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SHAPING INDUSTRY FROM THE LEFT IN EUROPE

COUNTRY REPORT SLOVENIA

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Abstract[1]

The paper deals with the socio-economic development of Slovenia during the last three decades, putting special emphasis on the time after the crisis, i.e. 2008-2014. The first chapter deals with the background story, explaining Slovenia's transition and entrance into EU, EMU and NATO. This is the time when Slovenia was usually depicted as a model pupil among the Eastern European countries. Such praise came to an end after the country was hit hard by the crisis and the prospect of having to apply for the help from the Troika was looming large. Although this eventually didn't happen and Slovenia's economy is now even experiencing GDP growth, grave problems persist. The state and society emerging from the crisis is notably different from the one that have entered it. Social and welfare systems have been drastically cut, and the privatization process of some of the most important state infrastructure (telecommunications, banks, airport, seaport etc.) is ongoing, as are the struggles to stop it. The last part of the paper deals with the progressive political forces and the alternative industrial policies that could be implemented in the case of Slovenia.

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1. Cover photo the courtesy of Space Utopian: https://www.flickr.com/photos/ducky30_be/

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Introduction

In order to grasp the specificity of Slovenia's development, we first have to shed some light on the specificity of Yugoslavia's development. Until 1948 Yugoslavia was a more or less typical member of the Communist Inform biro and willing to submit to the leading role of Soviet Union (i.e. Stalin). Social and economic development was thus strongly tied to the Soviet Union model (collectivization, industrialization etc.). A dramatic split happened in 1948, when Yugoslav leadership under President Tito was not willing to follow the Soviet Union's lead anymore. Perhaps a crucial factor, besides building ties and getting support from the West, was the fact that Yugoslavia was the only country in Europe (besides the Soviet Union) that managed to liberate itself from the yoke of Nazi-fascism. This self-sufficiency and ability to rely on its own forces, and strong support among the peoples of Yugoslavia, would have made intervention on behalf of Stalin a much more complicated and difficult task than were the Soviet interventions in Hungary and Czechoslovakia later on. Surviving the Tito-Stalin split, Yugoslavia was now able to develop its own path towards socialism.

Internationally, this meant closer and more relaxed ties with the West (and financial support in the form of international development loans). It gave ground for the establishment of the Non-Aligned Movement, founded in Belgrade in 1961, and the development of the Socialist Self-Management doctrine that proved itself to be the most advanced form of state socialism to date. Because of all this, Yugoslavia had important international influence and enjoyed great respect among many, especially developing, nations. Another important change in the development of Yugoslavia came in 1974 with the introduction of a new constitution that importantly shifted sovereignty from the federal to the national level. This further fuelled the already existing antagonisms between republics and gave ground to transforming economic imbalances between republics into divisive political issues. Further deterioration of relations on the intra-republic level has happened with the onset of the financial crisis and the beginning of the neoliberal agenda in early 1970. Yugoslavia, as other developing nations, was now faced with new loans or the extension of old ones being tied to political demands. The latter were predominantly demands for liberalisation, deregulation and privatisation of the Yugoslav economy.

These were objective international factors that Yugoslavia had little control over and to which it was forced to submit. There were, nonetheless, important subjective national political forces that built their agenda on these divisive economic policies and demands on behalf of international loan givers. Such forces were eager to exploit these issues to strengthen and further their agenda and politically benefit on these matters. The impersonal and abstract coercion of international capital was thus translated into concrete national and ethnic rivalries and hatred. Among the main plenipotentiaries of these processes were conservative cultural circles, tied with religious authorities that later on all became ardent supporters of reactionary forces and political parties, and remain such. Still, it is telling just how painstaking and troublesome the process of destroying the "Brotherhood and Unity" of Yugoslav people and igniting the bloody massacre in the midst of Europe was. Going back to the case of Slovenia, luckily the war lasted only 10 days and demanded a much lower body count than was the case in Croatia and Bosnia and Herzegovina.

Before focusing on the current socioeconomic situation of the country, let us quickly overview three different dimensions or trajectories of Slovenia's transition to capitalism: the economic, political and civil society dimensions. Economically speaking, Slovenia was the best-off Yugoslav republic. Unemployment was virtually non-existent and the working class was very much mobilized through a series of strike waves during the late eighties. Although the first phase of transition, the so-called "wild privatization" that lasted until 1992, entailed around 1 billion euros worth of impairment of communally owned property, the process came to a halt with the beginning of tripartite social dialogue. Through the system of certificates, each citizen was given a certain share of formerly state owned enterprises, a share that was at her or his own disposal. In the second half of the nineties, most of these individual shareholders sold their certificates.

Eventually, the balance of forces shifted as the share of these small shareholders in aggregate sold a third of their claims on communal assets, meaning that the capital side that was buying these shares enlarged its ownership accordingly, (i.e. by 30%). This caused the corresponding political shifts in favour of capital's side. The second phase of privatization was marked by the manager buyouts that were happening in the years before the crisis. Most failed, leaving the banks with non-performing loans. The banking sector was rescued through a series of state-funded recapitalizations. The Bank Assets Management Company (BAMC), the so-called "bad bank", was established and most of the non-performing loans were transferred to it. As it is, Slovenia is now entering its third phase of the privatization process, where the remaining state companies are to be privatized.

Politically speaking, Slovenia was until now dominated by three political blocs (liberal, social democrat and conservative). In the form of various parties, the liberal bloc was and continues to be dominant; with minor setbacks Liberal Democracy of Slovenia (LDS) was the ruling party from 1992–2004. Conservatives, i.e. Slovenian Democratic Party (SDS), held the power 2004–2008, followed by the only time Social Democrats (SD) were the ruling party. However, the government did not finish its mandate and, after three years, the prime minister stepped down. Since then, the time of political instability and early elections continues – the last government being elected in the early elections of July 2014.

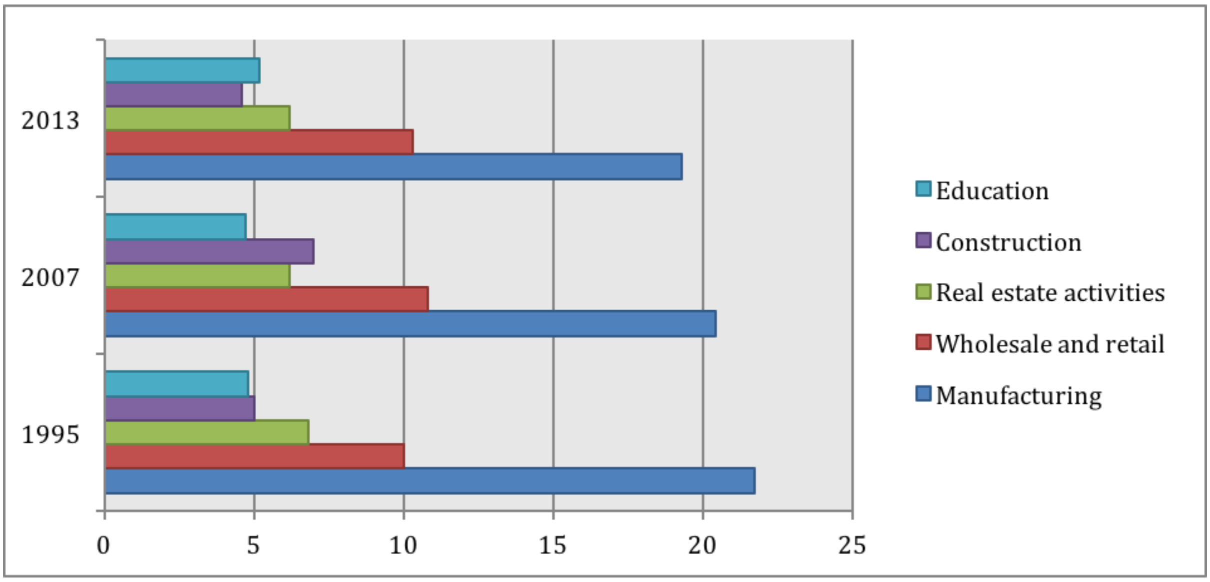
Lastly, one most take into account the continuously active civil society that is playing an ever more important role in Slovenia's (parliamentary) politics. Its proponents have been active in numerous campaigns, e.g. the anti-NATO campaign, the campaign against military intervention in Iraq and Afghanistan, and campaigns for immigrant workers and precarious workers.

