

**Address by Andrijana Starina Kosem, MA, state secretary at the Ministry of the Economy, at the conference of the Center for Strategic and International Studies entitled “Economic Cooperation and Investment Opportunities in Southeast Europe“**

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Dear guests, business and media representatives, ladies and gentlemen,

It is a special privilege to be able to address such a distinguished audience by outlining Slovenia's position on economic cooperation between Slovenia and the countries of the Western Balkans as well as the wider Southeast European region. It is also an honor to be able to give Slovenia's view of the countless investment and other opportunities that are becoming available in the key period of political stabilization, economic recovery and social transformation of the states in the region. Due to an extremely large number of various existing forms of cooperation and the short time at my disposal, I intend to limit my speech to those several key areas that should serve as a starting point for the subsequent discussion. In the first part of my contribution I will discuss the economic and regional cooperation in the light of Slovenia's strategic interest to stabilize and integrate the countries from the region into transatlantic organizations, while in the second part I will present the investment activities of the Slovenian economy and the obstacles that the country's investors have encountered during their activities. The final part of my speech will be dedicated to the presentation of Slovenia as an attractive country for direct foreign investment also referred to as DFI.

The Western Balkans and the wider Southeast European region is of strategic importance for Slovenia. Even though Slovenia's foreign trade is mainly oriented towards the EU market, which accounts for 68% of the country's exports and 81% of its imports, the Western Balkan countries represent Slovenia's second most important market in terms of trade, and account for 17% of our exports and 6.5% of our imports.

The trade between Slovenia and the countries in the region is expected to increase, mainly as a consequence of investment activities of Slovenian companies in the region. The total value of DFI by Slovenian companies into the countries of Southeast Europe stood at 1,711 million euros in 2005, or 57.7% of all Slovenian DFI in that year. The country's most popular investment destination is Croatia, which accounted for 47.1% of the investments into the countries of the Western Balkans, followed by Serbia and Montenegro with 29.9%, Bosnia and Herzegovina with 16.3% and Macedonia.

All of the major Slovenian companies do business in the markets of Southeast Europe, with small- and medium-sized companies, which focus on market niches, increasing their presence as well.

The competitive advantages of Slovenian companies in the countries of Western Balkans are based on history, economy and culture. Trademarks of Slovenian companies in these markets are already established, distinguished and recognizable. Slovenian companies furthermore have well-established distribution routes and business links, are familiar with the language and habits in the region and are better acquainted with the business environment than their competitors who come from non-Slavic countries. The general pattern of Slovenian investors' motivation for investing in Southeast Europe, as reflected in the interviews concluded with 26 foreign investors in the

countries that succeeded former Yugoslavia, is not much different, if at all, from the motivation for investing elsewhere. Market-related motivation, meaning getting access or increasing sales to the local and neighbouring markets is by far the most important.

The plans and trends of economic development, the export-oriented investors, the favorable effects of DFI on improving the competitiveness of investors and a growing share in the trade balance show that DFI and internationalization are in their broadest sense a result of long-term strategic planning. Some Slovenian companies see DFI into the countries of the Western Balkan as a stage on their path to create a global network of connections. Should Slovenian companies decide to forgo such internationalization, their competitiveness or, indeed, their very existence could soon come under threat in today's globalized environment. Therefore DFI also presents a lifeline for many Slovenian companies, while some of the country's investors have ambitions to become regional multinational corporations.

However, despite the evident progress in the macroeconomic stabilization of the region, as well as liberalization and small-scale privatization, there still exist many obstacles, which generate an adverse effect on the quality of the investment environment and, thus, on FDI inflows. A large number of these obstacles are the result of a slow implementation of reforms in the second phase of transition, involving the development of institutional infrastructure and privatisation, as well as the restructuring of enterprises and the financial sector.

Slovenia understands the challenges faced by the governments in the region in the transition process, as it had itself walked on the same path. It knows, from its own experience, that the road to a market-oriented and a democratic state, committed to joint values, is not an easy one and does not have shortcuts. However, it is, undoubtedly, the only right way to go. On its path towards NATO and EU membership, Slovenia has acquired a wealth of experience, which it also shares with the rest of the Western Balkan countries. The exchange of experiences and good practices takes place in markedly different areas, be it through bilateral agreements, through EU projects or through multilateral development organizations. The projects are not solely based on cooperation with state bodies in the recipient state, but also on partnerships with companies and various development, scientific and other institutions. Indeed, such goal-oriented projects, through which Slovenia is slowly being seen as a donor country, have multiplicative effects on investments as well.

It is a fact that Slovenia's membership in the EU and NATO brought a new quality into the relations with the countries in the region. Therefore Slovenia, as a NATO and EU member, has remained steadfast in its support for the open-door policy for all countries in the region, as we are convinced that transatlantic prospects are of key importance for the continuing development and retaining the stability of the region. The stability must moreover serve as the key guideline for the international community in solving open issues. Slovenia will strive to keep active the interest of the international community in the region and try to make sure that the community offers its support to the region in strengthening democracy, political, economic progress and well-being. Stability and progress of the region are both, in the interests of its individual states, as well as in the interest of Slovenia, the EU and the entire Euro-Atlantic community.

And finally, I would like to use this opportunity to explain in brief some of the activities of the Government of the Republic of Slovenia. Slovenia is opening itself to the world at an increasing pace, through internationalization of the country's companies on the one hand and through a clearly structured approach towards increasing the level of DFI on the other. At the same time the Slovenian government is also carrying out a programme of reforms, entitled „Slovenia tomorrow“. The purpose and the basic goal of the programme is to raise the competitive level of

the Slovenian economy, while at the same time keeping the macroeconomic and regulatory environment attractive and interesting for foreign investors.

Slovenia's geo-strategic location and its educated workforce, good connections with the regional markets and a quality transport and information infrastructure already make the country attractive for DFI.

I will close my speech by saying that many challenges still await the region. The challenges, however, have a common goal, that is to transform us into a dynamic and a globally successful region, to develop our competitive advantages and to use our geographic, natural and cultural advantages to the fullest. To achieve that, just following the goals of individual states will not suffice. The well-being of the entire region depends on close cooperation of all countries, based on mutual respect and equality.

Thank you for your attention.