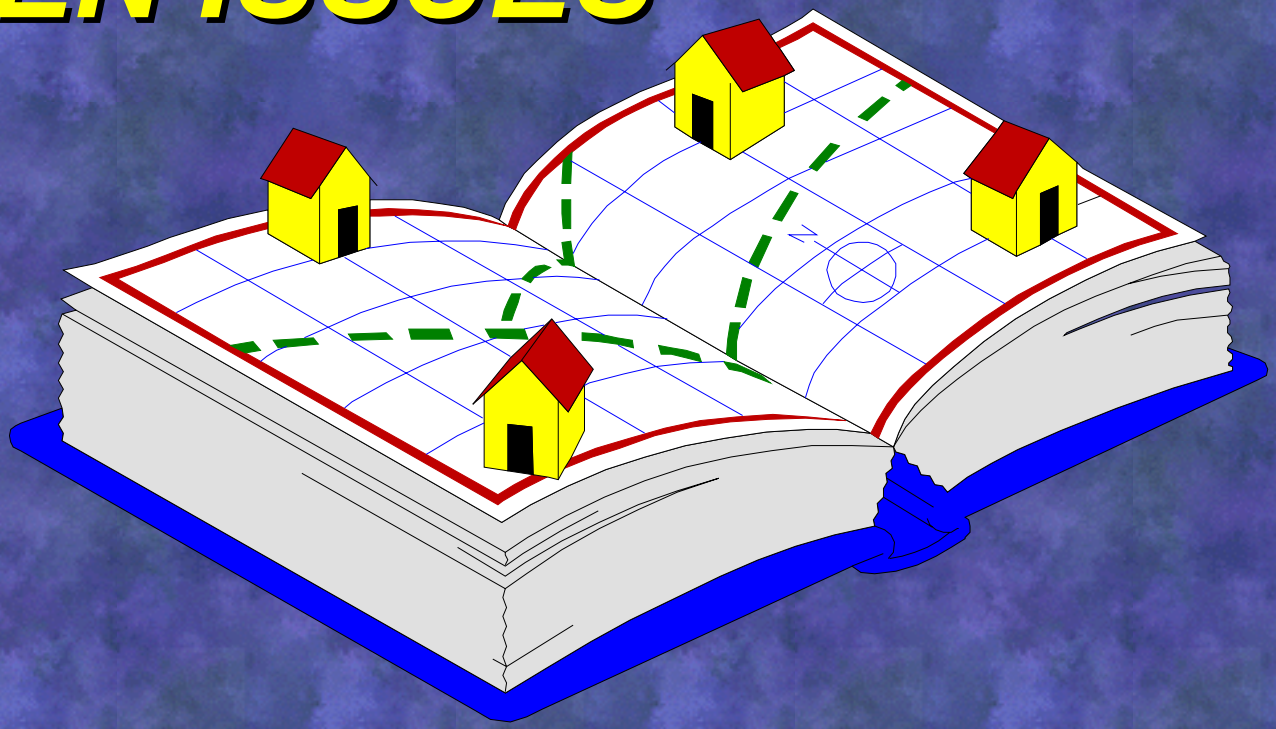
REGIONAL POLICY AND COORDINATION OF STRUCTURAL FUNDS