Campaigns against different governments trying to introduce tuition are also continuously (and successfully) ongoing. The autumn and winter of 2012/13 are especially important, since they functioned as a political catalyst for a part of civil society to transform itself into a party that later on, in the above mentioned early elections, successfully entered the parliament. It was a time of massive and unprecedented social upheavals that resulted in ousting the majority in Slovenia's second biggest city and also contributed to the resignation of, at the time, the incumbent government. A party that emerged out of the protest movement was Initiative for Democratic Socialism, a member of the United Left Coalition that currently holds 6 MPs in the Slovenian Parliament. It is the only parliamentarian political force that systematically opposes privatization and austerity measures and strives to introduce alternative, left industrial policies.

Chapter 1: Gross domestic product

Slovenia enjoys a rather high standard of living and is among the most developed economies of the region. In 2013, gross domestic product amounted to 37 billion euros (ESR 2010 methodology), a 2.6% growth – a significant improvement from 2013, when the economy contracted for 1%. The most dramatic slump happened in 2009 with a 7.8% contraction of the economy. In comparison to 1995 (the first year of current statistics) when GDP was 10,5 billion euros, the size of Slovenia's economy has almost quadrupled. From the per capita perspective, GDP has almost tripled from some 8.280 euros in 1995, to 18.065 euros in 2014. This is still lower than the figure from 2008, the last year before the crisis hit, when GDP per capita was 18.769 euros. Slovenia is a predominantly service economy, services amounting to 68.3% of the economy, followed by industry with 28.9% and agriculture with only 2.8% (2013 figures).[2] The five most important sectors of Slovenia's economy are: manufacturing, wholesale and retail trade, real estate activities, construction and education.

Table 1: Five main sectors of economy by percentage of total GDP in 1995, 2007 and 2013



2. *Nota bene*, if not explicitly stated otherwise, all facts and figures are from Slovenia's Statistical Office.

The total active working population as of third quarter 2014 was 787,654. We will compare the 1995/2013 figures of employment in the abovementioned five most important sectors of Slovenia's economy. In 1995, 277,000 people were employed in manufacturing. In 2013, the figure decreased to 188,000. The manufacturing sector is experiencing a trend of general decline; it reached its height in 1997/98, accounting for 22.3% of GDP. The most significant slump happened from 2007 (20.4%) through 2008 (19.2%), to the historical low of 17.1% in 2009. In five years, the manufacture sector shrunk from 21.5% in 2004 to 17.7% in 2009, i.e. for more than a fifth. Currently, recovery is underway, with 19.3% of GDP reached in 2013.

With 112,000 employees in 1995, wholesale and retail experienced a rise to 115,000 in 2013. Employments in real estate activities increased from 18,000 to 24,000. It comes as no surprise that the construction sector reached its greatest boom right before the crises, i.e. in 2008 it accounted for 7.3% of GDP (a significant rise from 5.3% in 2004). After 2008, however, it has been sharply declining, accounting for 4.6% in 2013, less than in 1995 (5%). Corresponding were the shifts in the number of workforce in construction: 58,000 in 1995, reaching its all-time high in 2009 with 92,000 employees, then continuously and sharply falling, reaching 62,000 in 2013. The workforce in education increased by almost a third, from 48k in 1995 to 68k in 2013; worth noting is also a significant increase in the workforce of public administration, defence and social security services – from 35k to 50k.

Slovenia's economy is highly dependent on international trade. The ratio of merchandise trade (imports and exports) to GDP is one of the highest in the region. After the collapse of the Yugoslav market and the breakdown of transport and communications to south-eastern Europe, Slovenia focused on the markets of EU member states, which now account for more than 60% percent of Slovenia's foreign trade. The most important trading partners are (figures from 2012): on the export side: Germany 20%, Italy 12%, Austria 7.9%, Croatia 6.2%, France 4.8%, and Russia 4.6%; on the import side: Italy 16.5%, Germany 16.3%, Austria 10.4%, Croatia 4.8%, and Hungary 4%.

In aggregate, the structure of exports and imports for the period of 2000-2010 was heavily oriented towards EU Member States, followed by other European countries, while non-European countries accounted for only a tenth of imports and exports. Figures from 2010 are representative in this regard- for exports: EU Member States (71.7%), other European countries (20.1%) and non-European countries (8.2%). On the import side: EU Member States (77.5%), other European countries (10.7%) and non-European countries (10.2%). As we can see in both cases, foreign trade with European countries accounted for almost 90% of all of Slovenia's foreign trade.[3]

Product composition in Slovenia's merchandise trade is still dominated by semi-finished and intermediate-manufacturing goods, though the trend is gradually shifting. Automotive products, electronics and pharmaceutical products are increasing, while the share of textiles, clothing and steel is decreasing. In recent years. the structure of Slovenian commodity exports has shifted in favour of products that use technology and human resources most intensively. The following tables will help us to elaborate further on the general state of Slovenia's foreign trade.[4]

Table 2: Five most important exported and imported groups of goods (as of 2011)

Exports of groups of goods	**As % of total**	**Imports of groups of goods**	**As % of total**
Road vehicles	12.4	Petroleum & petroleum products	10.9
Electrical machinery	10.4	Road vehicles	9.6
Medical & pharmaceutical products	9.2	Electrical machinery	6.4
General industrial machinery	5.6	Iron & steel	4.7
Metal products	4.7	General industrial machinery	3.8

3. For an indepth overview of Slovenia's foreign trade, consult: »Slovenia's trade in goods«, available on: https://www.stat.si/doc/pub/Blagovna_menjava_ang.pdf

4. All figures presented in the tables were taken from the document "Slovenia in Figures, 2012", available on: www.stat.si/doc/pub/slo_stevilke_12.pdf

Table 3: Major external trade partners (exports, as of 2011)

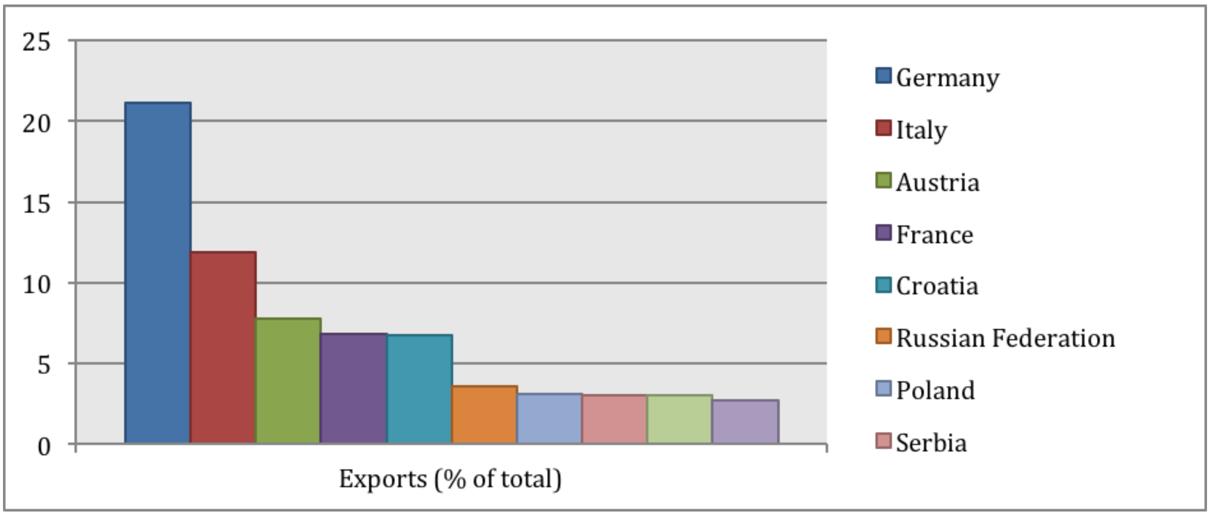
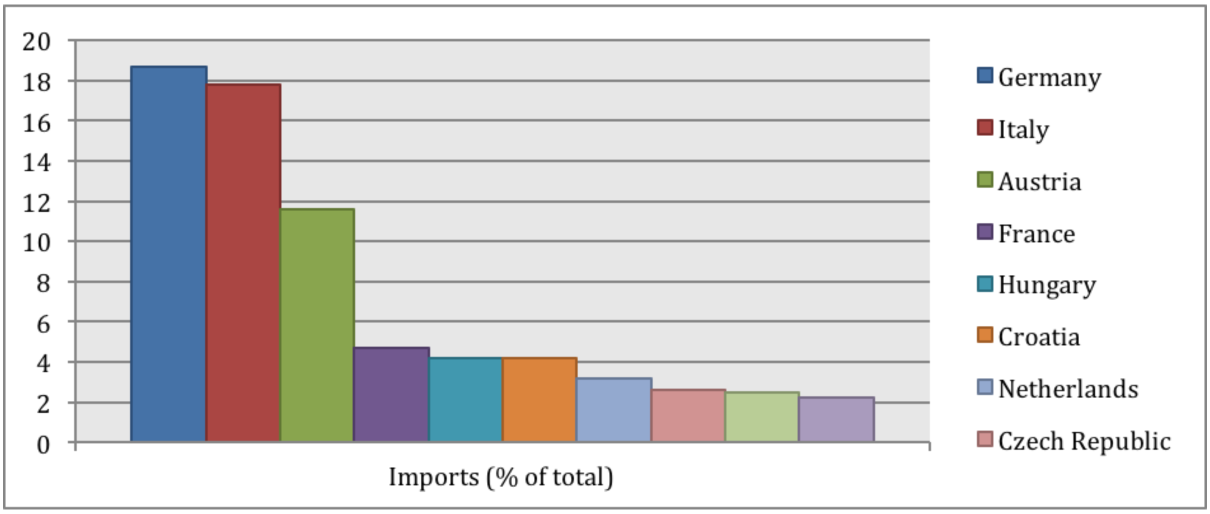


Table 4: Major external trade partners (imports, as of 2011)



From a quantitate point of view, Slovenia's economy comprises of a great majority of companies with national ownership. These, as of 2012, represent 96%. Though foreign affiliated companies are small in number, they nonetheless present an important share of the national economy. Foreign-controlled companies employed around 17% of all employees in non-financial activities and generated 25% of the total turnover. The most important sector was manufacturing. In 2013, it accounted for 12.1% of all companies with foreign capital, employing almost a half of all employees of companies with FDI. Employees at companies with foreign capital, on average, also enjoyed 11.8% higher wages that the overall average wage in Slovenia. Thus, though representing only 4% of the total number of companies, these companies comprise 20% of the total value of all enterprises.

Looking at the figures for 2013, we can see that 20% were controlled by Austria, 10% by Germany and 9% by Croatia and Italy each. The importance of foreign subsidiaries is therefore quite significant. Focusing on the share of net investment, we see that the stock of inward foreign direct investment (FDI) amounted to 8.9 billion euros in 2013, a contraction of 3.5% from the end of 2012. Foreign owners actually recorded their worst annual result – a loss of 8.4 million euros. Debt instruments accounted for 18.8% of all total direct investment on average in 2012 and for 22.1% in 2013. Again, the most important countries are Austria, Italy, Germany, France and, from the non-EU Member States, Switzerland. These countries invest the most in financial services by far (except insurance and pension funding).[5]

Going to Slovenia's FDI, it too experienced a record loss in 2013. In aggregate, the stock of outward foreign capital amounted to 5.1 billion euros; the loss from 2012 was 445.1 million euros. In other words, Slovenian-owned companies with outward foreign capital lost almost 10% in a year. Outward stock of FDI was actually generating loss already from 2009, i.e. from the onset of the on-going financial crisis. Of this capital, 75% was (at the end of 2013) in the former Yugoslav republics, and service activities had a 53.8% advantage over production.

It is noteworthy that among the general market capitalization and total net returns, few companies stood out particularly. From the industrial group point of view, by far the most important group were consumer goods that accounted for 78.66%, followed by business providers (18.76%) and basic materials (2.58%). Top-three constituents accounted for more than 90% of all market weightings. Among the top three, by far the most important is pharmaceutical company Krka with a market weight of 70.7%, followed by Telekom (telecommunications) with 16.6% market weight and by Gorenje (household goods and textile manufacturer) with a market weight of 4.4%.

5. Direct Investment 2013, Bank of Slovenia: https://www.bsi.si/publikacije/Neposredne_nalozbe-Direct_investment/NN_ang_13/index.html

Table 5: Euromoney Slovenia Index in euros, 2010 - 2014[6]

Year	Price	% Change	Net TR	% Change	Gross TR	% Change
March 2014	262.43	3.29 %	386.98	7.25 %	393.58	7.96 %
March 2013	225.87	20.00 %	320.47	29.51 %	323.75	31.25 %
March 2012	235.41	15.14 %	323.34	28.36 %	324.80	30.82 %
March 2011	319.59	-15.19 %	426.26	-2.63 %	426.27	-0.32 %
March 2010	377.58	-28.21 %	502.34	-17.38 %	502.35	-15.42 %

How are things looking from the employee point of view? Generally, the situation in the labour market continues to gradually improve. At the end of December 2014, the number of unemployed stood at 119,458, which is 3.7% lower than at the end of 2013. Both private and public sector employees have enjoyed a further increase in their gross earnings. In the private sector, gross wages increased by 1.5% and stood at 1.422 euros by the end of 2014. Wages in public sector increased by 0.5% and stood at 1.773 euros by the end of 2014[7].

6. Euromoney Slovenia Index: http://www.euromoneyindices.com/

7. Slovenian Economic Mirror, December 2014, No.12, Vol.XX: http://www.umar.gov.si/fileadmin/user_upload/publikacije/eo/2014/SEM12_2014_splet1.pdf

Chapter 2: Economic Structure

Figures for 2014 show that Slovenia's labour force stood at 918,083, of which 805,523 were persons in employment, out of these 157,959 were public employees. In other words, approximately 17% or almost a fifth of Slovenia's labour force was made up of public employees.[8] At the end of 2013. total general government expenditure as a percent of GDP was 59.7%, a significant rise from 2012 (48.1%), thus being the highest among all EU Member States (second was Greece with 59.2%).[9] We will later see that this was attributable to a massive financial injection given to the banking sector.