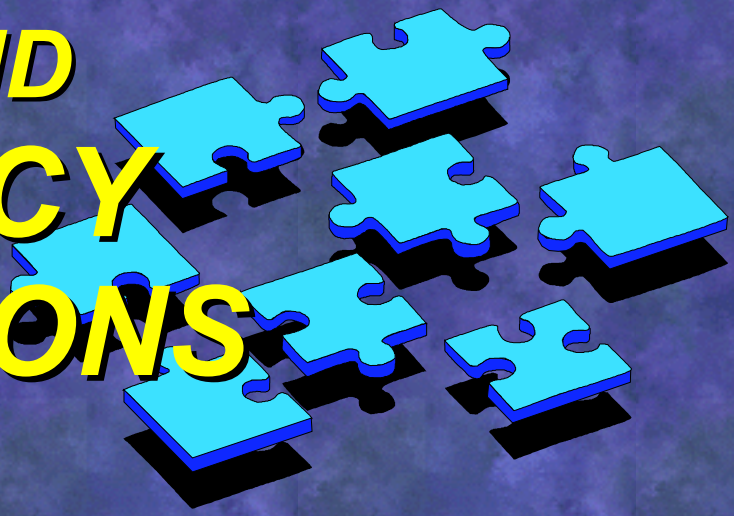


MAIN OPEN ISSUES



- ***REGIONALIZATION** OF SLOVENIA*
- *DETERMINATION OF **ELIGIBILITY AND DISTRIBUTION** OF AVAILABLE FINANCIAL SOURCES*
- *SETTING OF A **RATIONAL STRUCTURE**, WHICH WILL ENABLE EFFICIENT FUNCTIONING AND **HIGH ABSORPTION CAPACITY***

STRUCTURAL AND COHESION POLICY AND NEGOTIARIONS



- NEGOTIATING POSITION
  - EQUAL STATUS TO THE EXISTING MEMBER STATES IN THE CURRENT FINANCIAL PERSPECTIVE (TILL THE END OF 2006)
- AGENDA 2000
  - MONEY AVAILABLE FOR CANDIDATE COUNTRIES IS (PROBABLY) NOT SUFFICIENT FOR EQUAL TREATMENT TO THE MEMBER STATES IN THE CURRENT FINANCIAL PERSPECTIVE
- FUTURE OF THE STRUCTURAL AND COHESION POLICY
  - THERE IS ALMOST NO DOUBT THAT SOME KIND OF STRUCTURAL AND COHESION POLICY WILL EXIST ALSO IN THE NEXT FINANCIAL PERSPECTIVE
- THE FORM IS UNCERTAIN AND NOT YET DECIDED
  - DIFFERENT CRITERIA FOR ELIGIBILITY
  - UNIFICATION OF FUNDS
  - FROM REGIONAL TO NATIONAL ELIGIBILITY CRITERIA
  - ...

29

FINANCIAL AND BUDGETARY PROVISIONS

NEGOTIATIONS

- **NEGOTIATING POSITION**
  - REQUEST FOR A TRANSITIONAL PERIOD CONCERNING THE PAYMENT OF FULL CONTRIBUTIONS TO THE EU BUDGET (TIME AND PHASING-IN SCALE NOT YET DEFINED)
  - MAIN DILEMMA: PAYING LESS (CANDIDATE COUNTRIES) OR FULL CONTRIBUTION AND REFUNDING (EU)
- **FIRST ESTIMATES**
  - FULL CONTRIBUTION TO THE EU BUDGET APPROXIMATELY 1.2% TO 1.3% OF SLO GDP
  - EQUAL CAP: 1% OF GDP
  - EQUAL STRUCTURAL AND COHISION POLICY: 2-3% OF GDP (ABSORBTION CAPACITY)
  - NET INFLOW (EQUAL): 2% OF GDP

ENLARGEMENT PROCESS

...

...FROM HELSINKI

PRESIDENCY CONCLUSIONS

- EU WILL BE INTERNALLY READY TO ENLARGE WITH THE BEST PREPARED CANDIDATE COUNTRIES AT THE END OF 2002 ...

...TO NICE...

PRESIDENCY CONCLUSIONS

- EU WILL BE INTERNALLY READY TO ENLARGE WITH THE BEST PREPARED COUNTRIES AT THE END OF 2002

  ...
- ... IN HOPE THAT THEY WILL BE ABLE TO TAKE PART IN THE NEXT EUROPEAN PARLIAMENT ELECTIONS
- ENLARGEMENT STRATEGY AND THE ROAD MAP FOR THE NEXT 18 MONTH (THREE PRESIDENCIES)