State ownership is still significant in Slovenia, generating 1/6th of the value added of the economy and employing one out of eight people in the corporate sector. The Republic of Slovenia owns (directly or indirectly) some 80 companies, the majority of these stakes consolidated in fully state-owned funds such as KAD (pension fund), SOD (restitution fund), DSU (former Development Corporation) and PDP (a fund to manage distressed assets). Management of state owned or controlled companies was until recently centralized in Capital Assets Management Agency (AUKN); in 2013 this management structure was temporarily replaced by the state fund SOD[10].

In June 2014, SOD was transformed into Slovenian Sovereign Holding (SDH). SDH has four main objectives: a) denationalization, i.e. participating in proceedings regarding the determination of compensation for confiscated property, b) settling of liabilities on behalf and for the account of the Republic of Slovenia; c) capital assets management, debt investments and risk management, and d.) privatization. In its last country report, OECD commended Slovenia for achieving: *"An important breakthrough was achieved with new legislation enacted in April 2014, which allows a new, centralized entity, the Slovenian Sovereign Holding (SDH), to become operational even if Parliament cannot agree on the asset management strategy proposed by the government".* Furthermore, OECD's report also takes notice of the SDH *"capacity to manage and dispose of remaining state-owned assets".*[11]

8. Stat'o'Book, Statistical Overview of Slovenia in 2014: http://www.stat.si/doc/pub/Statobook.pdf

9. EuroStat: http://ec.europa.eu/eurostat/web/national-accounts/statistics-illustrated

10. ECFIN Country Focus, Slovenia. State-Ownedand State-Controlled Enterprises: http://ec.europa.eu/economy_finance/publications/country_focus/2013/pdf/cf_vol10_issue3_en.pdf

11. »Better Policies« Series, Slovenia reforms for a strong and sustainable recovery: http://www.oecd.org/slovenia/2014-05-Better-Policies-Slovenia-EN.pdf

It comes as no surprise that public procurement is an important share of Slovenia's GDP. According to reports gathered by Slovenia's Statistical Office in 2013, 1424 contractors issued calls for public procurement. Their total value was 3.9 billion euros, i.e. 11.3% of the total GDP[12]. In 2014, the government deficit contracted by 299 million euros, accounting for 3.4% of GDP, while government revenue increased by 5.2%, or 764 million euros. The majority of the increase was on account of higher revenues from taxes, especially corporate income tax, VAT and personal income tax. The 2.9% (465 million euros) growth of government expenditure in 2014 was mostly due to higher capital expenditure and interest payments. On the 20 February, the National Assembly approved the revised state budget for 2015. In comparison to the one adopted in November 2013, the new one is based on more optimistic forecasts for economic activity, while taking into account loss of tax revenues because of non-implementation of the real estate tax. On the expenditure side, the revised 2015 budget makes adjustments in some areas of expenditure that were set too low in the former budget (especially payment of interest rates for servicing Slovenia's debt), and to a much greater extent, increases due to the completion of projects within the framework of the 2007–2013 EU financial perspective. Though the revised budget projects a higher deficit than in 2014, government still plans to bring the deficit below the 3% of GDP, commanded by the Maastricht Treaty[13].

Though there were some ambitions to introduce the flat tax, these were resolutely rejected and Slovenia kept progressive taxation. All categories of income, except income from capital, rental income and income deriving from business, for which the tax base is determined using lump-sum deductions, are annually aggregated and taxed synthetically at the following progressive rates (tax schedule for 2013)[14]:

12. Statistical report on public procurements issued in 2013: http://www.djn.mju.gov.si/resources/files/Letna_porocila/Stat_por_JN2013_IN.pdf

13. Slovenian Economic Mirror No. 2 / Vol. XXI / 2015: http://www.umar.gov.si/fileadmin/user_upload/publikacije/eo/2015/SEM_FEB2015_splet.pdf

14. Tax Administration of The Republic of Slovenia: http://www.durs.gov.si/en/angleske_strani/personal_income_tax/tax_rate/

Table 6: Personal Income Tax

Tax base		Tax Rate		
Over	To			
	8,021.34 eur		16 %	
8.021.34 eur	18,960.28 eur	1,283.41 eur +	27 % above	8.021.34 eur
18.960,28 eur	70,907.20 eur	4,236.92 eur +	41 % above	18.960.28 eur
70.907,20 eur		25,535.16 eur	50 % above	70.907.20 eur

The general corporate tax rate is 17% and social security contributions are compulsory for both employers and employees. Rates are as shown in the Table 7.

Table 7: Social Security Contributions

Rates for social security contributions		
Fund	**Employee (%)**	**Employer (%)**
Pension insurance	15.50	8.85
Health insurance	5.96	5.96
Unemployment	0.14	0.06
Maternity leave	0.10	0.10
Total	22.10	16.10

Let us now focus on the largest Slovenian companies in 2013. Petrol d.d. (Petroleum company) continues to be Slovenia's largest company, with 3.3 billion euros of sales in 2013. Petrol had strong growth of 14.1%, and was among 36 Slovenian companies in 2013 that managed a revenue growth rate over 10%. Evidenced by consolidated reports, Petrol earned 3.9 billion euros, which puts the largest Slovenian company on 28th place in the region of Central and Eastern Europe. Krka d.d. (TOP300: rank 5) remains the company with the highest net profits: in 2013, it exceeded 164 million Euros. Krka is Europe's fifth largest generic drug manufacturer and has been, for years, one of Slovenia's most stellar performers. Among the companies on the list, Mercator, d.d., Slovenia's biggest retailer, was sold in 2014 to the biggest retail company in the region, Croatian Agrocor, d.d.

Table 8: 5 largest Slovenian companies in 2013[15]

Rank	Company	Sales Revenues	Net profit	Employees	Growth 2012/13
1	Petrol d.d.,	3,280,643,173	30,195,459	683	14.1%
2	HSE, d. o. o.,	1,651,449,882	86,778,931	126	44.0%
3	Mercator, d. d.,	1,494,938,703	-35,599,370	9,645	-11.2%
4	Gen-I, d. o.o.,	1,279,929,573	6,154,166	149	52.7%
5	Krka, d. d.,	1,138,120,642	164,672,756	4,460	6.4%

Regional disparities have widened in Slovenia since 1999. However, because of higher social transfers to the poorest regions, growing inter-regional commuting, regional gaps in per capita households have actually declined. The eastern regions in Slovenia generally have lower per capita GDP than the western regions. The capital region, Osrednjeslovenska, is the richest region with per capita GDP in 2008 equivalent to about 142% of the national average, while Pomurska in the extreme east is the poorest with per capita GDP about 65% of the national average. The east-west discrepancy is actually not that severe, since it is buffered by the fact that two of the poorest regions, Zasavska and Notranjsko-kraška, border the capital region (see the map of Slovenia's regions below).

15. TOP 300 The Largest Companies in Slovenia: http://www.investslovenia.org/info/news-media/e-newsletter/e-newsletter-october-2013/top-300-slovenian-companies/

Statistical Regions of Slovenia

The asymmetry in developments Slovenia's regions is mainly reflected through developments in three regions: a slight improvement in the relative position of Osrednjeslovenska, and a marked worsening of the relative position of Zasavska and Pomurska (the two poorest regions). The per capita GDP of Pomurska relative to the national average fell from 75% to 65% during 1995–2008, and the drop for Zasavska was much steeper, from 85% to 65%.[16]

Due to the country's small and open market, local companies have also had to heavily rely on international supply chains. As an EU Member State, Slovenia is obliged to further internationalise its economy.[17] Measures introduced by the public agency for promoting internationalisation include: providing information on web portals; educating companies about the knowledge needed and steps to be taken before entering foreign markets; organising inward and outward business delegations, presentations, conferences, and seminars; co-financing the activities of business clubs abroad, etc.

16. Bank of Slovenia, Regional Disparities: https://www.bsi.si/en/publications.asp?MapaId=716
17. Program for Stimulating the Internationalisation of companies for the Period 2010 – 2014

Chapter 3: Political Structure

The Republic of Slovenia has been a parliamentary representative democratic republic since 25 June 1991. The present Constitution of the Republic of Slovenia was adopted on 23 December 1991, following the results of the plebiscite on the sovereignty and independence of Slovenia on 23 December 1990, when Slovenes overwhelmingly voted for independence. Slovenia became an EU member on 1 May 2004, and Slovenia adopted the euro on 1 January 2007. Incumbent President of the Republic (elected for a maximum of two, five-year terms by direct elections) is Borut Pahor (elected in December 2012). Pahor was a longstanding president of the Social Democrats, President of National Assembly, member of European Parliament and Prime Minister. The National Assembly consists of 90 deputies. Out of these, the Italian and Hungarian minorities each have their own MP.

The National Council, or Lower House, which doesn't have much political power and functions as a kind of advisory board, consists of 40 elected representatives of employers, employees, farmers, tradesmen and the self-employed, as well as representatives from the non-economic sector and local interest groups.[18] The incumbent government of Prime Minister Miro Cerar has 14 ministers and 2 ministers without portfolio. The ruling coalition is made up of three parties: the Party of Modern Centre (SMC), Democratic Party of Pensioners of Slovenia (DeSUS) and Social Democrats (SD). The judicial system is made up of general and specialized courts; there are 11 regional public prosecution offices, four higher public prosecution offices and the Office of the State Prosecutor General of the Republic of Slovenia. The Constitutional Court comprises nine elected judges, each for a (non-renewable) term of nine years.

The capital and by far the most important city in Slovenia is Ljubljana, with a population of some 270,000 people and with an additional several thousand daily commuters from the outskirts of the capital and nearby regions. Slovenia is divided into two cohesion regions, the Western one being the more developed one. It has (as we have seen in the map of "Statistical Regions of Slovenia) 12 statistical regions. The state is further divided into 58 administrative units that are under the sovereignty of the general state. Perhaps most peculiar is the state of affairs regarding the number of municipalities. Slovenia is most likely among the record-

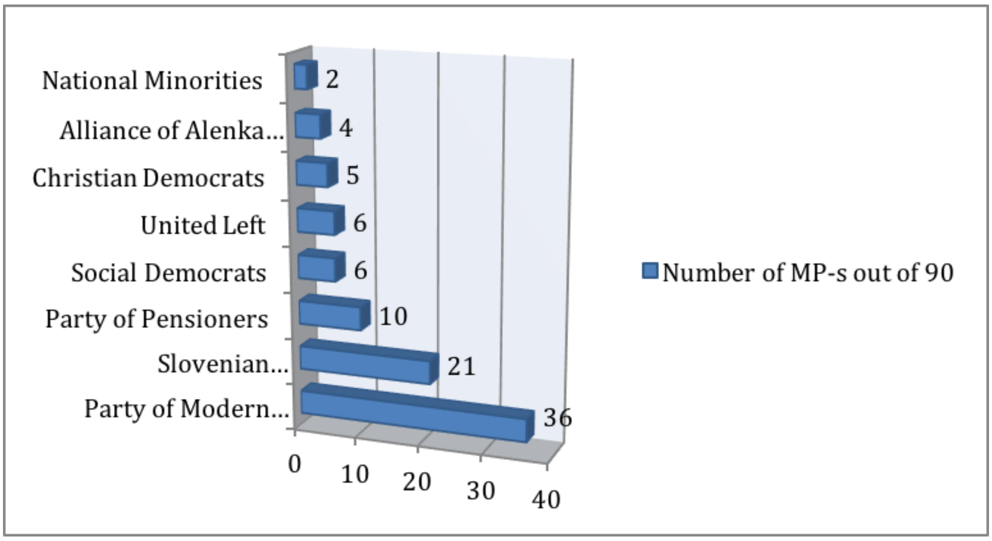
18. http://www.slovenia.si/slovenia/state/

holders, not just among European countries, but in the whole world, in regards to its fragmentation of local self-governance. Slovenia has 212 municipalities, of which as many as 109 have fewer than 5.000 inhabitants, as required by article 13.a of the Law on Local Self Government.[19] This intense fragmentation of local governance had no justifiable rationale but was rather driven by the political interests of local and state politicians. Actually, until recently, MPs could be the mayors of municipalities and a great number of them were holding both positions. This changed in 2011, and the two positions are now incompatible. However, it is understood that many particular and local interests have been driven over the national and universal interests of the state. The middle-man, regions, are dysfunctional and actually don't have any meaningful political role. Indeed, regional divisions are only of statistical value.

Among the seven incumbent political parties that entered parliament in the early elections of July 2014, all have their European equivalents. The ruling Party of Modern Center is an all-time winner with 36 MPs. At the EU level, it is a member of the ALDE group. Alliance of Alenka Bratušek (Zaab), party of the former prime minister is another ALDE member. Democratic Party of Pensioners of Slovenia (DeSUS) is officially not affiliated with any political group in European Parliament, though their MEP is again a member of ALDE. The party, as such, has been a member of all governments, regardless of their political orientation, over the last ten years. It is a strictly interest-based party that is mainly concerned about safeguarding the rights of pensioners. As such, it is perhaps more at home in the Social Democrat camp than the liberal one. The only Slovenian party that is member of the Party of European Socialists are Social Democrats. The largest opposition party, Slovenian Democratic Party (SDS) as well as Christian Democrats (NSi) are both members of European Peoples Party. The coalition of left-wing parties, United Left (ZL) is not yet a member of any EP group, though it has clear affiliation with the Party of European Left (the later also supported ZL during European Elections).

19. Possibilities to reform the system of municipalities in Slovenia

Table 9: Results of early parliamentary elections, July 2014



As we have seen, the share of State Owned Enterprises is still substantial, as is the corresponding political influence each respective government wields over these enterprises. This argument is usually used by the proponents of the privatization process, the rationale being that these companies are suffocated by the political yoke and need to be liberated through privatization. Since Slovenia had a specific and very gradual transition towards market capitalism, it can be best understood through the analysis of Branko Bembič, who showed that through Slovenia's transition, two competing elites have emerged: the neoliberal (comprador) and the national bourgeoisie. In comparison to other countries in Eastern Europe, the national bourgeoisie prevailed. Its success was tied to Slovenia's transitional specificity that ensured its gradualism, i.e. the tripartite (state, capital, labour) social dialogue and the consequent social compromise. The emerging neoliberal comprador elite, on the other hand, laid its hopes in 'exogenous shock' related to Slovenia's accession to the EU and EMU, which was expected to disrupt the established balance of power. This hadn't occurred, but the comprador bourgeoisie did enjoy its moment when the crisis dramatically disrupted Slovenia's economy. Social dialogue was more or less suspended, and through austerity measures and the sanation of the banking sector, many neoliberal policies the neoliberal elite were arguing for have been introduced.[20]

The above tripartite division into Liberal (SMC, Zaab), Social Democrat (SD, Desus)

20. Crisis as an Opportunity to Knock Out the State, Branko Bembič

and conservative (SDS, NSi) political pillar was disrupted by the introduction of the new, socialist pillar in the form of the United Left. This perspective is also most useful in understanding the political programs and concrete policy proposals of respective parties. Liberal and Social Democrat pillars are economically trying to promote neoliberalism with a human face. Culturally, they share the values of The National Liberation Front (popular resistance front during the Second World War and still an important political and social demarcation line). The conservative bloc (SDS and NSi) advocates pure neoliberalism and promotes it as a virtue in its own. Culturally, they challenge the predominant interpretation of resistance during the Second World War. They argue collaborators with the occupier were actually defending the homeland against the communist revolution.