...AND GOETEBORG


MAIN MESSAGE
ENLARGEMENT PROCESS
IS IRREVERSIBLE

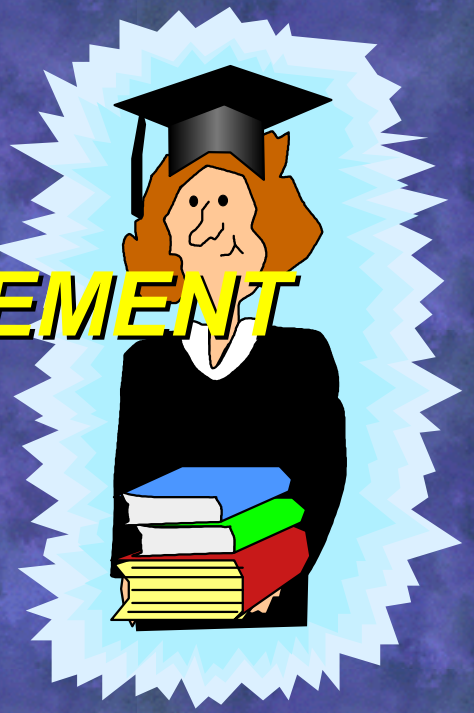
PRESIDENCY CONCLUSIONS

- PROVIDED THAT PROGRESS TOWARDS MEETING THE ACCESSION CRITERIA CONTINUES AT UN UNABATED PACE, THE ROAD MAP SHOULD MAKE IT POSSIBLE TO COMPLETE NEGOTIATIONS BY THE END OF 2002 FOR THOSE CANDIDATE COUNTRIES THAT ARE READY. THE OBJECTIVE IS THAT THEY SHOULD PARTICIPATE IN THE EUROPEAN PARLIAMENT ELECTIONS OF 2004 AS MEMBERS.

AND ... AFTER GOETEBORG

ACCESSION SCENARIO

- MAIN PRINCIPLES
- SUPPORT FOR ENLARGEMENT
- WHO ...
- ... WHEN



MAIN PRINCIPLES

(REMAIN)

DIFFERENTIATION AND CATCHING UP

- SLOVENIA HAS **NO PROBLEM** WITH THE CATCHING UP PRINCIPLE - IT IS NECESSARY AND ALSO FAIR
- DIFFERENTIATION: THE EU SHOULD **STICK TO PRINCIPLES IN PRACTICE** (EVERYONE SHOULD BE JUDGED BY THEIR OWN MERITS, EU IS NEGOTIATING SEPARATELY WITH EACH CANDIDATE COUNTRY, DECISIONS WILL BE BASED ON OBJECTIVE CRITERIA, ETC.) IT IS EASY TO UNDERSTAND THAT DIFFERENTIATION IS POLITICALLY DIFFICULT, BUT IT IS **ALSO NECESSARY AND FAIR.**
- PRINCIPLES **SHOULD BE WELL BALANCED**