United Left, as an aspiring proponent of socialist thought and policies for the 21st century, is original in both aspects. Instead of privatisation and austerity measures, it tries to introduce the ideas of workers ownership, workers self-management and even socialization of the banking sector, as we will see in the last chapter. As a socialist alternative, it affirmatively speaks about resistance during the Second World War, not just from a cultural perspective (as the liberal and social democrat pillars do) but also from the economic and social perspectives. United Left argues that the anti-fascist struggle was inherently a struggle to transcend bourgeois society and build a path towards socialist development through social revolution.

Regarding the institutional support for socio-economic development, the SID Bank (Slovenian export and development bank) plays the most important role. It was established in 1992, at the time under the name Slovene Export Corporation, with its main mission being providing insurance and financing for export by Slovenian companies. SID's primary orientation is to be complementary to the financial market, especially in areas that are not covered by the market itself and have a clear developmental dimension. It also actively promotes those segments of industry and markets in which Slovenia has a competitive advantage.[21]

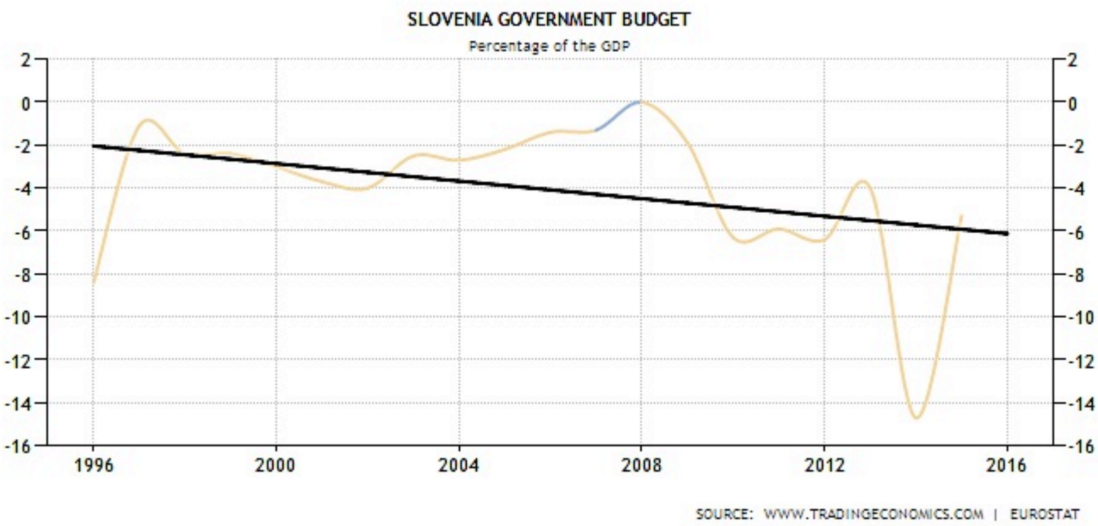
21. SID http://www.sid.si/about-sid-bank

Chapter 4: Structure of the Debt

We have already addressed some key aspects regarding Slovenia's debt, following the analysis provided by Sašo Furlan.[22] We can best understand the trajectory of the Slovenian economy in the last 20 years if we divide it into consecutive periods. The first lasted for ten years, from 1994 to 2004. It was a time of stabilization from the turbulent period immediately after the breakup of Yugoslavia, marked by high inflation, record unemployment and overall economic depression. After 1994, the macroeconomic situation stabilized. Average GDP growth was around 4%, sovereign debt never exceeded 30% of GDP. In 2004, Slovenia entered the European Union and in 2007 was the first among new Member States to adopt the euro.

This second period, lasting from 2004 to 2008, was marked by accelerated, debt-fuelled economic growth. In 2007, GDP growth was at a record 7%. In just five years, Slovenia's deficit almost tripled, from 2.4% of GDP in 2004 to 6.1% of GDP in 2009.

Table 10: Results of early parliamentary elections, July 2014

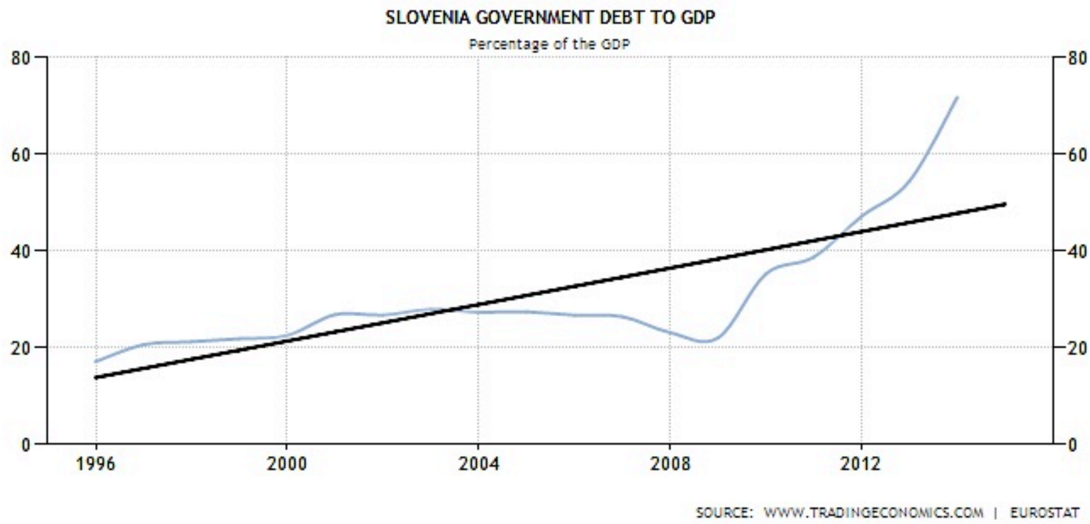


The third period, from the crisis of 2008 to 2013, was marked by dramatic contraction of economic activity (exports decreased by 16.1% in 2009) and GDP was at a devastating -7.9% in the same year. From 2008 to 2013, unemployment more

22. http://www.troikawatch.net/the-slovenian-banking-and-debt-crisis/

than doubled, from 4.4% to 9.6%. Accordingly, the government debt to GDP ratio started to dramatically increase, from 22% in 2009 to 78.1% in at the end of third quarter of 2014[23].

Table 10: Results of early parliamentary elections, July 2014



It is too early to tell if 2014 marks the beginning of a new period, one of economic recovery, but for the time being the macroeconomic trends appear to be gradually improving (continuous growth of GDP, slow but steady reduction in unemployment, stabilization of public debt and a gradual decrease of the deficit). In its report on the stability of banking sector, Bank of Slovenia warns against too much optimism:

"Credit risk remains high and very significant, although the resolution of non-performing claims is stabilising the situation. There needs to be a focus on banks' income risk, which is increasing in an environment of low interest rates, contracting balance sheets, aversion to the take-up of credit risk and increased corporate financing in the rest of the world.[24]"

Average inflation at the end of 2014 was merely 0.2%, and services became more expensive (+2.8%), while commodities were cheaper (-1.0%)[25].

23. http://www.stat.si/StatWeb/glavnanavigacija/podatki/prikazistaronovico?IdNovice=6745
24. Stability of the Slovenian Banking System: https://www.bsi.si/en/publications.asp?MapaId=1357
25. SURS: http://www.stat.si/StatWeb/glavnanavigacija/podatki/prikazistaronovico?IdNovice=6751

Chapter 5: Population

As of January the 1st of 2014, one third of Slovenia's population was retired. Among an active population of 925,918, employed represented 86%. Among the non-active population older than 15 years, retired accounted for almost two thirds (64%) or 536,896 people. Education of the employed was, on average, higher than the education of the unemployed, while female retirees had a lower average education than their male counterparts did. Table 11 shows a more detailed overview of the educational structure of Slovenia's population. The unionization of Slovenia's workforce is relatively high, with almost a third of the workforce being part of a union. These are however fragmented; seven separate union confederations exist, although one of them, ZSSS (Alliance of Free Unions of Slovenia) is clearly dominant.

Regarding the material (in)equality of population, Slovenia is among the countries with the highest rates of equality. In 2005, the upper 20% of households possessed 33.8% of all disposable income. In 2012, this figure was slightly lower with 33.5%. On the other hand, the lowest fifth of households possessed 9.9% of all disposable incomes in 2005, remaining almost the same as in 2012, with 9.8%. The Gini coefficient was at 23.7 in 2005, going down to 23.7 in 2012. This makes Slovenia one of the least unequal countries in Europe. Nevertheless, a percentage of population below the poverty line increased from 12.2% in 2005 to 13.5% in 2012. If the latter figure of 270,000 people is added to the 71,000 people just above poverty line but still seriously materially deprived and 50,000 people living in households with very low work intensity (above the poverty line and not seriously materially deprived), we see 392,000 people who are either below the poverty line or socially excluded.

Among the households, the ones without active work members and the ones with dependent children were among those in greatest danger of being below the poverty line. Regarding the type of household, single person households and one-parent households were most likely to be below the poverty line. Regardless of gender, unemployed persons were in greatest danger of being poor. Every fourth woman over 64 years was also under the poverty line. Of households, 68% lived in their own apartment. Although private owners owned around 90% of apartments, only 2/3 of households lived in their own apartment. On the European scale, Slovenia is among the countries with an extremely low proportion of rented apartments, representing only 9% of the ownership structure or relations. Men tend to remain in primary household longer than women do. After the age of 40, there are actually twice as many men still living in the primary household as there are women[26].

Migration is not a significant part of Slovenia's economy, as the Table 12 clearly shows, though an ever-greater proportion of people, especially among youth, tend to seek job opportunities abroad. Predominantly in neighbouring countries, especially Austria and Italy (among the European countries per se) Germany is still the most important and sought after destination, with some 50,000 Slovenians living there[27].

Table 13: Migration flows

	2000	2010	2011	2012
Immigrants	6185	15416	14083	15022
Emigrants	3570	15937	12024	14378
Net migration	2615	-521	2059	644
Net migration per 1000 population	1,3	-0,3	1,0	0,3

26. Ljudje, družine, stanovanja: http://www.stat.si/doc/pub/Ljudje_druzine_stanovanja.pdf
27. Slovenia in figures 2013 http://www.stat.si/doc/pub/slo_stevilke_13.pdf

Chapter 6: Labour Market

In previous chapters, we have already addressed some main facts and figures regarding the (un)employment of Slovenia's labour force and its general characteristics. Let us now focus on some of its specificities. A notable and positive figure is that, among all EU Member States, the gender gap was lowest in Slovenia, with a 7.1% discrepancy between the average male and female wages.[28] According to the latest OECD figures, Slovenia's men are also in first place regarding the amount of time they daily devote to household chores. Among the most problematic aspects of the labour market is the issue of precarious work. Among the age group between 15 to 64 years of age, Slovenia is above the EU average in regards to the proportion of precarious employments.[29] The figure remained above the EU average for the last decade, being at 13.8% as of 2013. The share of precarious employments is higher among women than men and the difference is bigger than EU average. The situation is especially alarming among youth, which actually has the highest share of precarious employment among all their European counterparts.[30] This is caused mainly by the regime of student work that has become a kind of social corrective and an important source of income, not just for the students themselves, but in many cases their families as well.

A student job is a job each person with student status is able to apply for. Originally, it was meant to be a source of additional income for studying youth, a part-time afternoon or evening job. In the last years, however, with the deteriorating situation on the labour market and ever more difficulty in finding a job when one finishes one's education, student jobs became an important segment of the labour market on their own. Although student work recently underwent some changes, it basically still remains one of the cheapest and most flexible types of employment and has a very limited degree of rights and benefits attached to it. Precisely because of that, it is very popular among the employers, who in many cases abuse it to get a highly skilled workforce that is responsible for a type of work for which a regular job should be established. Since there is an endless supply of such a workforce, employers can afford to have a permanent reserve army of student labour. Agencies that provide

28. http://ec.europa.eu/eurostat/statistics-explained/index.php/Gender_pay_gap_statistics
29. Poročilo DS za spremljanje učinkov sprememb v regulaciji trga dela v letu 2013
http://www.mddsz.gov.si/fileadmin/mddsz.gov.si/pageuploads/dokumenti__pdf/dpd/Analiza_trg_dela_SL.pdf
30. Začasne zaposlitve: http://www.umar.gov.si/fileadmin/user_upload/publikacije/pr/2014/IV/4_4.pdf

these types of employment and are the middlemen between students and employers have a strong financial interest in maintaining this type of employment. As do the Slovenian student organizations that are financed through being entitled to a share of the money earned in such a way. The history of protests in Slovenia shows a strong resistance to flexible forms of employment and indicates that there is a great need for job security. In 2010, over 30% of employed persons were employed in one of the flexible forms of employment, a 25% increase since 2000.[31] On the other hand, activity among the elderly is, with 51%, among the lowest in the EU (second only to Malta), the EU average in 2012 being 63%. Minimum wage in Slovenia is 784 euros.

31. From traineship to retirement: http://www.stat.si/doc/pub/07-RP-127-1301.pdf

Chapter 7: Welfare-State Structures

Again, we have already addressed numerous aspects of Slovenia's welfare-state structures; we have seen that despite the deteriorating macroeconomic position, social inequality is among the lowest in the world. Though one must be cautious about this macroeconomic picture, since it can be quite misleading, as we have seen in the case of Slovenia's youth regarding job security, the worst off in the whole EU. Slovenia has well-established and, contrary to popular belief, efficient structure in its welfare-state. Health care legislation that was passed in 1992 introduced a system of universal health care that is compulsory for all citizens of the Republic of Slovenia that have their residence in the territory of Slovenia. Health insurance by Law guarantees insured persons payment of health services, sick pay during temporary absence from work and reimbursement of travel expenses tied to obtaining health services.[32]

Under the Pension and Disability Insurance Act, which has been in force since January 2000, the system of retirement is similar to that elsewhere in Europe. A new, three-pillar system of pension and disability insurance has been implemented, with the principle of solidarity – greater rights are enjoyed by those insured persons who, in terms of the extent of their insurance, would receive so little that their social security would be at risk. The carrier and provider of compulsory pension and invalidity insurance in Slovenia is the Institute of Pension and Invalidity Insurance of Slovenia. The Institute is the largest public fund from within the national budget in Slovenia. Education at the first (elementary schools) and second level (high schools) is universally free, as is the first and second degree one can obtain through the Bologna University system. The third, or PhD Level, is however not free of charge, although a majority of faculties, with the state/EU funds, provide some subvention for students so they normally don't have to pay the full tuition fee. Vocational schools are also free of charge and are mainly set as programs for obtaining theoretical and practical skills in a specific field or craft.