MAIN PRINCIPLES

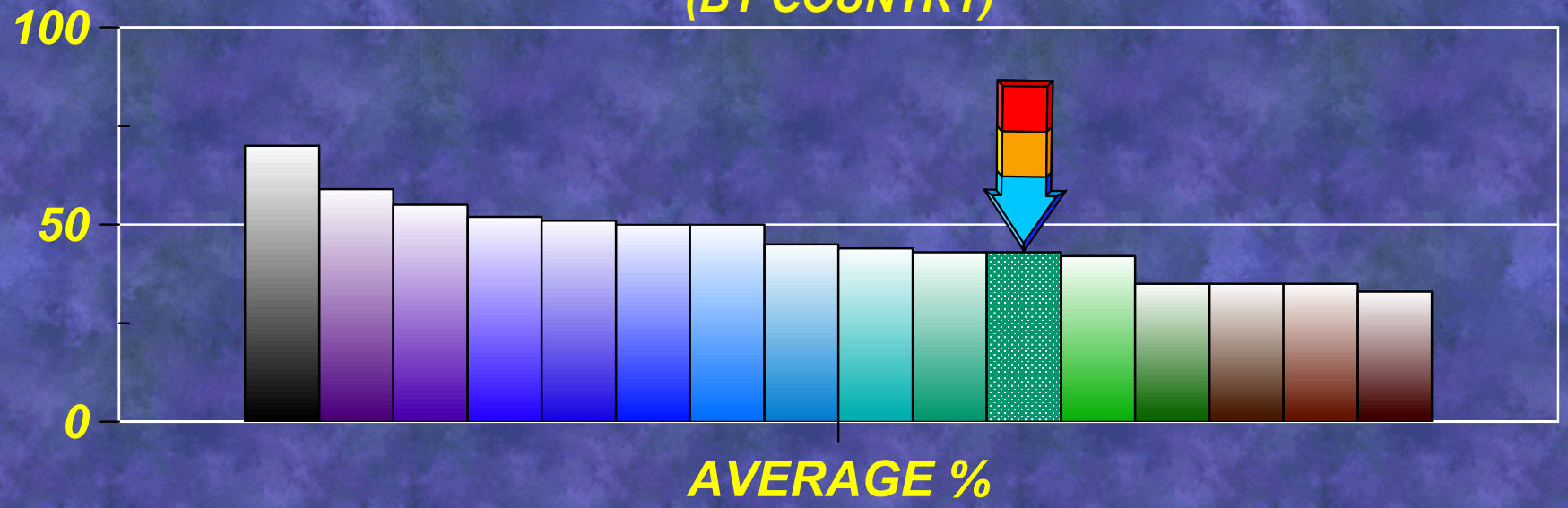
ENLARGEMENT STRATEGY AND THE ROAD MAP

- AN **EFFICIENT TOOL** FOR SPEEDING UP OVERALL NEGOTIATION PROCESS
- THE APPROACH USED IN CONDUCT OF NEGOTIATIONS **SUPPORTED THE CATCHING UP PRINCIPLE**
- THE PRINCIPLE OF **DIFFERENTIATION** AND THE POSSIBILITY THAT THOSE COUNTRIES WHICH ARE THE BEST PREPARED WILL CONTINUE TO BE ABLE TO PROGRESS MORE QUICKLY IS IN PRACTICE **NOT EFFICIENTLY AND SUFFICIENTLY IMPLEMENTED**

EU ENLARGEMENT
EUROBAROMETER - RELEASE SPRING 2001

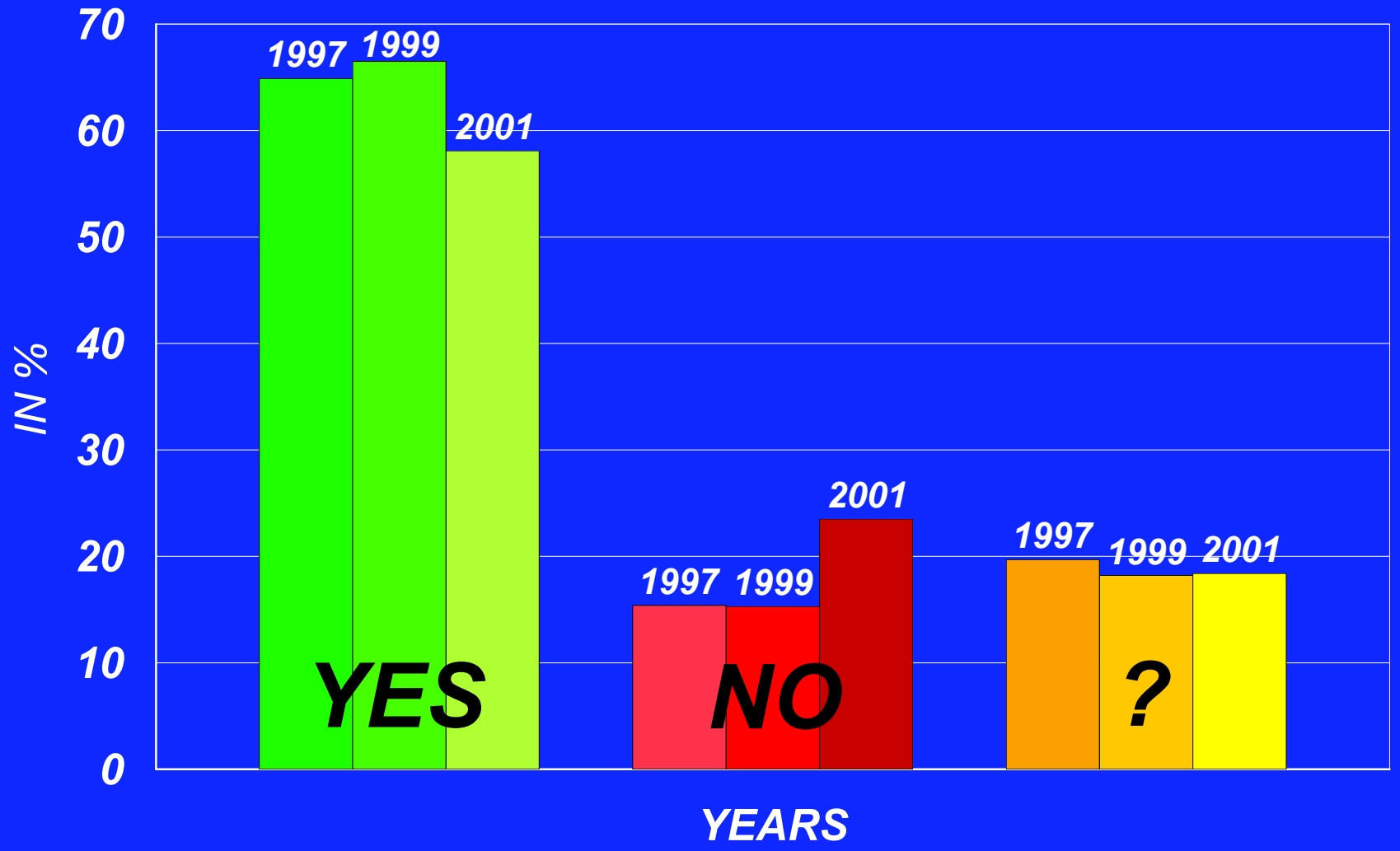
SUPPORT FOR ENLARGEMENT

AVERAGE %, IN FAVOR OF THE 13 APPLICANT COUNTRIES JOINING THE EU (BY COUNTRY)