At the end of the country profile, we can pinpoint a few other statistics that are worth mentioning and stand out. The sphere of culture is quite strong in Slovenia and tends to be a bedrock of national identity. According to some statistics, Slovenia, with around 1780 books published per year, per million people, is second only to

32. Health insurance institute of Slovenia: http://www.zzzs.si/indexeng.html

United Kingdom (2870 books per million, per year). Which makes Slovenia far ahead some much bigger nations, e.g. Germany (1160), Italy (1020), and France (1010)[33]. Slovenians also stand out with an average number of languages a person is able to speak, the average being 3. This positions it at the very top of EU countries, second only to Luxembourg, with 4 languages, and sharing second place with Netherlands and Denmark[34].

Unfortunately, we are going to end with a set of gloomier statistics that nonetheless complement a general overview of the country's profile and have been statistically significant for a long time already. According to OECD and WHO statistics, Slovenia is fifth among EU countries in regards to a number of patients (204) that a single psychiatrist has. The 2.04% of the population seeing a psychiatrist positions Slovenia even further up among EU countries.[35] According to a Gallup poll, conducted in 2012, Slovenia is also among top three most pessimistic nations in the world, first being Greece and second Czech Republic. In Slovenia, 32% of the people included in the survey said that they see their future lives worse than their current lives.[36] Unfortunately, the Slovenian suicide rate complements these figures. Slovenia is among the world countries with highest suicide rates, among the OECD countries it is in 4th place, well above average.

33. http://jakubmarian.com/number-of-books-published-per-year-per-capita-by-country-in-europe/
34. http://jakubmarian.com/average-number-of-languages-spoken-by-the-eu-population/
35. http://www.statista.com/chart/1679/portugal-has-the-eus-busiest-psychiatrists/
36. http://www.statista.com/chart/1298/gloomy-greeks-remain-the-worlds-most-pessimistic-nation/

Chapter 8: Alternative Industrial Policy

Slovenia being a part of the European Union and Eurozone, has a rather limited manoeuvering space for introducing any alternative fiscal policies that could foster a different industrial development than the one going on. Of course, monetary policy is even further away from any meaningful influence by national political forces, not to mention the provisions of the Maastricht Treaty, the so-called Maastricht straitjacket. If one adds the immense willingness of Liberal, Social Democrat and Conservative bloc to comply with Brussels directives, even in cases where certain national autonomy could have been exercised, the picture seems bleak indeed. However, the potential for a different development laying ground for an alternative, more progressive industrial development that would actually benefit people, does exist nonetheless. Firstly, Slovenia is currently enjoying an improved macroeconomic picture, though the positive trend is fragile and very much dependent on foreign markets (especially Germany) over which Slovenia doesn't have any influence. The trend is still here and still encouraging in comparison to the macroeconomic development in the last couple of years. Most importantly, the prospect of having to apply for the help of the Troika is now off the agenda. Unionization and the proven strength of the trade unions to block the most socially devastating policy proposals (above all, the rejection of the idea of a flat tax), is another important factor that needs to be taken into account. As is the fact that important and some crucial strategic parts of Slovenia's economy and infrastructure is still owned by the state (telecommunications, the biggest banks, etc.).

The abovementioned political blocs have a clear tendency to finish the privatization of these state assets, while lacking any meaningful industrial policy after the sale of these companies. Some are quite open about continuing with the privatisation of social services, the health system, education system, etc. The only significant political force that opposes such development is the coalition United Left (ZL). Apart from numerous policy proposals that are aimed at improving the situation of those hit the hardest by the crisis, ZL also advocates an alternative perspective of industrial development. The fact that the so called "Bad Bank", where all the non-performing loans have been accumulated, already exists needs to be taken into account. What, however, can still be a matter of debate and struggle is how these non-performing loans will be sanctioned. Government argues it will get the money back through privatizing these assets, which incidentally never was the case in similar situations in other EU countries, perhaps a third of the invested capital was returned through privatization. The incumbent plan thus basically writes another *blank cheque,* to continue with the same business behaviour that fuelled the crisis. Instead, the ZL proposes these assets that are effectively already nationalized and in state's possession remain such and are used for implementing workers' ownership, cooperatives and other alternative forms of ownership relations to benefit companies, their workers and general industrial development as such.

Being a group of six MPs, the United Left does not have any effective legislative, not to mention executive, power to implement such proposals. It can and it does foster a public campaign and media debate about the idea. Even a scenario in which ZL would be much more powerful in the National Assembly, perhaps even a part of ruling coalition, does not guarantee such proposals would be accepted without important obstacles. The main being the European Union as such and its local vassals. At the end of the day, any proposal of an alternative, leftist industrial development is not just a legislative matter. Even more importantly, it is a matter of the relations of political forces; as such proposals can be effectively introduced and efficiently conducted only with wider popular support. In general, the left cannot and should not rely too much on capitalist institutions, since they are inherently structured in such a way that they safeguard and expand the interests of capital. Instead the left, if it really aspires to build a different society, one not driven solely by the profit motive, needs to reinvent itself and build strong popular support. In Slovenia, this necessarily means engaging youth that is, as we have seen above, in the worst, most precarious situation in the whole of Europe. As youth has already overwhelmingly voted for the United Left, it has a responsibility to address this dire socioeconomic situation a whole generation faces and will gravely affect generations to come.

Mobilizing the army of the precarious labour force is, however, an important organizational and ideological challenge the left in general is facing nowadays. As of now, no satisfying and efficient solution has been found. In comparison to the traditional proletariat that could build its class-consciousness in the workplace that was a daily meeting point, precarious workers are in a situation that is essentially different. As a workforce, they are atomized and don't have a sense of the common situation they are all enduring. On the contrary, to one another, they usually pose a competitive threat. All this produces a lone and lonely worker that is in constant fear of losing their means of subsistence, losing its clients. This population atthe height of its strength is thus enslaved by capital's invisible but very much objective wage relations that cannot be challenged through one's individual action. Though some important civil society initiatives have been introduced to tackle this issue, and have consequently forced the trade unions to pay more attention to the problem of precarious work, at the end of the day, nothing substantial has changed.

Slovenian youth embodies the problems society is facing, more correctly is *not* willing to face, and are thus accumulating among youth. Changing and improving the socioeconomic situation of youth thus necessarily entails change and improvement of society as a whole. Any progressive industrial proposals will have to include as their driving force the people that these proposals would affect the most – youth. In order to do so, youth needs to become aware of its common socioeconomic situation and the common hardships that it is facing, but the awareness as such will not be enough. To a large degree, these issues are well-known, anyway. A qualitative break can only be achieved through a common organizational platform that will systematically and continuously advance the solution of these issues. This is perhaps the most important challenge United Left and trade unions in general will have to face and will determine whether an alternative development will be possible or not.

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