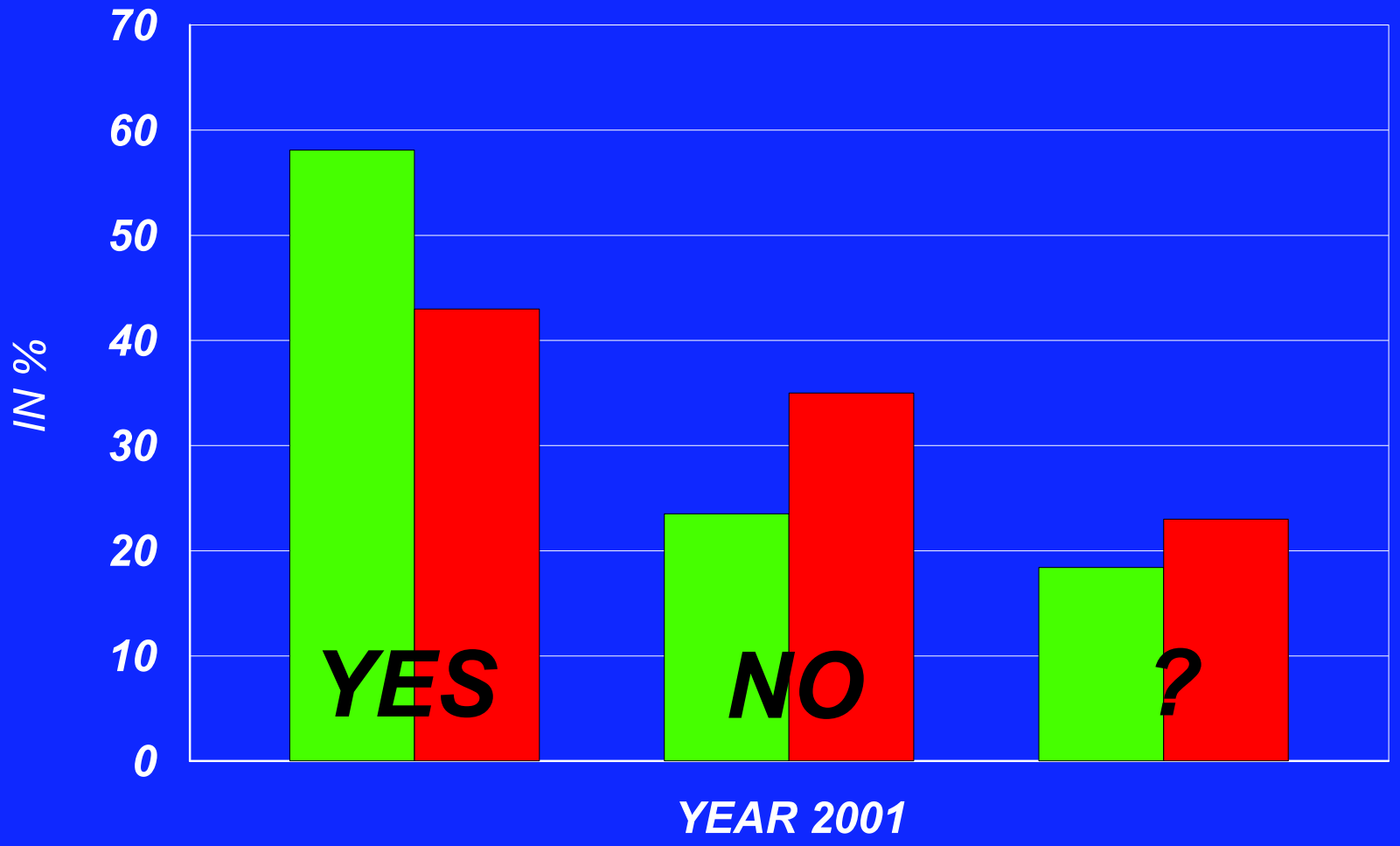
REFERENDUM FOR THE ACCESSION OF SLOVENIA TO THE EU IS NEXT SUNDAY

HOW WOULD YOU VOTE?



EU - SUPPORT FOR ENLARGEMENT

SLOVENIA - SUPPORT FOR MEMBERSHIP



WHO

COUNTRIES BY THE NUMBER OF PROVISIONALLY CLOSED CHAPTERS

- CYPRUS 23
- HUNGARY 22
- SLOVENIA, CZECH REPUBLIC 21
- SLOVAKIA 20
- ESTONIA 19

EU

- POLAND, LATVIA, LITHUANIA, MALTA 18
- BULGARIA 12
- ROMANIA 8

- *THE IMPORTANCE OF THE **PROGRESS REPORT***
- *THE NUMBER OF COUNTRIES INCLUDED IN THE FIRST ENLARGEMENT GROUP IS **CURRENTLY UNKNOWN**, BUT THE **PROBABILITY OF ENLARGEMENT WITH MORE CANDIDATE COUNTRIES IS RAISING (FAST)***

TARGET DATES

WHEN

- ON THE SIDE OF SLOVENIA:
  - DATE OF INTERNAL READINESS FOR MEMBERSHIP: 31.12.2002
  - DATE O[illegible]OF NEG[illegible]TIONS: [illegible]2001
  - DATE [illegible]ADY: 20[illegible]
- ON THE SIDE [illegible]T[illegible]EU
  - DATE OF [illegible]REP[illegible]SS C[illegible]H[illegible]F ENLAR[illegible]NT W[illegible]BE[illegible]R[illegible]RE[illegible]OUNTRIES: 31.12[illegible]
  - DAT[illegible]F NE[illegible]TIONS[illegible]OF 2002
  - IMPLICIT DATE OF MEMBERSHIP FOR THE BEST PREPARED COUNTRIES: 1.1.2004

2004

SOME POTENTIAL BARRIERS

- MAIN INTEREST FOCUSED CONDITIONS OF THE MEMBER STATES
- ELECTIONS IN FRANCE AND GERMANY
- ATTEMPTS TO LINK THE OPENED ISSUES BETWEEN (NEIGHBORING) COUNTRIES TO THE PROCESS OF ALIGNMENT WITH THE ACQUIS AND EU ACCESSION QUESTIONS
- UNREASONABLE ATTENTION TO THE (INTERNAL) PROBLEMS NOT IMPORTANT AND DECISIVE IN THE EU ACCESSION PROCESS WHICH COULD BE EXPLOIT TO INFLUENCE PUBLIC OPINION

WHO AND WHEN

AND WHAT IS THE INTEREST OF SLOVENIA?

THIS IS THE MOST DELICATE PHASE OF NEGOTIATIONS...

...WHERE ALL THE NECESSARY AND AVAILABLE KNOWLEDGE

AND SKILLS ARE NEEDED AND...

...A LITTLE BIT OF LUCK...